

Audited Financial Statements and
Other Supplemental Information

Town of Vernon, Vermont

June 30, 2017



Proven Expertise and Integrity

TOWN OF VERNON, VERMONT

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JUNE 30, 2017

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FEDERAL COMPLIANCE

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Vernon
Vernon, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Vernon, Vermont, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Vernon, Vermont as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 10 and 40 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 Vernon, Vermont's basic financial statements. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund Revenues, Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

RHR Smith & Company

Buxton, Maine
Vermont Registration # 092.0000697
February 7, 2018

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

(UNAUDITED)

The following management's discussion and analysis of Town of Vernon, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

The Town of Vernon's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have one column for the Town's activities. The type of activity presented for the Town of Vernon is:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the Town's basic services are reported in governmental activities, which include general government, public safety, highway, and education.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Vernon, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Vernon are classified as governmental funds.

Governmental funds: All of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

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

The Town of Vernon presents six columns in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund, capital reserve fund, capital fund, road upgrade fund and culvert reserve fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions, and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental activities. The Town's total net position for governmental activities increased by \$509,628 from \$8,710,648 to \$9,220,276.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased for governmental activities to a balance of \$2,286,621 at the end of this year.

Table 1
Town of Vernon, Vermont
Net Position
June 30,

| | 2017 | 2016 (Restated) |
|---------------------------------------|---------------------|----------------------------|
| Assets: | | |
| Current Assets | \$ 6,134,120 | \$ 5,590,646 |
| Capital Assets | 3,347,362 | 3,264,902 |
| Total Assets | <u>9,481,482</u> | <u>8,855,548</u> |
| Liabilities: | | |
| Current Liabilities | 72,120 | 134,541 |
| Long-term Debt Outstanding | 28,205 | - |
| Total Liabilities | <u>100,325</u> | <u>134,541</u> |
| Deferred Inflows of Resources: | | |
| Deferred revenues | 13,709 | - |
| Deferred grants | 139,849 | - |
| Prepaid property taxes | 7,323 | 10,359 |
| Total Deferred Inflows of Resources | <u>160,881</u> | <u>10,359</u> |
| Net Position: | | |
| Net Investment in Capital Assets | 3,375,567 | 3,264,902 |
| Restricted: General Fund | 86,853 | - |
| Restricted: Special Revenue funds | 741,259 | 132,849 |
| Capital Projects funds | 2,478,392 | - |
| Permanent funds | 251,584 | 225,441 |
| Unrestricted | 2,286,621 | 5,087,456 |
| Total Net Position | <u>\$ 9,220,276</u> | <u>\$ 8,710,648</u> |

Revenues and Expenses

Revenues for the Town's governmental activities increased by 2.83%, while total expenses decreased by 1.90%.

Table 2
Town of Vernon, Vermont
Changes in Net Position
For the Years Ended June 30,

| | <u>2017</u> | <u>2016</u> |
|---|----------------------------|----------------------------|
| Revenues | | |
| <i>Program Revenues:</i> | | |
| Charges for services | \$ 340,140 | \$ 347,229 |
| <i>General Revenues:</i> | | |
| Property taxes | 2,300,911 | 2,343,798 |
| Grants and contributions not restricted to specific programs | 448,220 | 255,450 |
| Miscellaneous | 113,850 | 168,364 |
| Total revenues | <u>3,203,121</u> | <u>3,114,841</u> |
| Expenses | | |
| General government | 974,534 | 739,043 |
| Public safety | 373,773 | 451,778 |
| Highways and streets | 379,901 | 587,071 |
| Culture and recreation | 719,121 | 748,039 |
| Sanitation and solid waste | 143,162 | 152,515 |
| Cemetery | 18,477 | 22,513 |
| Education | 26,750 | 40,000 |
| Health and welfare | 11,500 | 4,763 |
| Capital outlay | 46,275 | - |
| Total expenses | <u>2,693,493</u> | <u>2,745,722</u> |
| Change in Net Position | 509,628 | 369,119 |
| Net Position - July 1, Restated | <u>8,710,648</u> | <u>8,341,529</u> |
| Net Position - June 30 | <u><u>\$ 9,220,276</u></u> | <u><u>\$ 8,710,648</u></u> |

Financial Analysis of the Town's Fund Statements

Governmental funds: The financial reporting focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Town's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

Table 3
Town of Vernon, Vermont
Fund Balances - Governmental Funds
June 30,

| | <u>2017</u> | <u>2016</u> |
|----------------------------|---------------------|---------------------|
| General Fund: | | |
| Nonspendable | \$ 30,829 | \$ 30,193 |
| Restricted | 86,853 | 86,853 |
| Assigned | 310,844 | - |
| Unassigned | 161,744 | 288,998 |
| Total General Fund | <u>\$ 590,270</u> | <u>\$ 406,044</u> |
| Capital Reserve Fund | | |
| Assigned | <u>\$ 1,639,246</u> | <u>\$ 1,819,850</u> |
| Total Capital Reserve Fund | <u>\$ 1,639,246</u> | <u>\$ 1,819,850</u> |
| Capital Fund | | |
| Assigned | <u>\$ 1,496,102</u> | <u>\$ 1,326,398</u> |
| Total Capital Fund | <u>\$ 1,496,102</u> | <u>\$ 1,326,398</u> |
| Road Upgrade Fund | | |
| Assigned | <u>\$ 517,930</u> | <u>\$ 492,129</u> |
| Total Road Upgrade Fund | <u>\$ 517,930</u> | <u>\$ 492,129</u> |
| Culvert Reserve Fund | | |
| Assigned | <u>\$ 140,068</u> | <u>\$ -</u> |
| Total Culvert Reserve Fund | <u>\$ 140,068</u> | <u>\$ -</u> |
| Nonmajor Funds: | | |
| Special revenues funds: | | |
| Assigned | \$ 741,259 | \$ 692,291 |
| Capital projects funds: | | |
| Committed | 464,360 | 460,933 |
| Permanent funds: | | |
| Restricted | 251,584 | 225,441 |
| Total Nonmajor Funds | <u>\$ 1,457,203</u> | <u>\$ 1,378,665</u> |

The general fund total fund balance increased by \$184,226 from the prior fiscal year. The capital reserve fund decreased by \$180,604 from the prior year. The capital fund increased by \$169,704 from the prior year. The road upgrade fund increased by \$25,801 and the culvert reserve fund increased by \$140,068. The total nonmajor fund balances increased by \$78,538 from the prior fiscal year.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund actual revenues exceeded the budget by \$64,168. This was due all revenue categories being receipted more than budget, with the exception of intergovernmental revenues.

The general fund actual expenditures were under budget by \$119,657.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2017, the net book value of capital assets recorded by the Town increased by \$82,460 from the prior year. This increase is the result of capital additions of \$352,281 less net deletions of \$3,000 and current year depreciation of \$266,821.

Table 4
Town of Vernon, Vermont
Capital Assets (Net of Depreciation)
June 30,

| | <u>2017</u> | <u>2016</u> |
|----------------------------|---------------------|---------------------|
| Land | \$ 408,616 | \$ 408,616 |
| Buildings and Improvements | 617,388 | 646,940 |
| Machinery and Equipment | 1,159,536 | 1,252,754 |
| Infrastructure | <u>1,161,822</u> | <u>956,592</u> |
| Total | <u>\$ 3,347,362</u> | <u>\$ 3,264,902</u> |

Economic Factors and Next Year's Budgets and Rates

The Town's maintains a sufficient fund balance to sustain government operations for a period of approximately two months while also maintaining significant reserve accounts for future capital and program needs.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at 567 Governor Hunt Road, Vernon, Vermont 05456.

STATEMENT A

TOWN OF VERNON, VERMONT

STATEMENT OF NET POSITION
JUNE 30, 2017

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 2,384,240 |
| Investments | 3,471,710 |
| Taxes receivable | 76,753 |
| Other receivable | 170,588 |
| Inventory | 30,829 |
| Total current assets | <u>6,134,120</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Land and other assets not being depreciated | 408,616 |
| Buildings and equipment, net of accumulated depreciation | 2,938,746 |
| Total noncurrent assets | <u>3,347,362</u> |
| TOTAL ASSETS | <u><u>\$ 9,481,482</u></u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 45,140 |
| Accrued payroll and benefits payable | 21,572 |
| Due to delinquent tax collector | 5,408 |
| Total current liabilities | <u>72,120</u> |
| Noncurrent liabilities: | |
| Noncurrent portion of long-term obligations: | |
| Accrued compenstated absences | 28,205 |
| Total noncurrent liabilities | <u>28,205</u> |
| TOTAL LIABILITIES | <u>100,325</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Prepaid property taxes | 7,323 |
| Deferred revenue | 13,709 |
| Deferred grants | 139,849 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>160,881</u> |
| NET POSITION | |
| Net investment in capital assets | 3,375,567 |
| Restricted: General fund | 86,853 |
| Restricted: Special Revenue funds | 741,259 |
| Capital Projects funds | 2,478,392 |
| Permanent funds | 251,584 |
| Unrestricted | 2,286,621 |
| TOTAL NET POSITION | <u>9,220,276</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u><u>\$ 9,481,482</u></u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF VERNON, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) |
|----------------------------|---------------------|----------------------|----------------------------------|--------------------------------|-----------------------------------|
| | | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Revenue & Changes in Net Position |
| | | | | | Total Governmental Activities |
| Governmental activities: | | | | | |
| General government | \$ 974,534 | \$ 16,375 | \$ - | \$ - | \$ (958,159) |
| Public safety | 373,773 | 7,660 | - | - | (366,113) |
| Highways and streets | 379,901 | - | - | - | (379,901) |
| Culture and recreation | 719,121 | 249,405 | - | - | (469,716) |
| Sanitation and solid waste | 143,162 | - | - | - | (143,162) |
| Cemetery | 18,477 | - | - | - | (18,477) |
| Education | 26,750 | - | - | - | (26,750) |
| Health and welfare | 11,500 | 66,700 | - | - | 55,200 |
| Capital outlay | 46,275 | - | - | - | (46,275) |
| Total government | <u>\$ 2,693,493</u> | <u>\$ 340,140</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(2,353,353)</u> |

STATEMENT B (CONTINUED)
TOWN OF VERNON, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | Governmental Activities |
|--|----------------------------|
| Changes in net position: | |
| Net (expense) revenue | (2,353,353) |
| General revenues: | |
| Property taxes, levied for general purposes | 2,300,911 |
| Grants and contributions not restricted to specific programs | 448,220 |
| Miscellaneous | 113,850 |
| Total general revenues | 2,862,981 |
| Change in net position | 509,628 |
| NET POSITION - JULY 1, RESTATED | 8,710,648 |
| NET POSITION - JUNE 30 | \$ 9,220,276 |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF VERNON, VERMONT

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2017

| | General Fund | Emergency Capital Reserve Fund | Capital Fund | Road Upgrade Fund | Culvert Reserve Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------------|---------------------|----------------------|----------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 2,220,179 | \$ 35,368 | \$ - | \$ - | \$ - | \$ 128,693 | \$ 2,384,240 |
| Investments | 163,458 | 1,603,878 | 783,664 | 108,426 | - | 812,284 | 3,471,710 |
| Taxes receivable | 76,753 | - | - | - | - | - | 76,753 |
| Other receivable | 73,976 | - | - | 96,612 | - | - | 170,588 |
| Inventory | 30,829 | - | - | - | - | - | 30,829 |
| Due from other funds | 12,916 | - | 712,438 | 409,504 | 140,068 | 531,095 | 1,806,021 |
| TOTAL ASSETS | \$ 2,578,111 | \$ 1,639,246 | \$ 1,496,102 | \$ 614,542 | \$ 140,068 | \$ 1,472,072 | \$ 7,940,141 |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 43,187 | \$ - | \$ - | \$ - | \$ - | \$ 1,953 | \$ 45,140 |
| Accrued payroll and benefits payable | 21,572 | - | - | - | - | - | 21,572 |
| Due to delinquent tax collector | 5,408 | - | - | - | - | - | 5,408 |
| Due to other funds | 1,793,105 | - | - | - | - | 12,916 | 1,806,021 |
| TOTAL LIABILITIES | 1,863,272 | - | - | - | - | 14,869 | 1,878,141 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Deferred property tax and interest | 60,300 | - | - | - | - | - | 60,300 |
| Deferred grants | 43,237 | - | - | 96,612 | - | - | 139,849 |
| Deferred revenue | 13,709 | - | - | - | - | - | 13,709 |
| Prepaid property taxes | 7,323 | - | - | - | - | - | 7,323 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 124,569 | - | - | 96,612 | - | - | 221,181 |
| FUND BALANCES | | | | | | | |
| Nonspendable | 30,829 | - | - | - | - | - | 30,829 |
| Restricted | 86,853 | - | - | - | - | 251,584 | 338,437 |
| Committed | - | - | - | - | - | 464,360 | 464,360 |
| Assigned | 310,844 | 1,639,246 | 1,496,102 | 517,930 | 140,068 | 741,259 | 4,845,449 |
| Unassigned | 161,744 | - | - | - | - | - | 161,744 |
| TOTAL FUND BALANCES | 590,270 | 1,639,246 | 1,496,102 | 517,930 | 140,068 | 1,457,203 | 5,840,819 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 2,578,111 | \$ 1,639,246 | \$ 1,496,102 | \$ 614,542 | \$ 140,068 | \$ 1,472,072 | \$ 7,940,141 |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF VERNON, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

| | <u>Total Governmental Funds</u> |
|---|---|
| Total Fund Balances | \$ 5,840,819 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation | 3,347,362 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above: | |
| Taxes and liens receivable | 60,300 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | |
| Accrued compensated absences | <u>(28,205)</u> |
| Net position of governmental activities | <u><u>\$ 9,220,276</u></u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF VERNON, VERMONT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | General Fund | Emergency Capital Reserve Fund | Capital Fund | Road Upgrade Fund | Culvert Reserve Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|--------------------------------------|---------------------|----------------------|----------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | | | |
| Property taxes | \$ 2,300,911 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,300,911 |
| Intergovernmental | 68,458 | - | - | 370,671 | - | 9,091 | 448,220 |
| Interest income | 12,041 | 4,143 | 7,917 | 889 | 68 | 26,143 | 51,201 |
| Charges for services | 273,440 | - | - | - | - | 66,700 | 340,140 |
| Miscellaneous | 47,930 | - | - | - | - | 17,719 | 65,649 |
| TOTAL REVENUES | <u>2,702,780</u> | <u>4,143</u> | <u>7,917</u> | <u>371,560</u> | <u>68</u> | <u>119,653</u> | <u>3,206,121</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 712,690 | - | - | - | - | 4,458 | 717,148 |
| Public safety | 373,593 | - | - | - | - | 180 | 373,773 |
| Highways and streets | 379,901 | - | - | - | - | - | 379,901 |
| Culture and recreation | 597,987 | - | - | - | - | 121,134 | 719,121 |
| Sanitation and solid waste | - | - | - | - | - | 143,162 | 143,162 |
| Cemetery | 18,477 | - | - | - | - | - | 18,477 |
| Education | - | - | - | - | - | 26,750 | 26,750 |
| Health and welfare | - | - | - | - | - | 11,500 | 11,500 |
| Capital outlay | - | 14,071 | 8,889 | 375,596 | - | - | 398,556 |
| TOTAL EXPENDITURES | <u>2,082,648</u> | <u>14,071</u> | <u>8,889</u> | <u>375,596</u> | <u>-</u> | <u>307,184</u> | <u>2,788,388</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>620,132</u> | <u>(9,928)</u> | <u>(972)</u> | <u>(4,036)</u> | <u>68</u> | <u>(187,531)</u> | <u>417,733</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | - | - | 170,676 | 100,000 | 140,000 | 266,069 | 676,745 |
| Transfers (out) | (435,906) | (170,676) | - | (70,163) | - | - | (676,745) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(435,906)</u> | <u>(170,676)</u> | <u>170,676</u> | <u>29,837</u> | <u>140,000</u> | <u>266,069</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | 184,226 | (180,604) | 169,704 | 25,801 | 140,068 | 78,538 | 417,733 |
| FUND BALANCES - JULY 1 | <u>406,044</u> | <u>1,819,850</u> | <u>1,326,398</u> | <u>492,129</u> | <u>-</u> | <u>1,378,665</u> | <u>5,423,086</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 590,270</u> | <u>\$ 1,639,246</u> | <u>\$ 1,496,102</u> | <u>\$ 517,930</u> | <u>\$ 140,068</u> | <u>\$ 1,457,203</u> | <u>\$ 5,840,819</u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF VERNON, VERMONT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | |
|--|--------------------------|
| Net change in fund balances - total governmental funds (Statement E) | <u>\$ 417,733</u> |
| <p>Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:</p> | |
| <p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:</p> | |
| Capital asset acquisitions | 352,281 |
| Depreciation on disposals | (3,000) |
| Depreciation expense | <u>(266,821)</u> |
| | <u>82,460</u> |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:</p> | |
| Accrued compensated absences | 9,435 |
| | <u>9,435</u> |
| Change in net position of governmental activities (Statement B) | <u><u>\$ 509,628</u></u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF VERNON, VERMONT

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

| | <u>Private- Purpose Trusts</u> |
|---|--|
| ASSETS | |
| Cash and cash equivalents | \$ 15,165 |
| Investments, at fair value | 168,835 |
| Accounts receivable | <u>47</u> |
| TOTAL ASSETS | <u><u>\$ 184,047</u></u> |
| LIABILITIES | |
| Accounts payable | <u>\$ -</u> |
| TOTAL LIABILITIES | <u>-</u> |
| NET POSITION | |
| Restricted - held in trust for special purposes | <u>184,047</u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 184,047</u></u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF VERNON, VERMONT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR YEAR ENDED JUNE 30, 2017

| | Private- Purpose Trusts |
|--|-------------------------------|
| | <u> </u> |
| ADDITIONS | |
| Contributions | \$ - |
| Net increase (decrease) in the fair value of investments | 19,331 |
| Total additions | <u>19,331</u> |
| DEDUCTIONS | |
| Withdrawals | - |
| Administrative expenses | - |
| Total deductions | <u>-</u> |
| Change in net position | 19,331 |
| NET POSITION - JULY 1 | <u>164,716</u> |
| NET POSITION - JUNE 30 | <u>\$ 184,047</u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Vernon was incorporated under the laws of the State of Vermont. The Town operates under the selectmen-treasurer form of government and provides the following services: general government, public safety, highway, and education.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The objective of the Statement is to improve the disclosure of information about benefits other than pensions (other postemployment benefits or OPEB) included in financial statements of state and local governments. This Statement will improve financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet specified criteria. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 77, "*Tax Abatement Disclosures*". The objective of the Statement is to improve disclosure of information about the nature and magnitude of tax abatements, making these transactions more transparent to financial statement users. As such, users will be better equipped to understand (1) how tax abatements affect a

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 80, "*Blending Requirements for Certain Component Units*". The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements - in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 82, "*Pension Issues*". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Management has determined the impact of this Statement is not material to the financial statements.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Both the government-wide and fund financial statements categorize primary activities as governmental. The Town categorizes all activities of the entity as governmental.

In the government-wide Statement of Net Position, the governmental activities column is (a) presented on a consolidated basis by column, and (b) is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (general government, public safety, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures / expenses. The various funds are reported by generic classification within the financial statements. Both fiduciary funds and component units that are fiduciary in nature have been excluded from these financial statements. The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

Major Funds:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Emergency Capital Reserve Fund is account for financial resources to be used for the acquisition or construction of major projects or equipment.
- c. The Capital Fund is used to account for financial resources to be used for the acquisition or construction of the major facilities or equipment.
- d. The Road Upgrade Fund is used to account for financial resources to be used for improving roads.
- e. The Culvert Reserve Fund is used to account for financial resources to be used for improving culverts.

Nonmajor Funds:

- f. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- g. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- h. Permanent Funds are used to account for assets held by the Town that are legally restricted and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

The emphasis in fund financial statements is on the major funds in the governmental activity category. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

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.

1. Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available.

"Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the first half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the inhabitants of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

The Town of Vernon has no formal investment policy but instead follows the State of Vermont Statutes.

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectible. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$247,341 for the year ended June 30, 2017. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2017.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as “internal balances”.

Transactions between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of Governmental Funds.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

| | |
|-------------------------|----------------|
| Buildings | 20 - 50 years |
| Infrastructure | 50 - 100 years |
| Machinery and equipment | 3 - 50 years |
| Vehicles | 3 - 25 years |

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists of compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The Town's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation within each year. Employees are reimbursed for unused vacation days when terminating employment with the Town.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Board of Selectmen.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement 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/expenditure) until then. The Town currently has no deferred outflows of resources.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of financial position and/or balance sheet will at times 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. The Town has only one type of item, deferred property tax and interest, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes, deferred revenue and deferred grants also qualify for reporting in this category. These items are reported in both the statements of net position and governmental funds balance sheet. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied August 3, 2016 on the assessed value listed as of April 1, 2016, for all real and personal property located in the Town. Taxes were due on September 8, 2016, January 12, 2017 and May 4, 2017. Payments received after the due dates were charged interest of 1% per month. Payments received after May 4, 2017 were considered delinquent and subject to a penalty of 8% plus interest accrued at 1% per month.

Property tax revenues are recognized when they become available. Available includes those property tax receivables collected by June 1. The remaining receivables due for the current fiscal year have been recorded as deferred revenues.

Tax liens are placed on real property within twenty-four months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property two months after the filing of the lien if tax liens and associated costs remain unpaid.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating capital grants and contributions, including special assessments).

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

TOWN OF VERNON, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town's investment policies, which follow state statutes, authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all Town funds.

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Town does not have a policy covering custodial credit risk. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF. Town funds that may exceed insurance limits are fully collateralized with securities held by the financial institution in the Town's name.

At June 30, 2017, the Town's cash balances of \$2,399,405 were comprised of bank balances of \$2,400,385, of which \$250,000 were insured by federal depository insurance and consequently were not exposed to custodial credit risk. The remaining bank balances of \$2,150,385 were collateralized with securities held by the financial institution in the Town's name.

| Account Type | Bank Balance |
|-------------------|-----------------|
| Checking accounts | \$ 2,400,385 |
| | \$ 2,400,385 |

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as June 30, 2017:

| | Fair Value Measurements Using | | | |
|---|-------------------------------|--|--|--|
| | June 30, 2017 Total | Quoted Prices in Active Markets for Identical Assets (Level I) | Significant Other Observable Inputs (Level II) | Significant Unobservable Inputs (Level III) |
| <u>Investments by fair value level</u> | | | | |
| Equity securities: | | | | |
| Mutual funds and exchange traded funds | \$ 3,471,710 | \$ 3,471,710 | \$ - | \$ - |
| Total equity securities | <u>3,471,710</u> | <u>3,471,710</u> | <u>-</u> | <u>-</u> |
| Total investments by fair value level | <u>3,471,710</u> | <u>\$ 3,471,710</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>Cash equivalents measured at the net asset value (NAV)</u> | | | | |
| Money market mutual funds | 29,054 | | | |
| Total cash equivalents measured at the NAV | <u>29,054</u> | | | |
| Total investments and cash equivalents measured at fair value | <u>\$ 3,500,764</u> | | | |

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no Level 2 or 3 investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2017 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

Credit risk – Statutes for the State of Vermont authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions, repurchase agreements, and money market mutual funds. The Town does not have an investment policy on credit risk. Generally, the Town invests excess funds in savings accounts and various insured certificates of deposit.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2017 consisted of the following individual fund receivables and payables:

| | Receivables (Due From) | Payables (Due To) |
|------------------------|---------------------------|----------------------|
| General fund | \$ 12,916 | \$ 1,793,105 |
| Special Revenue funds | 412,396 | 12,916 |
| Capital Projects funds | 1,379,861 | - |
| Permanent funds | 848 | - |
| | \$ 1,806,021 | \$ 1,806,021 |

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2017:

| | Balance 7/1/16 | Additions | Disposals | Balance 6/30/17 |
|----------------------------------|-------------------|-----------|------------|--------------------|
| Non-depreciated assets: | | | | |
| Land | \$ 221,800 | \$ - | \$ - | \$ 221,800 |
| Works of Art | 31,428 | - | - | 31,428 |
| Construction in progress | 155,388 | - | - | 155,388 |
| | 408,616 | - | - | 408,616 |
| Depreciated assets: | | | | |
| Buildings and improvements | 1,687,515 | 8,000 | - | 1,695,515 |
| Vehicles | 1,711,267 | - | - | 1,711,267 |
| Machinery and equipment | 803,934 | 8,699 | (115,756) | 696,877 |
| Infrastructure | 1,966,887 | 335,582 | - | 2,302,469 |
| | 6,169,603 | 352,281 | (115,756) | 6,406,128 |
| Less: accumulated depreciation | (3,313,317) | (266,821) | 112,756 | (3,467,382) |
| | 2,856,286 | 85,460 | (3,000) | 2,938,746 |
| Net capital assets | \$ 3,264,902 | \$ 85,460 | \$ (3,000) | \$ 3,347,362 |
| <u>Current year depreciation</u> | | | | |
| Town wide | | | | \$ 266,821 |
| Total depreciation | | | | \$ 266,821 |

TOWN OF VERNON, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

| | Balance 7/1/16 | Additions | Reductions | Balance 6/30/17 | Current Year Portion |
|---------------------------------|-------------------|-------------|-------------------|--------------------|----------------------------|
| Accrued compensated absences | \$ 37,640 | \$ - | \$ (9,435) | \$ 28,205 | \$ 28,205 |
| Totals | <u>\$ 37,640</u> | <u>\$ -</u> | <u>\$ (9,435)</u> | <u>\$ 28,205</u> | <u>\$ 28,205</u> |

NOTE 6 - NONSPENDABLE

At June 30, 2017, the Town had the following nonspendable fund balances:

General Fund: \$ 30,829

NOTE 7 - RESTRICTED FUND BALANCES

At June 30, 2017, the Town had the following restricted fund balances:

General fund:
 Highway department \$ 86,853
 Nonmajor permanent funds (Schedule H) 251,584
\$ 338,437

NOTE 8 - COMMITTED FUND BALANCES

At June 30, 2017, the Town had the following committed fund balances:

Nonmajor capital projects funds (Schedule F) \$ 464,360

TOWN OF VERNON, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 9 - ASSIGNED FUND BALANCES

At June 30, 2017, the Town had the following assigned fund balances:

| | |
|---|---------------------|
| General fund: | |
| Dog fund | \$ 22,989 |
| Unemployment fund | 46,544 |
| Reserve fund | 50,208 |
| J. M. Miller Forest fund | 182,676 |
| Fire department | 8,427 |
| Emergency capital reserve fund | 1,639,246 |
| Capital fund | 1,496,102 |
| Road upgrade fund | 517,930 |
| Culvert reserve fund | 140,068 |
| Nonmajor special revenue funds (Schedule D) | 741,259 |
| | <u>\$ 4,845,449</u> |

NOTE 10 - APPROPRIATIONS

At June 30, 2017, various departmental revenues funded the following departments for budgetary purposes:

| | |
|--------------------------|-------------------|
| | <u>Excess</u> |
| Town clerk's office | \$ 5 |
| Town treasurer's office | 689 |
| Vernon Seniors | 2,080 |
| General expenses | 9,572 |
| Recreation department | 18,286 |
| EOC grant | 15,000 |
| Miscellaneous expenses | 6,171 |
| Transfers to other funds | 59,837 |
| | <u>\$ 111,640</u> |

NOTE 11 - 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; and natural disasters for which the Town carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Vermont League of Cities and Towns.

Based on the coverage provided by the insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2017. There were no significant reductions in insurance coverage from that of

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11 - RISK MANAGEMENT (CONTINUED)

the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

In addition, the Town is a member of the Vermont League of Cities and Towns (VLCT). The VLCT has set up three insurance trusts; the Property and Casualty Intermunicipal Fund, Inc. (PACIF) for multi-line insurance; the Vermont League of Cities and Towns Health Trust (VLCTHT) for health, life and disability coverage; and the

Vermont League of Cities and Towns Unemployment Trust, Inc. (VLCTUT) for unemployment compensation. PACIF, VLCTHT and VLCTUT are nonprofit corporations formed to provide insurance and risk management programs for Vermont cities and towns and is owned by the participating members. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, PACIF has established a self-funded insurance trust. It provides extensive coverage for losses to member municipalities for property damage, auto accidents, injured employees, public official liability and employment practices liability, members gain additional benefits from PACIF's unique public safety and risk management programs as well as dedicated in-house claims adjusters. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and PACIF is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

To provide insurance coverage, VLCTHT has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Benefits available include dental insurance, flexible spending accounts, life insurance, disability insurance, and long-term care insurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

To provide unemployment coverage, VLCTUT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and provide excess reinsurance protection. Contributions are based on payroll expense and the previous two-year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VLCTUT is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 13 - BENEFIT PLAN

The Town offers its employees a deferred compensation plan in accordance with IRS 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.

In addition to employees deferring a portion of their salary, the Town has established a retirement benefit whereas they bonus eligible employees 2% of their earnings and this money must be deferred into their 457 account. Total payroll for the year was 797,504. Total covered payroll for the year was 519,873. The contribution by the Town to employees which was then put into the deferred compensation plan for the year ended June 30, 2017 was 10,391.

NOTE 14 - CONCENTRATION OF REVENUE

The Town receives a major portion of its property tax revenue from the Vermont Yankee Nuclear Power Plant. For the year ended June 30, 2017, the Town received 32.6% of its total property tax revenue from the Vermont Yankee Nuclear Power Plant.

NOTE 15 - VERMONT YANKEE NUCLEAR POWER PLANT CLOSURE

Vermont Yankee pays State electric generating tax, and, because the Town of Vernon hosts the plant, those who own property in Vernon pay just 75% of the state's education tax. With the closure of Vermont Yankee, that tax break has been placed in danger and that would have created a sudden and significant jump in property taxes for Vernon homeowners. In 2017, the rate raises to 83%, followed by another increase to 91% in 2018. The following year, the Vernon residents will pay the same state education tax rate that property owners throughout Vermont pay.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 16 - RESTATEMENT

The beginning net position for governmental activities was restated as of July 1, 2016 to include the deferred grants balance. The governmental activities balance was restated by (\$139,849).

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund

TOWN OF VERNON, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance |
|---------------------------------------|-------------------|-------------------|-------------------|------------------------|
| | Original | Final | | Positive (Negative) |
| Budgetary Fund Balance - July 1 | \$ 406,044 | \$ 406,044 | \$ 406,044 | \$ - |
| Resources (Inflows): | | | | |
| Property Taxes | 1,658,612 | 1,658,612 | 2,300,911 | 642,299 |
| Intergovernmental revenues | 750,000 | 750,000 | 68,458 | (681,542) |
| Charges for services | 220,700 | 220,700 | 273,440 | 52,740 |
| Current interest income | 8,800 | 8,800 | 12,041 | 3,241 |
| Other revenue | 500 | 500 | 47,930 | 47,430 |
| Transfers from other funds | - | - | - | - |
| Amounts Available for Appropriation | <u>3,044,656</u> | <u>3,044,656</u> | <u>3,108,824</u> | <u>64,168</u> |
| Charges to Appropriations (Outflows): | | | | |
| Town clerk's office | 98,087 | 98,087 | 98,092 | (5) |
| Town treasurer's office | 105,810 | 105,810 | 106,499 | (689) |
| Listers | 57,101 | 57,101 | 40,350 | 16,751 |
| Selectboard | 172,789 | 172,789 | 137,399 | 35,390 |
| General expenses | 186,807 | 186,807 | 196,379 | (9,572) |
| Planning | 7,775 | 7,775 | 6,364 | 1,411 |
| Recreation department | 353,650 | 353,650 | 371,936 | (18,286) |
| School rental | 217,785 | 217,785 | 217,785 | - |
| Building & grounds | 123,839 | 123,839 | 96,072 | 27,767 |
| Cemeteries | 21,500 | 21,500 | 18,477 | 3,023 |
| Vernon Seniors | 2,500 | 2,500 | 4,580 | (2,080) |
| Historians South School | 5,788 | 5,788 | 3,686 | 2,102 |
| County Sheriff's | 225,720 | 225,720 | 225,720 | - |
| Fire department | 102,787 | 102,787 | 78,280 | 24,507 |
| Rescues | 49,922 | 49,922 | 49,922 | - |
| EOC grant | - | - | 15,000 | (15,000) |
| Other public safety | 7,131 | 7,131 | 4,671 | 2,460 |
| Highway maintenance | 90,300 | 90,300 | 76,614 | 13,686 |
| Town garage operation | 282,178 | 282,178 | 253,302 | 28,876 |
| Road equipment repair/maint | 113,253 | 113,253 | 49,985 | 63,268 |
| Miscellaneous expense | - | - | 6,171 | (6,171) |
| Appropriations | 37,420 | 37,420 | 25,364 | 12,056 |
| Transfers to other funds | 376,069 | 376,069 | 435,906 | (59,837) |
| Total Charges to Appropriations | <u>2,638,211</u> | <u>2,638,211</u> | <u>2,518,554</u> | <u>119,657</u> |
| Budgetary Fund Balance, June 30 | <u>\$ 406,445</u> | <u>\$ 406,445</u> | <u>\$ 590,270</u> | <u>\$ 183,825</u> |

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual – General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

TOWN OF VERNON, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2017

| | Original Budget | Final Budget | Actual Amounts | Variance Positive (Negative) |
|--------------------------------------|---------------------|---------------------|---------------------|------------------------------------|
| Resources (Inflows): | | | | |
| Property taxes | \$ 1,658,612 | \$ 1,658,612 | \$ 2,300,911 | \$ 642,299 |
| Intergovernmental revenues: | | | | |
| State of Vermont - PILOT program | 750,000 | 750,000 | - | (750,000) |
| State of Vermont - current use | - | - | 36,323 | 36,323 |
| State of Vermont - natural resources | - | - | 8,276 | 8,276 |
| State of Vermont - reimb services | - | - | 19,339 | 19,339 |
| State of Vermont - Railroad tax | - | - | 4,520 | 4,520 |
| Charges for services: | | | | |
| Treasurer | 1,000 | 1,000 | 987 | (13) |
| Clerk fees | 15,250 | 15,250 | 15,388 | 138 |
| Police income | 1,750 | 1,750 | 7,660 | 5,910 |
| Recreation department | 202,700 | 202,700 | 249,405 | 46,705 |
| Interest income: | | | | |
| Current tax interest | 8,000 | 8,000 | 10,604 | 2,604 |
| Interest income | 800 | 800 | 1,437 | 637 |
| Miscellaneous revenues | 500 | 500 | 47,930 | 47,430 |
| Transfers from other funds | - | - | - | - |
| Amounts Available for Appropriation | <u>\$ 2,638,612</u> | <u>\$ 2,638,612</u> | <u>\$ 2,702,780</u> | <u>\$ 64,168</u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF VERNON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Original Budget | Budget Adjustments | Final Budget | Actual Expenditures | Variance Positive (Negative) |
|-------------------------------|--------------------|-----------------------|-----------------|------------------------|---------------------------------|
| Town Clerk's Office: | | | | | |
| Town clerk/treasurer's office | \$ 49,024 | \$ - | \$ 49,024 | \$ 49,024 | \$ - |
| Assistant town clerk | 25,018 | - | 25,018 | 27,128 | (2,110) |
| Town clerk's office FICA | 5,665 | - | 5,665 | 5,544 | 121 |
| Health insurance | 13,653 | - | 13,653 | 13,300 | 353 |
| Dental insurance | 627 | - | 627 | 570 | 57 |
| New/replace office equip | 1,700 | - | 1,700 | 443 | 1,257 |
| Ballots | 100 | - | 100 | - | 100 |
| Postage for ballots | 300 | - | 300 | 99 | 201 |
| Travel & conferences | 1,000 | - | 1,000 | 874 | 126 |
| Miscellaneous (elections) | 1,000 | - | 1,000 | 860 | 140 |
| Marriage lic qtr return | - | - | - | 250 | (250) |
| | <u>98,087</u> | <u>-</u> | <u>98,087</u> | <u>98,092</u> | <u>(5)</u> |
| Town Treasurer's Office: | | | | | |
| Treasurer/finance director | 51,930 | - | 51,930 | 51,930 | - |
| Assistant treas/finance dir | 28,923 | - | 28,923 | 31,131 | (2,208) |
| Treasurer's office FICA | 6,186 | - | 6,186 | 6,004 | 182 |
| Health insurance | 17,067 | - | 17,067 | 16,550 | 517 |
| Dental insurance | 1,254 | - | 1,254 | 854 | 400 |
| New/replace office equip | 200 | - | 200 | - | 200 |
| Travel & conferences | 250 | - | 250 | 30 | 220 |
| | <u>105,810</u> | <u>-</u> | <u>105,810</u> | <u>106,499</u> | <u>(689)</u> |
| Listers: | | | | | |
| Listers | 44,848 | - | 44,848 | 31,255 | 13,593 |
| Listers' FICA | 3,431 | - | 3,431 | 2,399 | 1,032 |
| Health insurance | 6,695 | - | 6,695 | 4,842 | 1,853 |
| Dental insurance | 627 | - | 627 | 570 | 57 |
| Travel and conferences | 1,500 | - | 1,500 | 1,284 | 216 |
| | <u>57,101</u> | <u>-</u> | <u>57,101</u> | <u>40,350</u> | <u>16,751</u> |

TOWN OF VERNON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Original Budget | Budget Adjustments | Final Budget | Actual Expenditures | Variance Positive (Negative) |
|--------------------------------|--------------------|-----------------------|-----------------|------------------------|---------------------------------|
| Selectboard: | | | | | |
| Selectboard salaries | 10,000 | - | 10,000 | 10,000 | - |
| Town administrator | 50,000 | - | 50,000 | 50,000 | - |
| Secretary for selectboard | 15,042 | - | 15,042 | 2,021 | 13,021 |
| FICA | 5,741 | - | 5,741 | 5,076 | 665 |
| Health insurance | 19,181 | - | 19,181 | 9,837 | 9,344 |
| Dental insurance | 675 | - | 675 | 427 | 248 |
| 457(b) contribution | 12,500 | - | 12,500 | 10,391 | 2,109 |
| New/replace office equipment | 500 | - | 500 | 360 | 140 |
| Printing of town report | 1,400 | - | 1,400 | 1,584 | (184) |
| Postage for town report | 400 | - | 400 | 181 | 219 |
| Legal services | 20,000 | - | 20,000 | 16,624 | 3,376 |
| Outside audit | 20,000 | - | 20,000 | 20,000 | - |
| Travel | 500 | - | 500 | 1,477 | (977) |
| Safety committee | 500 | - | 500 | - | 500 |
| Contributions and gifts | 200 | - | 200 | 166 | 34 |
| Green-up | 200 | - | 200 | 92 | 108 |
| Emergency repairs/replacements | 15,000 | - | 15,000 | - | 15,000 |
| Welcome signs | 450 | - | 450 | 450 | - |
| Flag | 500 | - | 500 | 357 | 143 |
| Miscellaneous | - | - | - | 8,356 | (8,356) |
| | <u>172,789</u> | <u>-</u> | <u>172,789</u> | <u>137,399</u> | <u>35,390</u> |
| General Expenses: | | | | | |
| Committee secretaries | 1,200 | - | 1,200 | 125 | 1,075 |
| Webmaster | 600 | - | 600 | - | 600 |
| FICA | 130 | - | 130 | 9 | 121 |
| General office supplies | 8,500 | - | 8,500 | 5,771 | 2,729 |
| Advertising | 2,600 | - | 2,600 | 1,101 | 1,499 |
| Telephone | 13,000 | - | 13,000 | 13,173 | (173) |
| Postage | 3,500 | - | 3,500 | 3,324 | 176 |
| Dues & subscriptions | 900 | - | 900 | 312 | 588 |
| VT league of cities & towns | 3,377 | - | 3,377 | 3,377 | - |
| County tax | 22,000 | - | 22,000 | 41,461 | (19,461) |
| Contracts maint & repairs | 11,000 | - | 11,000 | 15,385 | (4,385) |
| Technology upgrades | 5,000 | - | 5,000 | 2,119 | 2,881 |
| Insurance & bonds | 115,000 | - | 115,000 | 110,222 | 4,778 |
| | <u>186,807</u> | <u>-</u> | <u>186,807</u> | <u>196,379</u> | <u>(9,572)</u> |

TOWN OF VERNON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Original Budget | Budget Adjustments | Final Budget | Actual Expenditures | Variance Positive (Negative) |
|-------------------------------|--------------------|-----------------------|-----------------|------------------------|---------------------------------|
| Planning: | | | | | |
| Postage & misc. | 225 | - | 225 | - | 225 |
| Windham regional plan. com | 6,400 | - | 6,400 | 6,364 | 36 |
| Professional assistance | 150 | - | 150 | - | 150 |
| Travel & conference | 1,000 | - | 1,000 | - | 1,000 |
| | <u>7,775</u> | <u>-</u> | <u>7,775</u> | <u>6,364</u> | <u>1,411</u> |
| Recreation Department | | | | | |
| Director | 48,860 | - | 48,860 | 48,860 | - |
| Assistant director | 36,628 | - | 36,628 | 36,743 | (115) |
| Maintenance | 6,375 | - | 6,375 | 3,584 | 2,791 |
| Water Safety instructors | 29,458 | - | 29,458 | 25,158 | 4,300 |
| Day camp staff | 13,726 | - | 13,726 | 12,110 | 1,616 |
| Customer service | 6,678 | - | 6,678 | 3,727 | 2,951 |
| Pre-school instructor | 30,993 | - | 30,993 | 25,593 | 5,400 |
| Pre-school assistant | 25,604 | - | 25,604 | 28,638 | (3,034) |
| Weekend supervisor | 2,500 | - | 2,500 | 2,092 | 408 |
| FICA | 15,363 | - | 15,363 | 13,580 | 1,783 |
| Health insurance | 70,717 | - | 70,717 | 68,892 | 1,825 |
| Dental insurance | 2,508 | - | 2,508 | 2,279 | 229 |
| Supplies | 21,550 | - | 21,550 | 21,669 | (119) |
| Utilities/fuel oil | 8,700 | - | 8,700 | 8,040 | 660 |
| Telephone | 1,400 | - | 1,400 | 1,241 | 159 |
| Dues and subscriptions | 150 | - | 150 | - | 150 |
| Contracts and rentals | 1,590 | - | 1,590 | 2,054 | (464) |
| New/replace equipment | - | - | - | 460 | (460) |
| Repairs & maintenance | 5,750 | - | 5,750 | 6,275 | (525) |
| Programs | 8,600 | - | 8,600 | 5,579 | 3,021 |
| After school program expenses | 16,500 | - | 16,500 | 14,081 | 2,419 |
| Partnership - preschool | - | - | - | 40,584 | (40,584) |
| Preschool fundraiser | - | - | - | 260 | (260) |
| Travel & conferences | - | - | - | 437 | (437) |
| | <u>353,650</u> | <u>-</u> | <u>353,650</u> | <u>371,936</u> | <u>(18,286)</u> |
| School rental | 217,785 | - | 217,785 | 217,785 | - |

TOWN OF VERNON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Original Budget | Budget Adjustments | Final Budget | Actual Expenditures | Variance Positive (Negative) |
|----------------------------------|--------------------|-----------------------|-----------------|------------------------|---------------------------------|
| Building & Grounds: | | | | | |
| Maintenance foreman | 38,824 | - | 38,824 | 42,932 | (4,108) |
| Maintenance assistant | 10,000 | - | 10,000 | 1,015 | 8,985 |
| FICA | 3,735 | - | 3,735 | 3,428 | 307 |
| Health insurance | 13,653 | - | 13,653 | 6,650 | 7,003 |
| Dental insurance | 627 | - | 627 | - | 627 |
| Supplies | 5,000 | - | 5,000 | 2,587 | 2,413 |
| Grounds | 2,500 | - | 2,500 | 1,323 | 1,177 |
| Custodial equipment | 1,000 | - | 1,000 | - | 1,000 |
| Fuel oil | 13,000 | - | 13,000 | 6,716 | 6,284 |
| Elec. Town/lib/north | 17,000 | - | 17,000 | 14,159 | 2,841 |
| Repairs to equipment | 1,000 | - | 1,000 | 465 | 535 |
| Repairs to bldg. | 8,000 | - | 8,000 | 8,023 | (23) |
| 2016 PACIF equip grant | - | - | - | 774 | (774) |
| Approved carryover | 9,500 | - | 9,500 | 8,000 | 1,500 |
| | <u>123,839</u> | <u>-</u> | <u>123,839</u> | <u>96,072</u> | <u>27,767</u> |
| Cemeteries: | | | | | |
| Caretaking | 17,000 | - | 17,000 | 17,000 | - |
| Supplies | 500 | - | 500 | 542 | (42) |
| Repair & maintenance | 4,000 | - | 4,000 | 935 | 3,065 |
| | <u>21,500</u> | <u>-</u> | <u>21,500</u> | <u>18,477</u> | <u>3,023</u> |
| Vernon Seniors: | | | | | |
| Cookie Allen memorial | - | - | - | 1,620 | (1,620) |
| Bus pass exp. | - | - | - | 460 | (460) |
| Activities | 2,500 | - | 2,500 | 2,500 | - |
| | <u>2,500</u> | <u>-</u> | <u>2,500</u> | <u>4,580</u> | <u>(2,080)</u> |
| Historians South School : | | | | | |
| Record preservation & supplies | 1,000 | - | 1,000 | 1,000 | - |
| Electricity | 500 | - | 500 | 431 | 69 |
| Building repairs & maint | 500 | - | 500 | 755 | (255) |
| Grounds | 1,500 | - | 1,500 | 1,500 | - |
| Approved carryover | 2,288 | - | 2,288 | - | 2,288 |
| | <u>5,788</u> | <u>-</u> | <u>5,788</u> | <u>3,686</u> | <u>2,102</u> |

TOWN OF VERNON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Original Budget | Budget Adjustments | Final Budget | Actual Expenditures | Variance Positive (Negative) |
|----------------------------|--------------------|-----------------------|-----------------|------------------------|---------------------------------|
| Windham County Sheriff' | 225,720 | - | 225,720 | 225,720 | - |
| Fire Department: | | | | | |
| Fire chief stipend | 5,000 | - | 5,000 | 5,000 | - |
| Lost wages | 800 | - | 800 | - | 800 |
| FICA | 444 | - | 444 | 383 | 61 |
| Uniforms | 1,000 | - | 1,000 | 1,147 | (147) |
| Inoculations | 750 | - | 750 | 735 | 15 |
| Physicals | 1,000 | - | 1,000 | - | 1,000 |
| EAP | 425 | - | 425 | 358 | 67 |
| Supplies | 1,500 | - | 1,500 | 1,096 | 404 |
| EMS Vernon resuce supplies | 4,000 | - | 4,000 | 885 | 3,115 |
| New/replace equipment | 15,000 | - | 15,000 | 10,996 | 4,004 |
| Public education | 1,000 | - | 1,000 | 1,000 | - |
| Fuel oil | 5,000 | - | 5,000 | 6,716 | (1,716) |
| Electricity - fire dept | 4,000 | - | 4,000 | 2,814 | 1,186 |
| Dues and subscriptions | 900 | - | 900 | 799 | 101 |
| Southwest mutual aid | 28,468 | - | 28,468 | 28,468 | - |
| Gasoline | 4,500 | - | 4,500 | 1,406 | 3,094 |
| Equip. repair & Maint. | 7,000 | - | 7,000 | 2,932 | 4,068 |
| Truck repair & Maintenance | 8,000 | - | 8,000 | 8,464 | (464) |
| Fire pond maint. | 4,000 | - | 4,000 | - | 4,000 |
| Bldg. repair & maint | 4,000 | - | 4,000 | 4,099 | (99) |
| Training, travel & cong. | 2,000 | - | 2,000 | 109 | 1,891 |
| Rescue training, Trav, Co | 2,000 | - | 2,000 | 873 | 1,127 |
| Travel reimbursements | 2,000 | - | 2,000 | - | 2,000 |
| | 102,787 | - | 102,787 | 78,280 | 24,507 |
| Rescues' Operating Budget | 49,922 | - | 49,922 | 49,922 | - |
| FY16/17 EOC Grant | - | - | - | 15,000 | (15,000) |

TOWN OF VERNON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Original Budget | Budget Adjustments | Final Budget | Actual Expenditures | Variance Positive (Negative) |
|---------------------------|--------------------|-----------------------|-----------------|------------------------|---------------------------------|
| Other Public Safety: | | | | | |
| Health officer | 2,500 | - | 2,500 | 2,500 | - |
| Fire warden - permits | 500 | - | 500 | 365 | 135 |
| Deputy health officer | 1,500 | - | 1,500 | 1,500 | - |
| Public safety FICA | 306 | - | 306 | 306 | - |
| Siren's maint/batteries | 2,325 | - | 2,325 | - | 2,325 |
| | <u>7,131</u> | <u>-</u> | <u>7,131</u> | <u>4,671</u> | <u>2,460</u> |
| Highway Maintenance: | | | | | |
| Equipment rental | 7,000 | - | 7,000 | 7,437 | (437) |
| Guard rails | 1,100 | - | 1,100 | 1,100 | - |
| Culverts | 6,000 | - | 6,000 | 5,285 | 715 |
| Gravel | 9,000 | - | 9,000 | 4,805 | 4,195 |
| Chloride | 7,000 | - | 7,000 | 5,674 | 1,326 |
| Asphalt | 1,500 | - | 1,500 | 1,016 | 484 |
| Salt | 46,000 | - | 46,000 | 40,006 | 5,994 |
| Sand | 8,000 | - | 8,000 | 7,951 | 49 |
| Tree warden | 2,300 | - | 2,300 | 2,215 | 85 |
| Stormwater run-off permit | 2,000 | - | 2,000 | 1,125 | 875 |
| RSMS/culvert inventory | 400 | - | 400 | - | 400 |
| | <u>90,300</u> | <u>-</u> | <u>90,300</u> | <u>76,614</u> | <u>13,686</u> |
| Town Garage Operation: | | | | | |
| Road commissioner | 60,270 | - | 60,270 | 60,442 | (172) |
| Equipment operator | 40,749 | - | 40,749 | 39,964 | 785 |
| Operator/mechanic | 42,105 | - | 42,105 | 41,933 | 172 |
| Part-time operator | 7,000 | - | 7,000 | 1,444 | 5,556 |
| Van driver | 10,873 | - | 10,873 | 8,180 | 2,693 |
| FICA | 12,317 | - | 12,317 | 10,956 | 1,361 |
| Health insurance | 46,483 | - | 46,483 | 45,285 | 1,198 |
| Dental insurance | 1,881 | - | 1,881 | 1,709 | 172 |
| Uniforms | 2,500 | - | 2,500 | 2,154 | 346 |
| Drug & alcohol testing | 600 | - | 600 | 220 | 380 |
| Supplies | 4,800 | - | 4,800 | 4,159 | 641 |
| Fuel oil | 15,000 | - | 15,000 | 6,716 | 8,284 |
| Electricity | 4,000 | - | 4,000 | 2,811 | 1,189 |
| Dues & subscriptions | 600 | - | 600 | 73 | 527 |
| Gas & diesel | 17,500 | - | 17,500 | 13,153 | 4,347 |
| Road tools & supplies | 4,500 | - | 4,500 | 3,543 | 957 |
| Safety equipment | 3,000 | - | 3,000 | 2,736 | 264 |
| Bldg. repair & maint. | 7,000 | - | 7,000 | 7,698 | (698) |
| Travel & conferences | 1,000 | - | 1,000 | 126 | 874 |
| | <u>282,178</u> | <u>-</u> | <u>282,178</u> | <u>253,302</u> | <u>28,876</u> |

TOWN OF VERNON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Original Budget | Budget Adjustments | Final Budget | Actual Expenditures | Variance Positive (Negative) |
|--------------------------------------|---------------------|-----------------------|---------------------|------------------------|---------------------------------|
| Road equip. repair/maint: | | | | | |
| Trucks | 13,000 | - | 13,000 | 17,320 | (4,320) |
| Grader | 2,500 | - | 2,500 | 570 | 1,930 |
| Tractor | 1,000 | - | 1,000 | 157 | 843 |
| Town van | 1,000 | - | 1,000 | 792 | 208 |
| Snow plows & sander | 3,000 | - | 3,000 | 2,075 | 925 |
| Front end loader | 2,500 | - | 2,500 | 332 | 2,168 |
| Small equipment | 2,400 | - | 2,400 | 1,723 | 677 |
| Radios | 1,000 | - | 1,000 | - | 1,000 |
| Prior year carry over | 86,853 | - | 86,853 | 27,016 | 59,837 |
| | <u>113,253</u> | <u>-</u> | <u>113,253</u> | <u>49,985</u> | <u>63,268</u> |
| Miscellaneous expenses | - | - | - | 6,171 | (6,171) |
| Appropriations | <u>37,420</u> | <u>-</u> | <u>37,420</u> | <u>25,364</u> | <u>12,056</u> |
| Transfers to other funds: | | | | | |
| Special revenue funds | 266,069 | - | 266,069 | 266,069 | - |
| Culvert reserve fund | 10,000 | - | 10,000 | 69,837 | (59,837) |
| Road upgrade fund | 100,000 | - | 100,000 | 100,000 | - |
| | <u>376,069</u> | <u>-</u> | <u>376,069</u> | <u>435,906</u> | <u>(59,837)</u> |
| TOTAL DEPARTMENTAL OPERATIONS | <u>\$ 2,638,211</u> | <u>\$ -</u> | <u>\$ 2,638,211</u> | <u>\$ 2,518,554</u> | <u>\$ 119,657</u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF VERNON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

| | Special Revenue Funds | Capital Projects Funds | Permanent Funds | Total Nonmajor Governmental Funds |
|--|-----------------------------|------------------------------|--------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 99,239 | \$ 400 | \$ 29,054 | \$ 128,693 |
| Investments | 244,493 | 346,109 | 221,682 | 812,284 |
| Due from other funds | 412,396 | 117,851 | 848 | 531,095 |
| TOTAL ASSETS | \$ 756,128 | \$ 464,360 | \$ 251,584 | \$ 1,472,072 |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,953 | \$ - | \$ - | \$ 1,953 |
| Due to other funds | 12,916 | - | - | 12,916 |
| TOTAL LIABILITIES | 14,869 | - | - | 14,869 |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | - | 251,584 | 251,584 |
| Committed | - | 464,360 | - | 464,360 |
| Assigned | 741,259 | - | - | 741,259 |
| Unassigned | - | - | - | - |
| TOTAL FUND BALANCES | 741,259 | 464,360 | 251,584 | 1,457,203 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 756,128 | \$ 464,360 | \$ 251,584 | \$ 1,472,072 |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF VERNON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Special Revenue Funds | Capital Projects Funds | Permanent Funds | Total Nonmajor Governmental Funds |
|---|-----------------------------|------------------------------|--------------------|---|
| REVENUES | | | | |
| Interest income | \$ - | \$ - | \$ 26,143 | \$ 26,143 |
| Charges for services | 66,700 | - | - | 66,700 |
| Other income | 16,792 | 927 | - | 17,719 |
| TOTAL REVENUES | <u>92,583</u> | <u>927</u> | <u>26,143</u> | <u>119,653</u> |
| EXPENDITURES | | | | |
| Other | 307,184 | - | - | 307,184 |
| TOTAL EXPENDITURES | <u>307,184</u> | <u>-</u> | <u>-</u> | <u>307,184</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(214,601)</u> | <u>927</u> | <u>26,143</u> | <u>(187,531)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 263,569 | 2,500 | - | 266,069 |
| Transfers (out) | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>263,569</u> | <u>2,500</u> | <u>-</u> | <u>266,069</u> |
| NET CHANGE IN FUND BALANCES | 48,968 | 3,427 | 26,143 | 78,538 |
| FUND BALANCES - JULY 1 | <u>692,291</u> | <u>460,933</u> | <u>225,441</u> | <u>1,378,665</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 741,259</u> | <u>\$ 464,360</u> | <u>\$ 251,584</u> | <u>\$ 1,457,203</u> |

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

TOWN OF VERNON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

| | Emergency Services | Reappraisal | Solid Waste Fund | Scholarship Fund |
|--|-----------------------|-------------------|---------------------|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 954 | \$ - | \$ 1,935 | \$ 24,413 |
| Investments | 100,021 | 22,175 | 17,271 | 69,032 |
| Due from other funds | - | 225,341 | - | - |
| TOTAL ASSETS | \$ 100,975 | \$ 247,516 | \$ 19,206 | \$ 93,445 |
| LIABILITIES | | | | |
| Accounts payable | \$ - | - | \$ - | \$ - |
| Due to other funds | - | - | 9,862 | - |
| TOTAL LIABILITIES | - | - | 9,862 | - |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | - | - | - |
| Committed | - | - | - | - |
| Assigned | 100,975 | 247,516 | 9,344 | 93,445 |
| Unassigned | - | - | - | - |
| TOTAL FUND BALANCES | 100,975 | 247,516 | 9,344 | 93,445 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 100,975 | \$ 247,516 | \$ 19,206 | \$ 93,445 |

TOWN OF VERNON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

| | Professional Services Fund | Elderly Assistance Fund | Restoration Fund | Library Fund | Total |
|--|----------------------------------|-------------------------------|---------------------|------------------|-------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ 47,982 | \$ - | \$ 23,955 | \$ 99,239 |
| Investments | 35,994 | - | - | - | 244,493 |
| Due from other funds | 170,635 | - | 16,420 | - | 412,396 |
| TOTAL ASSETS | <u>\$ 206,629</u> | <u>\$ 47,982</u> | <u>\$ 16,420</u> | <u>\$ 23,955</u> | <u>\$ 756,128</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 1,953 | \$ 1,953 |
| Due to other funds | - | - | - | 3,054 | 12,916 |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,007</u> | <u>14,869</u> |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | - |
| Committed | - | - | - | - | - |
| Assigned | 206,629 | 47,982 | 16,420 | 18,948 | 741,259 |
| Unassigned | - | - | - | - | - |
| TOTAL FUND BALANCES | <u>206,629</u> | <u>47,982</u> | <u>16,420</u> | <u>18,948</u> | <u>741,259</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 206,629</u> | <u>\$ 47,982</u> | <u>\$ 16,420</u> | <u>\$ 23,955</u> | <u>\$ 756,128</u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF VERNON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

| | Emergency Services | Reappraisal | Solid Waste Fund | Scholarship Fund |
|---|-----------------------|-------------------|---------------------|---------------------|
| REVENUES | | | | |
| Intergovernmental | \$ - | \$ 9,091 | \$ - | \$ - |
| Charges for services | - | - | 66,700 | - |
| Other income | 232 | - | 135 | 181 |
| TOTAL REVENUES | <u>232</u> | <u>9,091</u> | <u>66,835</u> | <u>181</u> |
| EXPENDITURES | | | | |
| Other | 180 | - | 143,162 | 26,750 |
| TOTAL EXPENDITURES | <u>180</u> | <u>-</u> | <u>143,162</u> | <u>26,750</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>52</u> | <u>9,091</u> | <u>(76,327)</u> | <u>(26,569)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 20,000 | 26,962 | 40,000 |
| Transfers (out) | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>20,000</u> | <u>26,962</u> | <u>40,000</u> |
| NET CHANGE IN FUND BALANCES | 52 | 29,091 | (49,365) | 13,431 |
| FUND BALANCES - JULY 1 | <u>100,923</u> | <u>218,425</u> | <u>58,709</u> | <u>80,014</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 100,975</u> | <u>\$ 247,516</u> | <u>\$ 9,344</u> | <u>\$ 93,445</u> |

TOWN OF VERNON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Professional Services Fund | Elderly Assistance Fund | Restoration Fund | Library Fund | Total |
|---|----------------------------------|-------------------------------|---------------------|------------------|-------------------|
| REVENUES | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ 9,091 |
| Charges for services | - | - | - | - | 66,700 |
| Other income | 350 | 3,322 | 5,075 | 7,497 | 16,792 |
| TOTAL REVENUES | <u>350</u> | <u>3,322</u> | <u>5,075</u> | <u>7,497</u> | <u>92,583</u> |
| EXPENDITURES | | | | | |
| Other | - | 11,500 | 4,458 | 121,134 | 307,184 |
| TOTAL EXPENDITURES | <u>-</u> | <u>11,500</u> | <u>4,458</u> | <u>121,134</u> | <u>307,184</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>350</u> | <u>(8,178)</u> | <u>617</u> | <u>(113,637)</u> | <u>(214,601)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 50,000 | 20,000 | - | 106,607 | 263,569 |
| Transfers (out) | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>50,000</u> | <u>20,000</u> | <u>-</u> | <u>106,607</u> | <u>263,569</u> |
| NET CHANGE IN FUND BALANCES | 50,350 | 11,822 | 617 | (7,030) | 48,968 |
| FUND BALANCES - JULY 1 | <u>156,279</u> | <u>36,160</u> | <u>15,803</u> | <u>25,978</u> | <u>692,291</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 206,629</u> | <u>\$ 47,982</u> | <u>\$ 16,420</u> | <u>\$ 18,948</u> | <u>\$ 741,259</u> |

See accompanying independent auditors' report and notes to financial statements.

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

TOWN OF VERNON, VERMONT

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

| | Farmland Fund | Parking Lot Maintenance Fund | Total |
|--|-------------------|------------------------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ 400 | \$ 400 |
| Investments | 346,109 | - | 346,109 |
| Due from other funds | 53,251 | 64,600 | 117,851 |
| TOTAL ASSETS | \$ 399,360 | \$ 65,000 | \$ 464,360 |
| LIABILITIES | | | |
| Due to others funds | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | - | - | - |
| FUND BALANCES | | | |
| Nonspendable | - | - | - |
| Restricted | - | - | - |
| Committed | 399,360 | 65,000 | 464,360 |
| Assigned | - | - | - |
| Unassigned | - | - | - |
| TOTAL FUND BALANCES | 399,360 | 65,000 | 464,360 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 399,360 | \$ 65,000 | \$ 464,360 |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF VERNON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

| | Farmland Fund | Parking Lot Maintenance Fund | Total |
|---|-------------------|------------------------------------|-------------------|
| REVENUES | | | |
| Intergovernmental | \$ - | \$ - | \$ - |
| Other income | 852 | 75 | 927 |
| TOTAL REVENUES | <u>852</u> | <u>75</u> | <u>927</u> |
| EXPENDITURES | | | |
| Capital outlay | - | - | - |
| Other | - | - | - |
| TOTAL EXPENDITURES | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>852</u> | <u>75</u> | <u>927</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 2,500 | 2,500 |
| Transfers (out) | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>2,500</u> | <u>2,500</u> |
| NET CHANGE IN FUND BALANCES | 852 | 2,575 | 3,427 |
| FUND BALANCES - JULY 1 | <u>398,508</u> | <u>62,425</u> | <u>460,933</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 399,360</u> | <u>\$ 65,000</u> | <u>\$ 464,360</u> |

See accompanying independent auditors' report and notes to financial statements.

Permanent Funds

Permanent funds are used to account for assets held by the Town of Vernon, Vermont that are legally restricted and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. These funds have been established for various purposes including provision for the maintenance of cemeteries in the Town of Vernon.

TOWN OF VERNON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2017

| | <u>A. Perry Cemetery Fund</u> | <u>North Cemetery Fund</u> | <u>P.A. Lee Cemetery Fund</u> | <u>South Cemetery Fund</u> | <u>Tyler Cemetery Fund</u> | <u>Whithed Cemetery Fund</u> | <u>Total</u> |
|--|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|--------------------------------|----------------------------------|-------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 3,578 | \$ 8,572 | \$ - | \$ 5,117 | \$ 11,787 | \$ - | \$ 29,054 |
| Investments | 1,034 | 47,933 | - | 6,237 | 166,478 | - | 221,682 |
| Due from other funds | - | - | 605 | - | - | 243 | 848 |
| TOTAL ASSETS | <u>\$ 4,612</u> | <u>\$ 56,505</u> | <u>\$ 605</u> | <u>\$ 11,354</u> | <u>\$ 178,265</u> | <u>\$ 243</u> | <u>\$ 251,584</u> |
| LIABILITIES | | | | | | | |
| Due to others funds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - |
| Restricted | 4,612 | 56,505 | 605 | 11,354 | 178,265 | 243 | 251,584 |
| Committed | - | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - |
| TOTAL FUND BALANCES | <u>4,612</u> | <u>56,505</u> | <u>605</u> | <u>11,354</u> | <u>178,265</u> | <u>243</u> | <u>251,584</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 4,612</u> | <u>\$ 56,505</u> | <u>\$ 605</u> | <u>\$ 11,354</u> | <u>\$ 178,265</u> | <u>\$ 243</u> | <u>\$ 251,584</u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF VERNON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>A. Perry Cemetery Fund</u> | <u>North Cemetery Fund</u> | <u>P.A. Lee Cemetery Fund</u> | <u>South Cemetery Fund</u> | <u>Tyler Cemetery Fund</u> | <u>Whithed Cemetery Fund</u> | <u>Total</u> |
|---|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|--------------------------------|----------------------------------|-------------------|
| REVENUES | | | | | | | |
| Interest income | \$ 118 | \$ 3,809 | \$ 1 | \$ 1,664 | \$ 20,551 | \$ - | \$ 26,143 |
| Other income | - | - | - | - | - | - | - |
| TOTAL REVENUES | <u>118</u> | <u>3,809</u> | <u>1</u> | <u>1,664</u> | <u>20,551</u> | <u>-</u> | <u>26,143</u> |
| EXPENDITURES | | | | | | | |
| Other | - | - | - | - | - | - | - |
| TOTAL EXPENDITURES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>118</u> | <u>3,809</u> | <u>1</u> | <u>1,664</u> | <u>20,551</u> | <u>-</u> | <u>26,143</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | - | - | - | - | - | - | - |
| Transfers (out) | - | - | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | 118 | 3,809 | 1 | 1,664 | 20,551 | - | 26,143 |
| FUND BALANCES - JULY 1 | <u>4,494</u> | <u>52,696</u> | <u>604</u> | <u>9,690</u> | <u>157,714</u> | <u>243</u> | <u>225,441</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 4,612</u> | <u>\$ 56,505</u> | <u>\$ 605</u> | <u>\$ 11,354</u> | <u>\$ 178,265</u> | <u>\$ 243</u> | <u>\$ 251,584</u> |

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

TOWN OF VERNON, VERMONT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
 JUNE 30, 2017

| | Land and Non-depreciable Assets | Buildings and Improvements | Furniture, Equipment & Vehicles | Infrastructure | Total |
|--------------------------------|---------------------------------------|----------------------------------|---------------------------------------|---------------------|---------------------|
| Town wide | \$ 408,616 | \$ 1,695,515 | \$ 2,408,144 | \$ 2,302,469 | \$ 6,814,744 |
| Total General Capital Assets | 408,616 | 1,695,515 | 2,408,144 | 2,302,469 | 6,814,744 |
| Less: Accumulated Depreciation | - | (1,078,127) | (1,248,608) | (1,140,647) | (3,467,382) |
| Net General Capital Assets | <u>\$ 408,616</u> | <u>\$ 617,388</u> | <u>\$ 1,159,536</u> | <u>\$ 1,161,822</u> | <u>\$ 3,347,362</u> |

See accompanying independent auditors' report and notes to financial statements.

TOWN OF VERNON, VERMONT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2017

| | General Capital Assets 7/1/16 | Additions | Deletions | General Capital Assets 6/30/17 |
|--------------------------------|--|-------------------|---------------------|---|
| Town Wide | <u>\$ 6,578,219</u> | <u>\$ 352,281</u> | <u>\$ (115,756)</u> | <u>\$ 6,814,744</u> |
| Total General Capital Assets | 6,578,219 | 352,281 | (115,756) | 6,814,744 |
| Less: Accumulated Depreciation | <u>(3,313,317)</u> | <u>(266,821)</u> | <u>112,756</u> | <u>(3,467,382)</u> |
| Net General Capital Assets | <u>\$ 3,264,902</u> | <u>\$ 85,460</u> | <u>\$ (3,000)</u> | <u>\$ 3,347,362</u> |

See accompanying independent auditors' report and notes to financial statements.



Proven Expertise and Integrity

INDEPENDENT AUDITORS' 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

Board of Selectmen
Town of Vernon
Vernon, Vermont

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 the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Vernon, Vermont as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Vernon, Vermont's basic financial statements, and have issued our report thereon dated February 7, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R.H.R. Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
February 7, 2018