

**TOWN OF SHAFTSBURY, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2019**

TOWN OF SHAFTSBURY, VERMONT  
 AUDIT REPORT  
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## Independent Auditor's Report

Selectboard  
Town of Shaftsbury, Vermont  
P.O. Box 409  
61 Buck Hill Road  
Shaftsbury, Vermont 05262-0409

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Town of Shaftsbury, Vermont as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise a portion of the Town of Shaftsbury, Vermont's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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 "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town of Shaftsbury, Vermont'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 Town of Shaftsbury, Vermont's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Basis for Adverse Opinion on the Financial Statements as a Whole***

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental and business-type activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements of the Town of Shaftsbury, Vermont's governmental activities have not been determined.

In addition, we did not audit the transfer station revenues because of inadequacies in the Town's controls over transfer station revenues. We were unable to obtain sufficient appropriate audit evidence about the completeness of the transfer station revenues in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund (stated at \$31,083) by other auditing procedures.

***Adverse Opinion***

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on the Financial Statements as a Whole" paragraphs, the financial statements referred to previously do not present fairly the financial position of the Town of Shaftsbury, Vermont, as of June 30, 2019, or the changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability on Schedule 2 and the Schedule of Contributions on Schedule 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

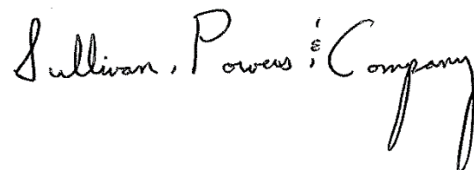
***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Shaftsbury, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by "Government Auditing Standards"***

In accordance with "Government Auditing Standards", we have also issued our report dated December 11, 2019 on our consideration of the Town of Shaftsbury, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Shaftsbury, Vermont's internal control over financial reporting and compliance.

December 11, 2019  
Montpelier, Vermont  
VT Lic. #92-000180



TOWN OF SHAFTSBURY, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General Fund	Cole Hall Renovation and Garage Fund	Listers' Reappraisal Fund	Fire Equipment Replacement Fund	Cemetery Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash	\$ 953,832	\$ 0	\$ 0	\$ 0	\$ 24,660	\$ 1,606	\$ 980,098
Investments	115,439	0	224,190	0	275,075	37,197	651,901
Receivables	114,570	0	0	0	0	47,373	161,943
Due from Other Funds	0	21,131	44,524	303,341	0	202,731	571,727
Prepaid Expenses	37,968	0	0	0	0	0	37,968
Total Assets	<u>\$ 1,221,809</u>	<u>\$ 21,131</u>	<u>\$ 268,714</u>	<u>\$ 303,341</u>	<u>\$ 299,735</u>	<u>\$ 288,907</u>	<u>\$ 2,403,637</u>
<b>LIABILITIES</b>							
Accounts Payable	\$ 67,221	\$ 18,742	\$ 0	\$ 0	\$ 0	\$ 9,216	\$ 95,179
Accrued Payroll and Benefits Payable	6,448	0	0	0	0	0	6,448
Due to Other Funds	635,258	0	0	0	0	31,720	666,978
Unearned Revenue	1,360	0	0	0	0	0	1,360
Due to Delinquent Tax Collector	7,528	0	0	0	0	0	7,528
Total Liabilities	<u>717,815</u>	<u>18,742</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>40,936</u>	<u>777,493</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Prepaid Property Taxes	9,220	0	0	0	0	0	9,220
Unavailable Property Taxes and Interest	82,000	0	0	0	0	0	82,000
Unavailable Grants	0	0	0	0	0	7,373	7,373
Total Deferred Inflows of Resources	<u>91,220</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,373</u>	<u>98,593</u>
<b>FUND BALANCES</b>							
Nonspendable	37,968	0	0	0	69,680	0	107,648
Restricted	0	0	0	0	230,055	131,006	361,061
Committed	0	2,389	0	303,341	0	110,528	416,258
Assigned	186,587	0	268,714	0	0	0	455,301
Unassigned/(Deficit)	188,219	0	0	0	0	(936)	187,283
Total Fund Balances	<u>412,774</u>	<u>2,389</u>	<u>268,714</u>	<u>303,341</u>	<u>299,735</u>	<u>240,598</u>	<u>1,527,551</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,221,809</u>	<u>\$ 21,131</u>	<u>\$ 268,714</u>	<u>\$ 303,341</u>	<u>\$ 299,735</u>	<u>\$ 288,907</u>	<u>\$ 2,403,637</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Cole Hall Renovation and Garage Fund	Listers' Reappraisal Fund	Fire Equipment Replacement Fund	Cemetery Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Property Taxes	\$ 1,596,888	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,596,888
Penalties and Interest on Delinquent Taxes	31,001	0	0	0	0	0	31,001
Intergovernmental	245,810	1,088	17,261	0	0	185,007	449,166
Charges for Services	40,220	0	0	0	625	0	40,845
Permits, Licenses and Fees	49,569	0	0	0	0	0	49,569
Fines and Forfeits	6,029	0	0	0	0	0	6,029
Investment Income	8,947	10,521	983	751	14,693	3,468	39,363
Donations	5,725	0	0	0	0	0	5,725
Other	1,077	0	0	0	0	1,000	2,077
<b>Total Revenues</b>	<b>1,985,266</b>	<b>11,609</b>	<b>18,244</b>	<b>751</b>	<b>15,318</b>	<b>189,475</b>	<b>2,220,663</b>
<b>Expenditures:</b>							
General Government	458,070	2,617	0	0	0	288	460,975
Public Safety	114,799	0	0	0	0	0	114,799
Public Works	825,255	0	0	0	0	0	825,255
Culture and Recreation	44,568	0	0	0	0	443	45,011
Cemetery	47,813	0	0	0	1,799	0	49,612
Solid Waste	151,343	0	0	0	0	0	151,343
Capital Outlay:							
General Government	0	65,567	0	0	0	0	65,567
Public Works	0	1,266,879	0	0	0	311,658	1,578,537
Culture and Recreation	0	0	0	0	0	8,426	8,426
Cemetery	0	0	0	0	0	16,500	16,500
Debt Service:							
Principal	82,792	50,000	0	0	0	0	132,792
Interest	4,375	32,860	0	0	0	0	37,235
<b>Total Expenditures</b>	<b>1,729,015</b>	<b>1,417,923</b>	<b>0</b>	<b>0</b>	<b>1,799</b>	<b>337,315</b>	<b>3,486,052</b>
Excess/(Deficiency) of Revenues Over Expenditures	<u>256,251</u>	<u>(1,406,314)</u>	<u>18,244</u>	<u>751</u>	<u>13,519</u>	<u>(147,840)</u>	<u>(1,265,389)</u>
<b>Other Financing Sources/(Uses):</b>							
Proceeds from Sale of Equipment	1,230	0	0	0	0	0	1,230
Insurance Proceeds	1,866	0	0	0	0	0	1,866
Transfers In	5,525	110,500	5,000	46,000	0	212,000	379,025
Transfers Out	<u>(323,500)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(20,525)</u>	<u>(35,000)</u>	<u>(379,025)</u>
<b>Total Other Financing Sources/(Uses)</b>	<b><u>(314,879)</u></b>	<b><u>110,500</u></b>	<b><u>5,000</u></b>	<b><u>46,000</u></b>	<b><u>(20,525)</u></b>	<b><u>177,000</u></b>	<b><u>3,096</u></b>
Net Change in Fund Balances	(58,628)	(1,295,814)	23,244	46,751	(7,006)	29,160	(1,262,293)
Fund Balances - July 1, 2018	<u>471,402</u>	<u>1,298,203</u>	<u>245,470</u>	<u>256,590</u>	<u>306,741</u>	<u>211,438</u>	<u>2,789,844</u>
Fund Balances - June 30, 2019	<u>\$ 412,774</u>	<u>\$ 2,389</u>	<u>\$ 268,714</u>	<u>\$ 303,341</u>	<u>\$ 299,735</u>	<u>\$ 240,598</u>	<u>\$ 1,527,551</u>

The accompanying notes are an integral part of this financial statement.



TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2019

	<u>Water Fund</u>
<u>ASSETS</u>	
Current Assets:	
Investments	\$ 32,092
Receivables	36,173
Due from Other Funds	<u>94,516</u>
Total Current Assets	<u>162,781</u>
Noncurrent Assets:	
Pumping Station	30,000
Meters & Meter Upgrades	40,000
Distribution System	443,000
Less: Accumulated Depreciation	<u>(73,900)</u>
Total Noncurrent Assets	<u>439,100</u>
Total Assets	<u>\$ 601,881</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 25
Accrued Payroll and Benefits Payable	175
General Obligation Bonds Payable - Current Portion	<u>9,861</u>
Total Current Liabilities	<u>10,061</u>
Noncurrent Liabilities:	
General Obligation Bonds Payable - Noncurrent Portion	<u>130,098</u>
Total Noncurrent Liabilities	<u>130,098</u>
Total Liabilities	<u>140,159</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	299,141
Unrestricted	<u>162,581</u>
Total Net Position	<u>461,722</u>
Total Liabilities and Net Position	<u>\$ 601,881</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Water Fund</u>
Operating Revenues:	
Charges for Services	\$ 133,166
Interest and Penalties	<u>1,566</u>
Total Operating Revenues	<u>134,732</u>
Operating Expenses:	
Salary and Wages	21,066
Outside Services	750
Repairs and Maintenance	480
North Bennington Water Charges	65,803
North Bennington Bond Assessment	15,688
Water Testing	1,133
Legal, Dues & Postage	869
Training and Travel	228
Operating Supplies	1,905
Utilities	848
Depreciation	<u>7,900</u>
Total Operating Expenses	<u>116,670</u>
Operating Income	<u>18,062</u>
Non-Operating Revenues/(Expenses):	
Investment Income	464
Interest Expense	<u>(4,485)</u>
Total Non-Operating Revenues/(Expenses)	<u>(4,021)</u>
Change in Net Position	14,041
Net Position - July 1, 2018	<u>447,681</u>
Net Position - June 30, 2019	<u><u>\$ 461,722</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Water Fund</u>
Cash Flows From Operating Activities:	
Receipts from Customers and Users	\$ 135,871
Payments for Goods and Services	(88,000)
Payments for Wages and Benefits	<u>(21,061)</u>
Net Cash Provided by Operating Activities	<u>26,810</u>
Cash Flows from Noncapital Financing Activities:	
Asset Management Grant Income	10,200
(Increase)/Decrease in Due from Other Funds	<u>(23,219)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(13,019)</u>
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on General Obligation Bonds Payable	(9,575)
Interest Paid on General Obligation Bonds Payable	<u>(4,485)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(14,060)</u>
Cash Flows From Investing Activities:	
Receipt of Interest and Dividends	<u>269</u>
Net Cash Provided by Investing Activities	<u>269</u>
Net Increase in Cash	0
Cash - July 1, 2018	<u>0</u>
Cash - June 30, 2019	<u><u>\$ 0</u></u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 18,062
Depreciation	7,900
(Increase)/Decrease in Accounts Receivable	1,139
Increase/(Decrease) in Accounts Payable	(296)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	<u>5</u>
Net Cash Provided by Operating Activities	<u><u>\$ 26,810</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2019

<u>ASSETS</u>	<u>Private-Purpose Trust Funds</u>
Cash	\$ 13,355
Investments	211,132
Due from Other Funds	<u>735</u>
Total Assets	<u>\$ 225,222</u>
<u>LIABILITIES AND NET POSITION</u>	
Liabilities:	\$ <u>0</u>
Net Position:	
Restricted:	
Held in Trust for Other Purposes	<u>225,222</u>
Total Net Position	<u>225,222</u>
Total Liabilities and Net Position	<u>\$ 225,222</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	Private-Purpose Trust Funds
Additions:	
Investment Income	\$ <u>11,012</u>
Total Additions	<u>11,012</u>
Deductions:	
Mary Monroe Hawkins Memorial Library Expenses	875
Recreation Project Expenses	3,725
School Expenses	1,127
Investment Fees	<u>1,405</u>
Total Deductions	<u>7,132</u>
Change in Net Position	3,880
Net Position - July 1, 2018	<u>221,342</u>
Net Position - June 30, 2019	<u><u>\$ 225,222</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SHAFTSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

The Town of Shaftsbury, Vermont, (herein the "Town") operates under a Selectboard form of government and provides the following services: public safety, highways and streets, culture and recreation, cemetery, solid waste, water, health and social services, public improvements, planning and zoning, and general administrative services.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except as noted as follows, the accounting policies adopted by the Town of Shaftsbury, Vermont conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental and business-type activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Town's governmental activities are not reasonably determinable.

### **A. The Financial Reporting Entity**

This report includes all of the activity of the Town of Shaftsbury, Vermont. The financial reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other entities that should be combined with the financial statements of the Town.

### **B. Basis of Presentation**

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

TOWN OF SHAFTSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

The basic financial statements of the Town include fund financial statements. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town and present a shorter-term view of how operations were financed and what remains available for future spending.

The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental, proprietary and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental funds:

General Fund – This is the Town's main operating fund. It accounts for all financial resources of the Town except those accounted for in another fund.

Cole Hall Renovation and Garage Fund – This fund accounts for financial resources to be used for the expenditures related to the renovation of Cole Hall and the new garage.

Listers' Reappraisal Fund – This fund accounts for the financial resources to be used for the Town's reappraisal.

Fire Equipment Replacement Fund – This fund accounts for financial resources to be used for the acquisition of fire equipment.

Cemetery Fund – This fund accounts for the fees paid to the Town for future costs associated with the cemeteries.

The Town reports on the following major enterprise fund:

Water Fund – This fund accounts for the operations of the Water Department.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Additionally, the Town reports the following fund type:

Private-Purpose Trust Funds – These funds are used to report trust arrangements under which resources are to be used for the benefit of individuals or other organizations. All investment earnings, and in some cases, the principal of these funds may be used to support these activities.

TOWN OF SHAFTSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**C. Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., total net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

**D. Basis of Accounting**

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

The proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under capital leases and sales of capital assets are reported as other financing sources.



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Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

Recognition of revenues on funds received in connection with loan programs are recognized when loans are awarded and expenses incurred in excess of current grants and program income. An offsetting deferred inflows of resources is recognized for all loans receivable. Loan repayment revenue is recognized as the loans are repaid.

#### **E. Use of Estimates**

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

#### **F. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity**

##### **1. Cash**

Cash balances of most Town funds are deposited with and invested by the Town Treasurer. The Town considers all short-term investments of ninety (90) days or less to be cash equivalents.

Excess cash of individual funds are shown as due from other funds and excess cash withdrawals are shown as due to other funds. Interest income is allocated based on the due from/to other funds balances.

##### **2. Investments**

The Town invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

##### **3. Receivables**

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

##### **4. Internal Balances**

Activity between funds that are representative of lending/borrowing arrangement that are outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due from/to other funds."

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**5. Inventories and Prepaid Expenses**

Inventory quantities are determined by physical count and are valued at the lower of cost or market.

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

Reported inventories and prepaid expenses of governmental funds in the fund financial statements are offset by a nonspendable fund balance as they are not in spendable form.

**6. Pensions**

For purposes of measuring the proportionate share of the net pension liability and the related deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS) plan and additions to/deductions from the VMERS' fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, "deferred outflows of resources", represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows of resources", represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

**8. Capital Assets**

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated acquisition value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Capital assets reported in the proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

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Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Estimated Service Life
Pumping Station	\$ 10,000	50 Years
Meters & Meter Upgrades	\$ 10,000	30 Years
Distribution System	\$ 10,000	50-75 Years

**9. Compensated Absences**

It is the Town’s policy to permit employees to accumulate earned but unused leave time. The accrual for unused compensated absences time, based on current pay rates, is recorded in the proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental fund financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

**10. Long-term Liabilities**

Long-term liabilities include bonds and notes payable, capital leases and other obligations such as the Town’s net pension liability. Long-term liabilities are reported in the proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current liabilities on their balance sheets.

**11. Fund Equity**

Fund equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in the proprietary fund financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances of governmental funds are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard’s intended use of the resources); and unassigned.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget changes during the year. The budget presented herein is for the Town’s “General Fund” only and does not include the Designated Fund, the Landfill Fund, the Professional Audit Reserve Fund and the G.W. Hawkins Fund activity that is included with the General Fund.

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**B. Budgeted Deficit**

The Town budgeted a current year's deficiency of revenues over expenditures in the General Fund in the amounts of \$4,420. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 1.

**C. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2019, expenditures in the General Fund exceeded appropriations by \$28,226. These over-expenditures were funded by available fund balance.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

The Town's cash and investments as of June 30, 2019 consisted of the following:

Cash:

Deposits with Financial Institutions	\$ 946,124
Deposits held by Investment Company	46,724
Cash on Hand	<u>605</u>
 Total Cash	 <u>993,453</u>

Investments:

Certificates of Deposit	256,282
Mutual Funds – Mixed Holdings	<u>638,843</u>
 Total Investments	 <u>895,125</u>

Total Cash and Investments \$1,888,578

The Town has four (4) certificates of deposit at People's United Bank ranging from \$7,147 to \$224,190 with interest rates of 0.40%. All certificates of deposit will mature during fiscal year 2020.

**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 any policy to limit the exposure to custodial credit risk. The mutual funds are in the name of the Town and are not exposed to custodial credit risk. The following table shows the custodial credit risk of the Town's cash and certificates of deposit.

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	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$ 546,724	\$ 546,724
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	<u>702,406</u>	<u>701,671</u>
Total	<u>\$1,249,130</u>	<u>\$1,248,395</u>

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

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$ 946,124
Cash – Deposits held by Investment Company	46,724
Investments – Certificates of Deposit	<u>256,282</u>
Total	<u>\$1,249,130</u>

**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 any policy to limit the exposure to interest rate risk. The Town's certificates of deposit are exempt from interest rate risk disclosure. The Town's mutual funds are open-ended and, therefore, are also exempt from interest rate risk disclosure.

**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. These organizations look at a number of factors in order to evaluate the risk of an obligation and rate the risk. The rating allows the investor to make informed buying and selling decisions. The Town does not have any policy to limit the exposure to credit risk. The Town's certificates of deposit are exempt from credit risk analysis. The Town's mutual funds are open-ended and are, therefore, also exempt from credit risk analysis.

**Concentration of Credit Risk**

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town has no investments subject to concentration of credit risk.

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**Fair Value**

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application." The hierarchy is based on the valuation inputs used to measure fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 – Unadjusted quoted prices for identical instruments in active markets

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

The Town has the following fair value measurements as of June 30, 2019:

Description	Total	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual Funds - Mixed Holdings	\$ 638,843	\$ 638,843	\$ 0	\$ 0
Total	\$ 638,843	\$ 638,843	\$ 0	\$ 0

**B. Receivables**

Receivables as of June 30, 2019, are as follows:

	General Fund	Non-Major Governmental Funds	Water Fund	Total
Delinquent Taxes Receivable	\$ 94,159	\$ 0	\$ 0	\$ 94,159
Penalties and Interest Receivable	19,089	0	0	19,089
Tax Sale Receivable	1,322	0	0	1,322
Grants Receivable	0	47,373	0	47,373
Billed Services	0	0	16,173	16,173
Unbilled Services	0	0	20,000	20,000
Total	\$ 114,570	\$ 47,373	\$ 36,173	\$ 198,116

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**C. Capital Assets – Water Fund**

Capital asset activity in the Water Fund for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Being Depreciated:				
Pumping Station	\$ 30,000	\$ 0	\$ 0	\$ 30,000
Meters & Meter Upgrades	40,000	0	0	40,000
Distribution System	<u>443,000</u>	<u>0</u>	<u>0</u>	<u>443,000</u>
Totals	<u>513,000</u>	<u>0</u>	<u>0</u>	<u>513,000</u>
Less Accumulated Depreciation for:				
Pumping Station	3,000	600	0	3,600
Meters & Meter Upgrades	14,665	1,333	0	15,998
Distribution System	<u>48,335</u>	<u>5,967</u>	<u>0</u>	<u>54,302</u>
Totals	<u>66,000</u>	<u>7,900</u>	<u>0</u>	<u>73,900</u>
Water Fund Capital Assets, Net	<u>\$ 447,000</u>	<u>\$ (7,900)</u>	<u>\$ 0</u>	<u>\$ 439,100</u>

**D. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2019 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 635,258
Cole Hall Renovation and Garage Fund	21,131	0
Listers' Reappraisal Fund	44,524	0
Fire Equipment Replacement Fund	303,341	0
Non-Major Governmental Funds	202,731	31,720
Water Fund	94,516	0
Private-Purpose Trust Fund - Florence Beebe Memorial Fund	<u>735</u>	<u>0</u>
Total	<u>\$ 666,978</u>	<u>\$ 666,978</u>

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Interfund transfers during the year ended June 30, 2019 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Professional Audit Reserve Fund	\$ 14,500	* Appropriation
General Fund	Cole Hall Renovation and Garage Fund	110,500	Appropriation
General Fund	Listers' Reappraisal Fund	5,000	Appropriation
General Fund	Fire Equipment Replacement Fund	46,000	Appropriation
General Fund	Equipment Replacement Fund	63,000	Appropriation
General Fund	Paving Fund	35,000	Appropriation
General Fund	Park Fund	3,000	Appropriation
General Fund	Hooke Memorial Fund	3,000	Appropriation
General Fund	Culvert Fund	5,000	Appropriation
General Fund	Cemetery Capital Fund	4,000	Appropriation
General Fund	Class 3 Road Improvement Fund	49,000	Appropriation
Cemetery Fund	General Fund	5,525	Transfer Interest Earnings
Cemetery Fund	Cemetery Capital Fund	15,000	Fund Capital Expenditures
Howard Park Fund	Park Fund	<u>35,000</u>	Fund Playground Expenditures
Total		<u>\$ 393,525</u>	

\* The transfer from the General Fund to the Professional Audit Reserve Fund was netted within the General Fund as this fund is consolidated within the General Fund to comply with GASB Statement No. 54.

**E. Unearned Revenue**

Unearned revenue in the General Fund consists of \$1,360 of access permits received in advance.

**F. Deferred Inflows of Resources**

Deferred inflows of resources in the General Fund consists of \$82,000 of delinquent property taxes and interest on those taxes not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$9,220 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$91,220.

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$7,373 of grant revenues not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities

**G. Long-term Liabilities - Water Fund**

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for the Water Fund.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 20 year bonds.

The State of Vermont offers a number of low interest revolving loan programs to utilize for predetermined purposes. The Town has borrowed money from the Vermont Special Environmental Revolving Fund for water projects.



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The long-term liabilities outstanding as of June 30, 2019 for the Water Fund was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal and Interest Payments of \$3,117 Payable on December 1 Annually, Interest at 1%, 2% Administration Fee, Due December, 2029	\$ 33,154	\$ 0	\$ 2,123	\$ 31,031
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal and Interest Payments of \$10,943 Payable on December 1 Annually, Interest at 1%, 2% Administration Fee, Due December, 2030	<u>116,380</u>	<u>0</u>	<u>7,452</u>	<u>108,928</u>
Total	<u>\$149,534</u>	<u>\$ 0</u>	<u>\$ 9,575</u>	<u>\$139,959</u>

Debt service requirements to maturity in the Water Fund are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 9,861	\$ 1,399	\$ 11,260
2021	10,157	1,301	11,458
2022	10,463	1,199	11,662
2023	10,776	1,095	11,871
2024	11,100	987	12,087
2025-2029	60,698	3,203	63,901
2030-2031	<u>26,904</u>	<u>405</u>	<u>27,309</u>
Total	<u>\$ 139,959</u>	<u>\$ 9,589</u>	<u>\$ 149,548</u>

**H. Fund Balances**

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

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Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Town does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Town does not have any minimum fund balance policies.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

The fund balances in the following funds are nonspendable as follows:

Major Funds

General Fund:	
Nonspendable Prepaid Expenses	\$ 37,968
Cemetery Fund:	
Nonspendable Cemetery Fund Principal	<u>69,680</u>
Total Nonspendable Fund Balances	<u>\$107,648</u>

The fund balances in the following funds are restricted as follows:

Major Funds

Cemetery Fund:	
Restricted for Cemetery Expenses by Sale of Lots and Donations (Source of Revenue is Sale of Lots and Donations)	<u>\$230,055</u>

Non-Major Funds

Special Revenue Fund:	
Restricted for Municipal Grants Expenses by Grant Agreements (Source of Revenue is Grant Revenue)	<u>89</u>

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Capital Projects Funds:

Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes) – Designated for Equipment Expenditures	\$ 72,278
Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes) – Designated for Paving Expenditures	7,232
Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes) – Designated for Culvert Expenditures	12,604
Restricted for Howard Park Expenditures by Bequest (Source of Revenue is Donations)	<u>38,803</u>
Total Capital Projects Funds	<u>130,917</u>
Total Non-Major Funds	<u>131,006</u>
Total Restricted Fund Balances	<u>\$361,061</u>

The fund balances in the following funds are committed as follows:

Major Funds

Cole Hall Renovation and Garage Fund:

Committed for Cole Hall Renovation and Garage Expenditures by the Voters	\$ <u>2,389</u>
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Fire Equipment Replacement Fund:

Committed for Fire Equipment Expenditures by the Voters	<u>303,341</u>
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Non-Major Funds

Capital Projects Funds:

Committed for Park Expenditures by the Voters	37,524
Committed for Hooke Memorial Expenditures by the Voters	39,193
Committed for Cemetery Capital Expenditures by the Voters	<u>33,811</u>
Total Non-Major Funds	<u>110,528</u>
Total Committed Fund Balances	<u>\$416,258</u>

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The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:

Assigned for Economic Development Study Expenses	\$ 8,228
Assigned for Landfill Expenses	50,297
Assigned for Community Improvement Expenses – G.W. Hawkins Fund	<u>128,062</u>
Total General Fund	<u>186,587</u>

Listers' Reappraisal Fund:

Assigned for Reappraisal Expenses	<u>268,714</u>
Total Assigned Fund Balances	<u>\$455,301</u>

The unassigned deficit of \$936 in the Class 3 Road Improvement Fund will be funded with the collection of grant revenue.

**I. Net Position Held in Trust for Various Purposes**

The net position held in Trust for various purposes in the Town's Private-Purpose Trust Funds as of June 30, 2019 consisted of the following:

Restricted for School Expenses by Bequests	\$ 31,000
Restricted for Recreation Project Expenses by Donations	102,037
Restricted for Health Expenses by Agreements	32,192
Restricted for Elderly Citizens by Bequest	35,028
Restricted for Mary Monroe Hawkins Memorial Library Expenses by Bequests	24,230
Restricted for Florence Beebe Memorial Expenses by Bequests	<u>735</u>
Total Private-Purpose Trust Funds	<u>\$225,222</u>

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#### **IV. OTHER INFORMATION**

##### **A. PENSION PLANS**

###### **Defined Benefit Plan**

###### **Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2019, the retirement system consisted of 402 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

###### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

As of June 30, 2018, the measurement date selected by the State of Vermont, VMERS was funded at 82.60% and had a plan fiduciary net position of \$667,848,905 and a total pension liability of \$808,524,797 resulting in a net position liability of \$140,675,892. As of June 30, 2019, the Town's proportionate share of this was 0.1071% resulting in a net pension liability of \$150,711. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Town's proportion of 0.1071% was an increase of 0.0025 from its proportion measured as of the prior year.

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**Summary of System Provisions**

Membership – Full time employees of participating municipalities. The Town elected coverage under Group B.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Group B – Average annual compensation during highest three (3) consecutive years.

Service Retirement Allowance:

Eligibility – Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service.

Amount – Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC.

Maximum benefit is 60% of AFC for Group B. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Group B.

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members.

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

Amount – Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

Disability Retirement Allowance:

Eligibility – Five (5) years of service and disability as determined by Retirement Board.

Amount – Immediate allowance based on AFC and service to date of disability.

Death Benefit:

Eligibility – Death after five (5) years of service.

Amount – For Group B, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity

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computed as of date of death.

Optional Benefit and Death after Retirement – For Group B, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee.

Refund of Contribution – Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

Post-Retirement Adjustments – Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 3% for Group B.

Member Contributions – Group B – 5.00%.

Employer Contributions – Group B – 5.625%.

Retirement Stipend – \$25 per month payable at the option of the Board of Trustees.

**Significant Actuarial Assumptions and Methods**

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation.

Salary increases: 5% per year.

Mortality:

Death in Active Service: Group B – 98% of RP-2006 blended 60% Blue Collar Employee, 40% Healthy Employee with generational improvements.

Healthy Post-Retirement: Group B – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational improvements.

Disabled Post-Retirement: Group B – RP-2006 Disabled Mortality Table with generational improvements.

Spouse's Age: Females three years younger than males.

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.30% per annum for Group B members, a decrease from 1.8% in the prior year (beginning at normal retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group B who receive a disability retirement benefit). The January 1, 2019 COLA is assumed to be 1.30%.

Actuarial Cost Method: Entry age actuarial cost method. Entry age is the age at date of employment or, if date is unknown, current age minus years of service. Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary, with normal cost determined using the plan of benefits applicable to each participant.

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Actuarial Value of Assets: A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from market value of assets by more than 20%.

Inflation: 2.50%

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	18%	6.10%
Non-US Equity	16%	7.45%
Global Equity	9%	6.74%
Fixed Income	26%	2.25%
Real Estate	8%	5.11%
Private Markets	15%	7.60%
Hedge Funds	8%	3.86%

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%):

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$255,271	\$150,711	\$65,675



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**Additional Information**

Additional information regarding the State of Vermont Municipal Employees' Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

**Deferred Compensation Plan**

The Town also offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The Town is the administrator of the plan. 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.

**B. PROPERTY TAXES**

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes were levied in October and were due November 10. The penalty is eight percent (8%). Interest is charged at one percent (1%) per month for the first three months and one and one-half percent (1-1/2%) per month for each month thereafter. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale. The tax rates for 2019 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.3954	.3954
Local Agreement	.0045	.0045
Education	<u>1.2746</u>	<u>1.4615</u>
Total	<u>1.6745</u>	<u>1.8614</u>

**C. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through a local broker. 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 fiscal years.

The Town is a member of the Vermont League of Cities and Towns Employment Resource and Benefits Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employment benefits for Vermont municipalities and is owned by the participating members. The agreement does not permit the Trust to make additional assessments to its members. The Town has only elected unemployment coverage with the Trust.

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**D. COMPENSATED ABSENCES**

It is the policy of the Town to permit employees to accumulate earned but unused vacation benefits, personal leave and sick time. Amounts not expected to be liquidated with expendable available financial resources are not reported in the governmental funds. No expenditure is reported for these amounts until paid. The total accrued leave time as of June 30, 2019 was \$4,058. As of June 30, 2019, there was no accrued leave time liability for the Water Fund.

**E. LONG-TERM DEBT - GOVERNMENTAL FUNDS**

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 20 year bonds.

The Town enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even though they may include clauses that allow for cancellation of the lease in the event the Town does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date of the leases.

The Town had a note payable to finance a capital purchase through a local bank.

The long-term debt outstanding as of June 30, 2019 for the Governmental Funds was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Town Garage, Principal Payments of \$50,000 Payable on November 1 Annually, Interest Ranging from 1.78% to 3.87% Payable on May 1 and November 1, Due November, 2039	\$1,100,000	\$ 0	\$ 50,000	\$1,050,000
Note Payable, People's United Bank, 510 North Street, Interest at 2%, Due and Paid May, 2019	10,000	0	10,000	0
Capital Lease Payable, Tax-Exempt Leasing Corp., 2015 International Truck, Principal and Interest Payments of \$37,147 Payable on July 15 Annually, Interest at 2.59%, Due and Paid July, 2018	36,209	0	36,209	0

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Lease Payable, SunTrust Equip. Finance & Leasing Corp., 2013 Excavator and 2013 Dodge Truck, Principal and Interest Payments of \$38,204 Payable on August 21 Annually, Interest at 2.19% Due and Paid August, 2019	\$ <u>73,968</u>	\$ <u>0</u>	\$ <u>36,583</u>	\$ <u>37,385</u>
Total Governmental Funds	\$ <u>1,220,177</u>	\$ <u>0</u>	\$ <u>132,792</u>	\$ <u>1,087,385</u>

Debt service requirements to maturity in the Governmental Funds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Capital Leases</u>
2020	\$ 50,000	\$ 31,935	\$ 38,204
2021	50,000	30,943	0
2022	50,000	29,890	0
2023	50,000	28,770	0
2024	50,000	27,578	0
2025-2029	250,000	117,394	0
2030-2034	250,000	77,641	0
2035-2039	250,000	33,099	0
2040	<u>50,000</u>	<u>968</u>	<u>0</u>
Total	1,050,000	378,218	38,204
Less: Imputed Interest	<u>0</u>	<u>0</u>	<u>(819)</u>
Total	\$ <u>1,050,000</u>	\$ <u>378,218</u>	\$ <u>37,385</u>

**F. SHORT-TERM DEBT**

Annually, the Town borrows monies in anticipation of taxes. The activity during 2019 was as follows:

Short-term Debt - July 1, 2018	\$ 0
Proceeds of Tax Anticipation Note	150,000
Repayment of Tax Anticipation Note	<u>(150,000)</u>
Short-term Debt - June 30, 2019	\$ <u>0</u>

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**G. LANDFILL POST-CLOSURE COSTS**

State and Federal laws and regulations required the Town to close its landfill in 2006. These laws and regulations required the Town to perform certain maintenance and monitoring at the site. The Town has estimated that they will continue for another five (5) years. The Town's estimated liability is \$87,446. This amount is based on what it would cost to perform all post closure care now. Actual costs may vary due to changes in the cost of living, changes in technology, changes in regulations or variances between estimated and actual amounts.

**H. SUBSEQUENT EVENTS**

The Town obtained a tax anticipation note with People's United Bank on July 19, 2019 for \$300,000. Interest is at 2.85% and matures December 14, 2019.

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Current Tax Revenue	\$ 1,598,632	\$ 1,570,411	\$ (28,221)
Taxpayer Prebates from State	24,681	26,477	1,796
Late Homestead Penalty	2,051	4,490	2,439
Delinquent Tax Interest	8,635	12,337	3,702
Education Billing Fee Retained	0	9,137	9,137
Railroad Tax	65	992	927
State Land Use	36,530	38,907	2,377
State PILOT Program	18,610	14,008	(4,602)
Federal Land PILOT Program	6,400	3,529	(2,871)
Vermont State Highway Aid	158,800	158,687	(113)
Government Grants	3,391	29,687	26,296
Brush Fees	125	79	(46)
Access Permits	10,500	8,355	(2,145)
Pay-As-You-Throw Revenues	32,600	31,083	(1,517)
Town Clerk Fees	41,640	28,393	(13,247)
Zoning Permits	5,850	7,854	2,004
Dog Licenses	3,750	2,795	(955)
Beer and Liquor Licenses	130	0	(130)
Marriage Licenses	0	93	93
Dog Fines	400	78	(322)
State Police Fines	4,500	1,461	(3,039)
Interest Income	1,200	2,768	1,568
Miscellaneous Income	0	1,077	1,077
Trustees of Public Funds	2,300	3,725	1,425
Park Fees	100	150	50
Town Recreation Fund Transfer	1,500	0	(1,500)
Administrative Burial Fees & Permits	1,500	1,850	350
Lots Fees	3,600	0	(3,600)
Cemetery Perpetual Trusts	3,000	5,525	2,525
Corner Markers	1,800	0	(1,800)
Cemetery Miscellaneous Income	0	2,000	2,000
Sale of Equipment	0	1,230	1,230
Insurance Proceeds	0	1,866	1,866
	<u>1,972,290</u>	<u>1,969,044</u>	<u>(3,246)</u>
Total Revenues			

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures:			
Administration:			
Select Board Stipend	\$ 3,250	\$ 3,250	\$ 0
Town Administrator Salary	66,000	66,000	0
Administrative Support Wages	0	336	(336)
Health Plan Administration	1,000	750	250
FICA & Medicare	5,049	5,075	(26)
Liability Insurance & Bonds	54,000	56,287	(2,287)
Retirement Contribution	3,713	3,713	0
Unemployment Insurance	1,236	270	966
Professional Services	13,000	9,228	3,772
Postage	3,000	1,035	1,965
Meetings/Training	500	1,339	(839)
IT and Website Support	1,750	1,889	(139)
Advertising & Legal Notices	2,500	2,796	(296)
Dues & Subscriptions	10,000	10,316	(316)
Office Supplies	1,000	1,525	(525)
Office Equipment/Leases	3,000	3,583	(583)
Miscellaneous Expenses	250	1,692	(1,442)
Total Administration	169,248	169,084	164
Cole Hall - Town Offices:			
Custodial Wages	0	1,905	(1,905)
FICA	0	141	(141)
Contract Services	4,890	865	4,025
Repairs and Maintenance	3,000	3,240	(240)
Operating Supplies	2,300	2,070	230
Utilities	5,100	6,262	(1,162)
Heating Fuel	5,000	2,685	2,315
Total Cole Hall - Town Offices	20,290	17,168	3,122
Elections & Vital Statistics:			
Assistant Town Clerk	6,240	5,961	279
Town Clerk Salary	32,760	36,230	(3,470)
Poll Worker Wages	1,250	3,346	(2,096)
Town Clerk Health Insurance Premium	6,538	6,572	(34)
Town Clerk Health Insurance Deductible	4,000	1,022	2,978
Short-term Disability	0	140	(140)
FICA & Medicare	3,079	3,278	(199)
Retirement Contribution	1,843	2,038	(195)
Travel and Meetings - Clerk	200	892	(692)
Travel and Meetings - Elections	300	300	0
Machine Equipment/Supplies - Elections	2,500	3,531	(1,031)
Operating Equipment/Supplies - Clerk	3,000	5,190	(2,190)
Total Elections & Vital Statistics	61,710	68,500	(6,790)

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Accounting/Payroll:			
Bookkeeping Wages	\$ 10,462	\$ 6,489	\$ 3,973
FICA & Medicare	800	504	296
Payroll Services	2,500	2,434	66
Total Accounting/Payroll	<u>13,762</u>	<u>9,427</u>	<u>4,335</u>
Auditing:			
Auditor Wages	1,700	462	1,238
FICA & Medicare	130	82	48
Travel and Meetings	200	0	200
Town Report	2,500	2,368	132
Total Auditing	<u>4,530</u>	<u>2,912</u>	<u>1,618</u>
Delinquent Tax Collection:			
FICA & Medicare	1,300	1,495	(195)
Supplies	800	588	212
Total Delinquent Tax Collection	<u>2,100</u>	<u>2,083</u>	<u>17</u>
Treasurer Services:			
Treasurer's Salary	20,000	20,000	0
Other Services	0	32	(32)
Bank Service Charge	1,320	670	650
Billing Supplies	1,875	3,780	(1,905)
FICA & Medicare	1,530	1,530	0
Total Treasurer Services	<u>24,725</u>	<u>26,012</u>	<u>(1,287)</u>
Listers:			
Lister Wages	9,500	24,234	(14,734)
FICA & Medicare	712	1,923	(1,211)
Professional Services	20,000	5,811	14,189
Tax Maps	1,800	3,035	(1,235)
IT Support and Computer Maintenance	500	215	285
Travel and Meetings	250	60	190
Dues and Subscriptions	300	672	(372)
Operating Supplies	400	219	181
Total Listers	<u>33,462</u>	<u>36,169</u>	<u>(2,707)</u>
Animal Control:			
ACO Wages	600	0	600
Contracted Services/Monthly Stipends	6,304	6,120	184
FICA & Medicare	46	35	11
Veterinary Expense	750	401	349
Tags/Miscellaneous	450	252	198
Total Animal Control	<u>8,150</u>	<u>6,808</u>	<u>1,342</u>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Emergency Management:			
Travel and Meetings	\$ 250	\$ 0	\$ 250
Operating Supplies	400	0	400
Equipment Maintenance	800	595	205
Emergency Shelter Equipment	0	100	(100)
Total Emergency Management	<u>1,450</u>	<u>695</u>	<u>755</u>
Fire Department:			
Chief's Stipends	2,600	2,600	0
FICA & Medicare	199	0	199
Insurance & Bonds	2,550	2,163	387
Firehouse Maintenance	19,000	17,361	1,639
Fire Truck Maintenance	6,000	7,705	(1,705)
Communications	3,000	4,453	(1,453)
Training	2,000	395	1,605
Operating Supplies	750	47	703
Utilities	9,690	10,823	(1,133)
Firehouse Heating Fuel (Fuel Oil)	11,016	7,733	3,283
Gas, Oil and Diesel (Trucks)	4,000	1,803	2,197
Extrication Equipment	2,000	385	1,615
Equipment Replacement	6,000	8,946	(2,946)
Total Fire Department	<u>68,805</u>	<u>64,414</u>	<u>4,391</u>
Fire Warden:			
Operating Supplies	250	0	250
Vehicle & Equipment	1,500	510	990
Total Fire Warden	<u>1,750</u>	<u>510</u>	<u>1,240</u>
Law Enforcement:			
Constable Wages	200	0	200
Sheriff Services	38,974	27,180	11,794
Total Law Enforcement	<u>39,174</u>	<u>27,180</u>	<u>11,994</u>
Bennington Rescue:	<u>15,000</u>	<u>15,000</u>	<u>0</u>
Highway Administration:			
Highway Wages - Regular	244,421	240,644	3,777
Highway Wages - Overtime	25,000	30,345	(5,345)
Employee Health Insurance - Premium	64,269	64,793	(524)
Employee Health Insurance - Deductible	18,000	8,544	9,456
Disability Insurance	4,800	1,081	3,719
Short-term Disability	0	978	(978)
FICA & Medicare	20,610	21,538	(928)
Retirement Contribution	15,155	14,898	257
Uniform Cleaning	8,000	9,899	(1,899)
Travel and Meetings	300	0	300
Steel Toe Footwear	600	300	300
CDL Physicals and Drug Testing	800	144	656
Total Highway Administration	<u>401,955</u>	<u>393,164</u>	<u>8,791</u>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Highway Construction &amp; Maintenance:</b>			
Subcontract Costs	\$ 25,200	\$ 18,026	\$ 7,174
Signs	4,000	4,367	(367)
Tree Removal	15,000	0	15,000
Bridges and Guardrails	2,000	0	2,000
Paving	0	202	(202)
Operating Supplies	0	2,396	(2,396)
Gravel	73,500	107,737	(34,237)
Chloride (Dust Control)	50,000	25,366	24,634
Winter Salt	48,800	58,493	(9,693)
Winter Sand	52,000	21,360	30,640
Level & Sealing	5,000	0	5,000
Cleaning	1,000	0	1,000
Rentals	4,000	6,600	(2,600)
Property Rental	3,000	3,600	(600)
Culverts	5,000	1,176	3,824
State MRGP Fees	0	1,947	(1,947)
	<u>288,500</u>	<u>251,270</u>	<u>37,230</u>
<b>Total Highway Construction &amp; Maintenance</b>			
<b>Highway Equipment Maintenance:</b>			
Truck #1 International	2,500	9,217	(6,717)
Truck #2-2012 International	1,000	11,925	(10,925)
Truck #3-06 International	1,000	5,743	(4,743)
Truck #4-1 International Tandem Axle	1,000	5,330	(4,330)
Truck #5-06 One Ton	2,000	5,148	(3,148)
Truck #6-95 International/Chloride	1,500	591	909
Truck #7-02 One Ton	1,000	8,114	(7,114)
Truck #8-97 Pickup/Shop	1,000	12,146	(11,146)
Truck #9A.M. General Military Surplus	1,000	273	727
Truck #10 17 Dodge 3500	0	8,412	(8,412)
John Deere Backhoe 2011	1,000	8,456	(7,456)
John Deere Surplus Loader	1,000	1,508	(508)
Cat Excavator 1988	2,000	178	1,822
Cat Grader 1987	2,000	3,406	(1,406)
John Deere Tractor/Mower 1988	1,000	1,162	(162)
Plows & Sanders	1,500	0	1,500
Sidewalk Machine 2002	1,000	2,154	(1,154)
John Deere Grader 2010	3,500	18,440	(14,940)
Cat Traxcavator	1,000	0	1,000
Deere Surplus Loader	0	807	(807)
Rentals	0	1,550	(1,550)
Communications	500	223	277
Gas, Diesel and Oil	58,650	44,016	14,634
Small Machinery and Equipment	5,500	8,399	(2,899)
	<u>90,650</u>	<u>157,198</u>	<u>(66,548)</u>
<b>Total Highway Equipment Maintenance</b>			

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Highway Garage:			
Professional Services	\$ 0	\$ 2,916	\$ (2,916)
Repairs and Maintenance	500	1,470	(970)
Operating Supplies	4,000	3,128	872
Utilities	3,745	7,170	(3,425)
Heating Fuel	6,242	6,412	(170)
Small Machinery and Equipment	0	2,527	(2,527)
	<u>14,487</u>	<u>23,623</u>	<u>(9,136)</u>
Total Highway Garage			
Solid Waste Facility:			
Attendant Wages	15,600	16,471	(871)
FICA & Medicare	1,197	1,324	(127)
Professional Services	0	4,638	(4,638)
Management Contract	58,964	64,841	(5,877)
Methane Well Monitoring	400	16	384
Solid Waste Implementation Plan	18,000	8,418	9,582
Groundwater Monitoring	16,000	29,025	(13,025)
Solid Waste Removal	23,344	24,870	(1,526)
Repairs & Maintenance	1,000	768	232
Operating Supplies	1,000	152	848
Sticker Cost	1,600	495	1,105
Transfer Station Utilities	500	303	197
Landfill Utilities	300	22	278
	<u>137,905</u>	<u>151,343</u>	<u>(13,438)</u>
Total Solid Waste Facility			
Street Lights:			
Hawks Avenue	425	266	159
S. Shaftsbury Village	8,500	9,598	(1,098)
	<u>8,925</u>	<u>9,864</u>	<u>(939)</u>
Total Street Lights			
Parks and Recreation:			
Professional Services	0	2,846	(2,846)
Building Construction, Maintenance and Repairs	1,000	3,627	(2,627)
Equipment Maintenance	1,000	35	965
Operating Supplies	500	249	251
Utilities	475	561	(86)
	<u>2,975</u>	<u>7,318</u>	<u>(4,343)</u>
Total Parks and Recreation			
Cemetery Expenditures:			
Salaries & Wages	5,100	5,100	0
Cemetery Committee Assistant	3,470	0	3,470
FICA & Medicare	657	390	267
Contract Services	24,000	30,217	(6,217)
Repairs and Maintenance	4,000	11,617	(7,617)
Travel and Meetings	400	439	(39)
Corner Marker Installation	200	50	150
(New) Corner Marker Purchases	1,300	0	1,300
Transfer to Perpetual Care Fund	5,400	0	5,400
	<u>44,527</u>	<u>47,813</u>	<u>(3,286)</u>
Total Cemetery Expenditures			

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TOWN OF SHAFTSBURY, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Development Review Board:			
Board Member Stipends	\$ 500	\$ 500	\$ 0
Professional Services	1,820	0	1,820
Travel and Meetings	500	0	500
Advertising and Legal	1,000	305	695
Operating Supplies	100	0	100
Total Development Review Board	<u>3,920</u>	<u>805</u>	<u>3,115</u>
Planning:			
Board Member Stipends	500	400	100
Zoning Administrator Wages	10,000	9,612	388
FICA & Medicare	765	750	15
Professional Services	0	270	(270)
Travel and Meetings	250	0	250
Advertising and Legal	200	732	(532)
Operating Supplies	150	0	150
Total Planning	<u>11,865</u>	<u>11,764</u>	<u>101</u>
County Taxes:	<u>29,000</u>	<u>29,485</u>	<u>(485)</u>
Debt Service Expenditures:			
Tax Anticipation Note - Interest	1,000	1,425	(425)
Lease 2013 Tandem Plow & 2013 Intl Fire Truck	38,204	38,394	(190)
Lease 2014 Tandem Plow	37,147	37,147	0
492 North Rd Property	13,334	0	13,334
510 North Rd Property	0	10,201	(10,201)
Total Debt Service Expenditures	<u>89,685</u>	<u>87,167</u>	<u>2,518</u>
Transfer to Reserves:			
Reappraisal Reserve Fund	5,000	5,000	0
Cole Hall Reserve Fund	10,000	10,000	0
Equipment Reserve Fund	63,000	63,000	0
Fire Warden Truck Reserve Fund	1,000	1,000	0
Fire Truck Reserve Fund	45,000	45,000	0
Garage Reserve Fund	75,000	75,000	0
Paving Reserve Fund	35,000	35,000	0
Cemetery Reserve Fund	4,000	4,000	0
Park Reserve Fund	3,000	3,000	0
Culvert Reserve Fund	5,000	5,000	0
Audit Reserve Fund	14,500	14,500	0
Veterans Memorial (Hooke) Fund	3,000	3,000	0
Class 3 Road Capital Improvement Reserve Fund	49,000	49,000	0
Total Transfer to Reserves	<u>312,500</u>	<u>312,500</u>	<u>0</u>

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TOWN OF SHAFTSBURY, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Community Appropriations:			
Bennington Free Library	\$ 17,250	\$ 17,250	\$ 0
John G. McCullough Library	20,000	20,000	0
Arlington Rescue Squad	7,000	7,000	0
VNA & Hospice of S.V.H.C.	5,225	5,225	0
Bennington Project Independence	4,560	4,560	0
Martha Canfield Library	2,000	2,000	0
Paran Recreation, Inc.	2,500	2,500	0
Shaftsbury History Society	2,500	2,500	0
Habitat for Humanity	1,850	1,850	0
BROC	1,700	1,700	0
SWVT Council on Aging	1,100	1,100	0
Bennington Coalition Homeless	1,000	1,000	0
Bennington County Child Advocacy Center	500	500	0
Little League	600	600	0
Sunrise Family Resource	1,000	1,000	0
Bennington Free Clinic	1,000	1,000	0
Park McCullough House	1,000	1,000	0
Vermont Center for Independent Living	1,000	1,000	0
RSVP	950	950	0
Tutorial Center, Inc.	900	900	0
Center for Restorative Justice	600	600	0
Bennington County Conservation District	475	475	0
PAVE	450	450	0
Vermont Association Blind & Visually Impaired	300	300	0
Green Up Vermont	200	200	0
	75,660	75,660	0
Total Community Appropriations			
	1,976,710	2,004,936	(28,226)
Total Expenditures			
Excess/(Deficiency) of Revenues Over Expenditures	\$ (4,420)	(35,892)	\$ (31,472)
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Designated Fund Income		22	
Landfill Fund Income		135	
Professional Audit Reserve Fund Expenses		(17,043)	
Professional Audit Reserve Fund Transfer In		14,500	
G.W. Hawkins Fund Income		6,022	
G.W. Hawkins Fund Expenses		(872)	
G.W. Hawkins Fund Transfer Out		(25,500)	
Net Change in Fund Balance		(58,628)	
Fund Balance - July 1, 2018		471,402	
Fund Balance - June 30, 2019		\$ 412,774	

The reconciling items are due to combining four (4) funds, the Designated Fund, the Landfill Fund, the Professional Audit Reserve Fund and the G.W. Hawkins Fund with the General Fund in order to comply with GASB Statement No. 54.

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TOWN OF SHAFTSBURY, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 VMERS DEFINED BENEFIT PLAN  
 JUNE 30, 2019

	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 140,675,892	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.1071%	0.1046%	0.0965%	0.1163%	0.1120%
Town's Proportionate Share of the Net Pension Liability	\$ 150,711	\$ 126,727	\$ 124,141	\$ 89,672	\$ 10,218
Town's Covered Employee Payroll	\$ 367,078	\$ 341,190	\$ 310,577	\$ 266,557	\$ 302,481
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	41.0569%	37.1426%	39.9711%	33.6408%	3.3781%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.60%	83.64%	80.95%	87.42%	98.32%

**Notes to Schedule**

Benefit Changes: None.

Changes in Assumptions and Methods: None.

Fiscal year 2015 was the first year of implementation, therefore, only five years are shown.

TOWN OF SHAFTSBURY, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 VMERS DEFINED BENEFIT PLAN  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 20,648	\$ 18,765	\$ 17,082	\$ 14,661	\$ 16,258
Contributions in Relation to the Actuarially Determined Contributions	<u>20,648</u>	<u>18,765</u>	<u>17,082</u>	<u>14,661</u>	<u>16,258</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 367,078	\$ 341,190	\$ 310,577	\$ 266,557	\$ 302,481
Contributions as a Percentage of Town's Covered Employee Payroll	5.625%	5.500%	5.500%	5.500%	5.375%

**Notes to Schedule**

Valuation Date: June 30, 2018

Fiscal year 2015 was the first year of implementation, therefore, only five years are shown.

TOWN OF SHAFTSBURY, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2019

	Special Revenue Fund		
	Municipal Grants Fund	Capital Project Funds	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,606	\$ 1,606
Investments	0	37,197	37,197
Receivables	0	47,373	47,373
Due from Other Funds	89	202,642	202,731
Total Assets	\$ 89	\$ 288,818	\$ 288,907
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 9,216	\$ 9,216
Due to Other Funds	0	31,720	31,720
Total Liabilities	0	40,936	40,936
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Grants	0	7,373	7,373
Total Deferred Inflows of Resources	0	7,373	7,373
<u>FUND BALANCES</u>			
Restricted	89	130,917	131,006
Committed	0	110,528	110,528
Unassigned/(Deficit)	0	(936)	(936)
Total Fund Balances/(Deficit)	89	240,509	240,598
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 89	\$ 288,818	\$ 288,907

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TOWN OF SHAFTSBURY, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Fund		
	Municipal Grants Fund	Capital Project Funds	Total
Revenues:			
Intergovernmental	\$ 0	\$ 185,007	\$ 185,007
Investment Income	1	3,467	3,468
Other	0	1,000	1,000
	<u>1</u>	<u>189,474</u>	<u>189,475</u>
Total Revenues			
	<u>1</u>	<u>189,474</u>	<u>189,475</u>
Expenditures:			
General Government	288	0	288
Culture and Recreation	0	443	443
Capital Outlay:			
Public Works	0	311,658	311,658
Culture and Recreation	0	8,426	8,426
Cemetery	0	16,500	16,500
	<u>288</u>	<u>337,027</u>	<u>337,315</u>
Total Expenditures			
	<u>288</u>	<u>337,027</u>	<u>337,315</u>
Excess/(Deficiency) of Revenues Over Expenditures			
	<u>(287)</u>	<u>(147,553)</u>	<u>(147,840)</u>
Other Financing Sources/(Uses):			
Transfers In	0	212,000	212,000
Transfers Out	0	(35,000)	(35,000)
	<u>0</u>	<u>177,000</u>	<u>177,000</u>
Total Other Financing Sources/(Uses)			
	<u>0</u>	<u>177,000</u>	<u>177,000</u>
Net Changes in Fund Balances			
	(287)	29,447	29,160
Fund Balances - July 1, 2018			
	<u>376</u>	<u>211,062</u>	<u>211,438</u>
Fund Balances - June 30, 2019			
	<u>\$ 89</u>	<u>\$ 240,509</u>	<u>\$ 240,598</u>

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TOWN OF SHAFTSBURY, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2019

	Equipment Replacement Fund	Paving Fund	Park Fund	Hooke Memorial Fund	Culvert Fund	Cemetery Capital Fund	Class 3 Road Improvement Fund	Howard Park Fund	Total
<u>ASSETS</u>									
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,606	\$ 1,606
Investments	0	0	0	0	0	0	0	37,197	37,197
Receivables	0	0	0	0	0	0	47,373	0	47,373
Due from Other Funds	<u>72,278</u>	<u>7,232</u>	<u>37,524</u>	<u>39,193</u>	<u>12,604</u>	<u>33,811</u>	<u>0</u>	<u>0</u>	<u>202,642</u>
Total Assets	\$ <u>72,278</u>	\$ <u>7,232</u>	\$ <u>37,524</u>	\$ <u>39,193</u>	\$ <u>12,604</u>	\$ <u>33,811</u>	\$ <u>47,373</u>	\$ <u>38,803</u>	\$ <u>288,818</u>
<u>LIABILITIES</u>									
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,216	\$ 0	\$ 9,216
Due to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,720</u>	<u>0</u>	<u>31,720</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>40,936</u>	<u>0</u>	<u>40,936</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>									
Unavailable Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,373</u>	<u>0</u>	<u>7,373</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,373</u>	<u>0</u>	<u>7,373</u>
<u>FUND BALANCES</u>									
Restricted	72,278	7,232	0	0	12,604	0	0	38,803	130,917
Committed	0	0	37,524	39,193	0	33,811	0	0	110,528
Unassigned/(Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(936)</u>	<u>0</u>	<u>(936)</u>
Total Fund Balances/(Deficit)	<u>72,278</u>	<u>7,232</u>	<u>37,524</u>	<u>39,193</u>	<u>12,604</u>	<u>33,811</u>	<u>(936)</u>	<u>38,803</u>	<u>240,509</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>72,278</u>	\$ <u>7,232</u>	\$ <u>37,524</u>	\$ <u>39,193</u>	\$ <u>12,604</u>	\$ <u>33,811</u>	\$ <u>47,373</u>	\$ <u>38,803</u>	\$ <u>288,818</u>

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TOWN OF SHAFTSBURY, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Equipment Replacement Fund	Paving Fund	Park Fund	Hooke Memorial Fund	Culvert Fund	Cemetery Capital Fund	Class 3 Road Improvement Fund	Howard Park Fund	Total
<b>Revenues:</b>									
Intergovernmental	\$ 0	\$ 143,147	\$ 0	\$ 0	\$ 0	\$ 0	\$ 41,860	\$ 0	\$ 185,007
Investment Income	138	0	26	101	39	88	72	3,003	3,467
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>1,000</u>
Total Revenues	<u>138</u>	<u>143,147</u>	<u>26</u>	<u>101</u>	<u>39</u>	<u>1,088</u>	<u>41,932</u>	<u>3,003</u>	<u>189,474</u>
<b>Expenditures:</b>									
Culture and Recreation	0	0	0	0	0	0	0	443	443
Capital Outlay:									
Public Works	22,200	183,520	0	0	5,000	0	100,938	0	311,658
Culture and Recreation	0	0	8,426	0	0	0	0	0	8,426
Cemetery	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,500</u>	<u>0</u>	<u>0</u>	<u>16,500</u>
Total Expenditures	<u>22,200</u>	<u>183,520</u>	<u>8,426</u>	<u>0</u>	<u>5,000</u>	<u>16,500</u>	<u>100,938</u>	<u>443</u>	<u>337,027</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(22,062)</u>	<u>(40,373)</u>	<u>(8,400)</u>	<u>101</u>	<u>(4,961)</u>	<u>(15,412)</u>	<u>(59,006)</u>	<u>2,560</u>	<u>(147,553)</u>
<b>Other Financing Sources/(Uses):</b>									
Transfers In	63,000	35,000	38,000	3,000	5,000	19,000	49,000	0	212,000
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(35,000)</u>	<u>(35,000)</u>
Total Other Financing Sources/(Uses)	<u>63,000</u>	<u>35,000</u>	<u>38,000</u>	<u>3,000</u>	<u>5,000</u>	<u>19,000</u>	<u>49,000</u>	<u>(35,000)</u>	<u>177,000</u>
Net Changes in Fund Balances	40,938	(5,373)	29,600	3,101	39	3,588	(10,006)	(32,440)	29,447
Fund Balances - July 1, 2018	<u>31,340</u>	<u>12,605</u>	<u>7,924</u>	<u>36,092</u>	<u>12,565</u>	<u>30,223</u>	<u>9,070</u>	<u>71,243</u>	<u>211,062</u>
Fund Balances/(Deficit) - June 30, 2019	<u>\$ 72,278</u>	<u>\$ 7,232</u>	<u>\$ 37,524</u>	<u>\$ 39,193</u>	<u>\$ 12,604</u>	<u>\$ 33,811</u>	<u>\$ (936)</u>	<u>\$ 38,803</u>	<u>\$ 240,509</u>

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TOWN OF SHAFTSBURY, VERMONT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 PRIVATE-PURPOSE TRUST FUNDS  
 JUNE 30, 2019

	Trustees of Public Funds Fund	Florence Beebe Memorial Fund	Total
<u>ASSETS</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash	\$ 13,355	\$ 0	\$ 13,355
Investments	211,132	0	211,132
Due from Other Funds	<u>0</u>	<u>735</u>	<u>735</u>
Total Assets	\$ <u><u>224,487</u></u>	\$ <u><u>735</u></u>	\$ <u><u>225,222</u></u>
 <u>LIABILITIES AND NET POSITION</u>			
Liabilities:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Net Position:			
Restricted	<u>224,487</u>	<u>735</u>	<u>225,222</u>
Total Net Position	<u>224,487</u>	<u>735</u>	<u>225,222</u>
Total Liabilities and Net Position	\$ <u><u>224,487</u></u>	\$ <u><u>735</u></u>	\$ <u><u>225,222</u></u>

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TOWN OF SHAFTSBURY, VERMONT  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE-PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Trustees of Public Funds Fund	Florence Beebe Memorial Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Additions:			
Investment Income	\$ 11,010	\$ 2	\$ 11,012
Total Additions	<u>11,010</u>	<u>2</u>	<u>11,012</u>
Deductions:			
Mary Monroe Hawkins Memorial			
Library Expenses	875	0	875
Recreation Project Expenses	3,725	0	3,725
School Expenses	1,127	0	1,127
Investment Fees	1,405	0	1,405
Total Deductions	<u>7,132</u>	<u>0</u>	<u>7,132</u>
Change in Net Position	3,878	2	3,880
Net Position - July 1, 2018	<u>220,609</u>	<u>733</u>	<u>221,342</u>
Net Position - June 30, 2019	<u>\$ 224,487</u>	<u>\$ 735</u>	<u>\$ 225,222</u>

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards"

Selectboard  
Town of Shaftsbury, Vermont  
P.O. Box 409  
61 Buck Hill Road  
Shaftsbury, Vermont 05262-0409

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of the Town of Shaftsbury, Vermont as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Shaftsbury, Vermont's basic financial statements and have issued our report thereon dated December 11, 2019. The report on the financial statements is adverse because of the omission of the government-wide financial statements and the inadequacies in the Town's controls over transfer station revenues.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of Shaftsbury, Vermont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Shaftsbury, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Shaftsbury, Vermont's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified certain deficiencies that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Shaftsbury, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2019-01 through 2019-04 to be material weaknesses.

### ***Compliance and Other Matters***

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

We also noted certain other matters that we reported to the management of the Town of Shaftsbury, Vermont in a separate letter dated December 11, 2019.

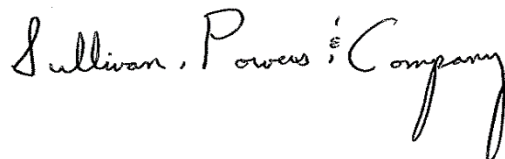
### ***Town of Shaftsbury, Vermont's Response to Deficiencies in Internal Control***

The Town of Shaftsbury, Vermont's response to the deficiencies in internal control identified in our audit is included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Town of Shaftsbury, Vermont's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Shaftsbury, Vermont's internal control or on compliance. This report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Shaftsbury, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 11, 2019  
Montpelier, Vermont  
VT Lic. #92-000180



TOWN OF SHAFTSBURY, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2019

Deficiencies in Internal Control:

Material Weaknesses:

2019-01 Governmental Fixed Assets Accounting and Reporting

*Criteria:*

Internal controls should be in place to provide for complete and accurate recording of the Town's governmental fixed assets. Complete and accurate records are vital to the effective safeguarding of fixed assets owned by a government. They are needed to maintain individual accountability for resources, to develop the insurable value of government-owned property and equipment, and to document proof of loss for claims. In addition, fixed asset records are essential for effective long-range management planning for replacement of existing property and equipment.

Fixed asset and depreciation accounting are also necessary for the setting of the cost of individual services provided by governments. Finally, the proper reporting of fixed assets is essential for the fair presentation of a government's financial position and the results of its operations in conformity with generally accepted accounting principles (GAAP).

*Condition:*

The Town has not maintained a complete schedule of its governmental fixed assets at historical cost.

*Cause:*

Unknown

*Effect:*

The Town is not in compliance with Governmental Accounting Standards Board (GASB) requirements. In addition, the Town is not safeguarding its fixed assets from potential loss.

*Recommendation:*

We recommend that the Town implement controls to account for and record fixed assets at historical cost in accordance with generally accepted accounting principles. A property management system is accomplished by preparing a list of assets, date acquired, location, and cost. If historical cost is not available, alternative methods can be used (i.e. estimated historical cost). Once a list is established, only additions and deletions need to be entered each year.

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JUNE 30, 2019

There are a number of ways to initiate this process. The Town needs to determine a dollar threshold individually and in the aggregate above which assets will be tracked. A complete inventory then needs to be taken. The assets then need to be valued at cost. This can be done through a review of original invoices and contracts, if available. If purchase price cannot be established, then fair market value needs to be determined and discounted using price indexes to the year of acquisition. This is an acceptable method of estimating cost and will self-correct over time as assets are replaced. Once established, periodic inventories need to be taken to verify the accuracy of the records.

2019-02 Transfer Station Revenue

*Criteria:*

Internal controls should be in place at the transfer station over revenue to ensure that all customers have paid, that all the cash that is received is recorded and deposited and that the Town maintains supporting documentation for the cash collected.

*Condition:*

The Town does not have adequate internal controls over transfer station revenues. The transfer station does not require that a receipt be given for all cash collected nor is there a sign that indicates that customers must take a receipt nor is there any procedure in place to ensure that every person has paid. Therefore, the Town cannot be sure that all of the cash collected is being handed over to them by the transfer station employees.

*Cause:*

Unknown.

*Effect:*

The Town has left itself open to the threat of misappropriation of its assets.

*Recommendation:*

Our primary recommendation is that the Town consider selling transfer station coupons off-site at the Town Treasurer's office and/or at local businesses. If sales take place at the transfer station, we recommend that the Town require prenumbered cash receipts to be issued to all customers. We also recommend that a sign requiring customers to take a receipt be placed where they can see it.

In addition, management should implement procedures to reconcile the receipts to the actual cash collected and to account for the sequence of the prenumbered receipts if they are used. Furthermore, the transfer station staff should periodically verify that the deposits turned over to the Town were deposited in full.



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2019-03 Reconciliation of Balance Sheet Accounts

*Criteria:*

Internal controls should be in place to provide for the reconciliation of all balance sheet accounts to supporting documentation on an annual basis in order to detect and correct errors in account balances.

*Condition:*

A number of balance sheet accounts such as cash, accounts receivable, accumulated depreciation, accounts payable, accrued payroll and benefits payable, bonds payable and deferred inflows of resources were not reconciled prior to the audit to the actual balances at year end which resulted in various adjustments to revenue and expenses.

*Cause:*

Unknown.

*Effect:*

The Town's account balances were not completely reconciled which resulted in various adjustments to revenue and expenses.

*Recommendation:*

We recommend that all balance sheet accounts be reconciled to supporting documentation at least monthly in order to detect and correct errors.

2019-04 Property Tax Reconciliation

*Criteria:*

Internal controls should be in place to ensure property taxes have been reconciled to the general ledger at year-end.

*Condition:*

The Town did not have controls in place to ensure property taxes were reconciled to the general ledger at year-end.

*Cause:*

Unknown.

TOWN OF SHAFTSBURY, VERMONT  
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*Effect:*

The Town's property tax account balances were not completely reconciled which resulted in various adjustments to correct account balances.

*Recommendation:*

We recommend that the Town implement controls to ensure property taxes are reconciled to the general ledger at year-end.



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# Town of Shaftsbury

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Jordon Plummer  
Senior Accountant  
Sullivan, Powers and Company  
77 Barre Street; PO Box 947  
Montpelier, Vermont 05602

December 18, 2019

Jordon,

The FY19 audit has been reviewed and we would like to respond to the following findings and deficiencies in internal control:

**2019-01** In FY19 the Town completed an equipment and asset inventory with depreciation schedule using the NEMRC Asset Program following Town policy. To continue addressing this material weakness in internal control you have recommended a change in accounting basis from modified accrual to modified cash. A number of Vermont Towns have made this transition. We will evaluate financial statements from some of these communities and make a decision to coincide with the start of FY21.

**2019-02** Transfer Station Revenue Response: We continue to explore options for selling coupons off-site and issuing receipts, although there is strong resistance from the public to making so drastic a change. We can easily, however, address the issue of ensuring that all deposits turned over to the Town are deposited in full. Starting immediately, we will have the Attendant use pre-numbered revenue logs for each day's receipts. Quarterly, we will have the elected auditors ascertain that every day's receipts have been deposited in the bank.

**2019-04** Property Tax Reconciliation Response: In FY2019, there was a problem with two tax refund checks mailed out very late in the process. Further complicating issues is the fact that our delinquent tax collector opts not to use our system. If we had properly reconciled property taxes at the end of the fiscal year, we would have discovered the error earlier. Accordingly, I will make sure that our elected auditors add property tax reconciliation to the list of their end-of-year duties.

Thank you

David Kiernan