

Audited Financial Statements and
Other Supplemental Information

Town of Vernon, Vermont

June 30, 2018



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TOWN OF VERNON, VERMONT

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JUNE 30, 2018

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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, 2018, 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Vernon, Vermont as of June 30, 2018, 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 and budgetary comparison information on pages 4 through 11 and 39 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2019, on our consideration of the Town of Vernon, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Vernon, Vermont's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration # 092.0000697
January 16, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

(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, 2018. 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 streets, culture and recreation, sanitation and solid waste, cemetery, health and welfare 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, Vermont can be divided into two categories: governmental funds and fiduciary 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, Vermont 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, emergency 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.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Town of Vernon, Vermont. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town’s own programs. The accounting used for fiduciary funds are much like that of proprietary funds. They use the accrual basis of accounting.

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 Statement of Changes in Net Position - Fiduciary Funds.

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.

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 decreased by \$488,007 from \$9,220,276 to \$8,732,269.

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 – increased for governmental activities to a balance of \$2,304,594 at the end of this year.

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

	<u>2018</u>	<u>2017</u>
Assets:		
Current Assets	\$ 5,883,111	\$ 6,134,120
Capital Assets	3,081,450	3,347,362
Total Assets	<u>8,964,561</u>	<u>9,481,482</u>
Liabilities:		
Current Liabilities	75,756	72,120
Long-term Debt Outstanding	37,515	28,205
Total Liabilities	<u>113,271</u>	<u>100,325</u>
Deferred Inflows of Resources:		
Deferred Revenues	13,951	13,709
Deferred Grants	96,612	139,849
Prepaid Property Taxes	8,458	7,323
Total Deferred Inflows of Resources	<u>119,021</u>	<u>160,881</u>
Net Position:		
Net Investment in Capital Assets	3,118,965	3,375,567
Restricted: General Fund	52,918	86,853
Special Revenue Funds	649,741	741,259
Capital Projects Funds	2,353,180	2,478,392
Permanent Funds	252,871	251,584
Unrestricted	2,304,594	2,286,621
Total Net Position	<u>\$ 8,732,269</u>	<u>\$ 9,220,276</u>

Revenues and Expenses

Revenues for the Town's governmental activities decreased by 17.86%, while total expenses increased by 15.79% from the prior year. The largest decrease in revenues was in property taxes. The biggest increase in expenses was in capital outlay.

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

	<u>2018</u>	<u>2017</u>
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 346,115	\$ 340,140
<i>General Revenues:</i>		
Property taxes	1,441,486	2,300,911
Grants and contributions not restricted to specific programs	752,682	448,220
Miscellaneous	90,633	113,850
Total revenues	<u>2,630,916</u>	<u>3,203,121</u>
Expenses		
General government	1,052,057	974,534
Public safety	403,139	373,773
Highways and streets	449,104	379,901
Culture and recreation	679,420	719,121
Sanitation and solid waste	144,354	143,162
Cemetery	20,860	18,477
Education	35,000	26,750
Health and welfare	13,678	11,500
Capital outlay	321,311	46,275
Total expenses	<u>3,118,923</u>	<u>2,693,493</u>
Change in Net Position	(488,007)	509,628
Net Position - July 1	<u>9,220,276</u>	<u>8,710,648</u>
Net Position - June 30	<u>\$ 8,732,269</u>	<u>\$ 9,220,276</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>2018</u>	<u>2017</u>
General Fund:		
Nonspendable	\$ 25,342	\$ 30,829
Restricted	52,918	86,853
Assigned	277,235	310,844
Unassigned	338,319	161,744
Total General Fund	<u>\$ 693,814</u>	<u>\$ 590,270</u>
Capital Reserve Fund		
Assigned	\$ 1,621,361	\$ 1,639,246
Total Capital Reserve Fund	<u>\$ 1,621,361</u>	<u>\$ 1,639,246</u>
Capital Fund		
Assigned	\$ 1,582,218	\$ 1,496,102
Total Capital Fund	<u>\$ 1,582,218</u>	<u>\$ 1,496,102</u>
Road Upgrade Fund		
Assigned	\$ 406,660	\$ 517,930
Total Road Upgrade Fund	<u>\$ 406,660</u>	<u>\$ 517,930</u>
Culvert Reserve Fund		
Assigned	\$ 57,639	\$ 140,068
Total Culvert Reserve Fund	<u>\$ 57,639</u>	<u>\$ 140,068</u>
Nonmajor Funds:		
Special revenues funds:		
Assigned	\$ 653,025	\$ 741,259
Unassigned	(3,284)	-
Capital projects funds:		
Committed	364,302	464,360
Permanent funds:		
Restricted	252,871	251,584
Total Nonmajor Funds	<u>\$ 1,266,914</u>	<u>\$ 1,457,203</u>

The general fund total fund balance increased by \$103,544 from the prior fiscal year. This increase is primarily due to revenues exceeding expenditures by \$423,102 after transfers out to other funds of \$319,558. The net result was an increase to fund balance of \$103,544. The emergency capital reserve fund decreased by \$17,885 from the prior year primarily due to capital outlay expenditures. The capital fund increased by \$86,116 from the prior year primarily due to the transfers in from the general fund of \$81,588. The road upgrade fund decreased by \$111,270 primarily due to the yearly road maintenance work done during fiscal year 2018. The culvert reserve fund

decreased by \$82,429 due to the culvert maintenance work done during fiscal year 2018. The total nonmajor fund balances decreased by \$190,289 from the prior fiscal year. In capital projects, the farmland fund saw the largest decrease due to the purchase of development rights for \$104,136.

Budgetary Highlights

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

The general fund actual revenues were under budget by \$41,855. This was due to property taxes and other revenues being receipted below budgeted amounts.

The general fund actual expenditures were under budget by \$68,899. Most expenditures were under budget with the exception of planning, recreation department, EOC grant and miscellaneous expense.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, the net book value of capital assets recorded by the Town decreased by \$265,912 from the prior year. This decrease is the result of capital additions of \$28,825 less current year depreciation of \$294,737.

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

	2018	2017
Land	\$ 408,616	\$ 408,616
Buildings and Improvements	602,594	617,388
Machinery and Equipment	1,053,651	1,159,536
Infrastructure	1,016,589	1,161,822
Total	\$ 3,081,450	\$ 3,347,362

Debt

At June 30, 2018, the Town does not have any bonds outstanding. Other obligations include accrued compensated absences. Refer to Note 5 of the Notes to the Financial Statements for detailed information.

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.

TOWN OF VERNON, VERMONT

STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,689,723
Investments	2,986,694
Taxes receivable	62,704
Other receivable	118,648
Inventory	<u>25,342</u>
Total current assets	<u>5,883,111</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	408,616
Buildings and equipment, net of accumulated depreciation	<u>2,672,834</u>
Total noncurrent assets	<u>3,081,450</u>
TOTAL ASSETS	<u><u>\$ 8,964,561</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 53,399
Accrued payroll and benefits payable	18,372
Due to delinquent tax collector	<u>3,985</u>
Total current liabilities	<u>75,756</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Accrued compenstated absences	<u>37,515</u>
Total noncurrent liabilities	<u>37,515</u>
TOTAL LIABILITIES	<u>113,271</u>
DEFERRED INFLOWS OF RESOURCES	
Prepaid property taxes	8,458
Deferred revenue	13,951
Deferred grants	<u>96,612</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>119,021</u>
NET POSITION	
Net investment in capital assets	3,118,965
Restricted:	
General fund	52,918
Special Revenue funds	649,741
Capital Projects funds	2,353,180
Permanent funds	252,871
Unrestricted	<u>2,304,594</u>
TOTAL NET POSITION	<u>8,732,269</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 8,964,561</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, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 1,052,057	\$ 30,245	\$ -	\$ -	\$ (1,021,812)
Public safety	403,139	4,031	-	-	(399,108)
Highways and streets	449,104	-	-	-	(449,104)
Culture and recreation	679,420	244,095	-	-	(435,325)
Sanitation and solid waste	144,354	67,744	-	-	(76,610)
Cemetery	20,860	-	-	-	(20,860)
Education	35,000	-	-	-	(35,000)
Health and welfare	13,678	-	-	-	(13,678)
Capital outlay	321,311	-	-	-	(321,311)
Total government	<u>\$ 3,118,923</u>	<u>\$ 346,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,772,808)</u>

STATEMENT B (CONTINUED)
TOWN OF VERNON, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(2,772,808)</u>
General revenues:	
Property taxes, levied for general purposes	1,441,486
Grants and contributions not restricted to specific programs	752,682
Miscellaneous	90,633
Total general revenues	<u>2,284,801</u>
Change in net position	(488,007)
NET POSITION - JULY 1	<u>9,220,276</u>
NET POSITION - JUNE 30	<u><u>\$ 8,732,269</u></u>

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

TOWN OF VERNON, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	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	\$ 2,208,549	\$ 199,570	\$ 92,724	\$ 12,829	\$ -	\$ 176,051	\$ 2,689,723
Investments	144,901	1,421,791	694,694	96,117	-	629,191	2,986,694
Taxes receivable	62,704	-	-	-	-	-	62,704
Other receivable	21,796	-	-	96,612	-	240	118,648
Inventory	25,342	-	-	-	-	-	25,342
Due from other funds	82,738	-	794,800	297,714	57,639	473,176	1,706,067
TOTAL ASSETS	\$ 2,546,030	\$ 1,621,361	\$ 1,582,218	\$ 503,272	\$ 57,639	\$ 1,278,658	\$ 7,589,178
LIABILITIES							
Accounts payable	\$ 53,399	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,399
Accrued payroll and benefits payable	17,344	-	-	-	-	1,028	18,372
Due to delinquent tax collector	3,985	-	-	-	-	-	3,985
Due to other funds	1,695,593	-	-	-	-	10,474	1,706,067
TOTAL LIABILITIES	1,770,321	-	-	-	-	11,502	1,781,823
DEFERRED INFLOWS OF RESOURCES							
Deferred property tax and interest	59,728	-	-	-	-	-	59,728
Deferred grants	-	-	-	96,612	-	-	96,612
Deferred revenue	13,709	-	-	-	-	242	13,951
Prepaid property taxes	8,458	-	-	-	-	-	8,458
TOTAL DEFERRED INFLOWS OF RESOURCES	81,895	-	-	96,612	-	242	178,749
FUND BALANCES							
Nonspendable	25,342	-	-	-	-	-	25,342
Restricted	52,918	-	-	-	-	252,871	305,789
Committed	-	-	-	-	-	364,302	364,302
Assigned	277,235	1,621,361	1,582,218	406,660	57,639	653,025	4,598,138
Unassigned	338,319	-	-	-	-	(3,284)	335,035
TOTAL FUND BALANCES	693,814	1,621,361	1,582,218	406,660	57,639	1,266,914	5,628,606
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,546,030	\$ 1,621,361	\$ 1,582,218	\$ 503,272	\$ 57,639	\$ 1,278,658	\$ 7,589,178

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, 2018

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 5,628,606
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	3,081,450
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	59,728
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	<u>(37,515)</u>
Net position of governmental activities	<u><u>\$ 8,732,269</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, 2018

	General Fund	Emergency Capital Reserve Fund	Capital Fund	Road Upgrade Fund	Culvert Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 1,442,058	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,442,058
Intergovernmental	685,758	-	-	58,127	-	8,797	752,682
Interest income	13,356	7,715	4,528	1,003	71	13,417	40,090
Charges for services	278,371	-	-	-	-	67,744	346,115
Miscellaneous	29,052	-	-	-	-	21,491	50,543
TOTAL REVENUES	<u>2,448,595</u>	<u>7,715</u>	<u>4,528</u>	<u>59,130</u>	<u>71</u>	<u>111,449</u>	<u>2,631,488</u>
EXPENDITURES							
Current:							
General government	641,052	-	-	-	-	106,958	748,010
Public safety	403,019	-	-	-	-	120	403,139
Highways and streets	366,604	-	-	-	82,500	-	449,104
Culture and recreation	608,838	-	-	-	-	70,582	679,420
Sanitation and solid waste	-	-	-	-	-	144,354	144,354
Cemetery	5,980	-	-	-	-	14,880	20,860
Education	-	-	-	-	-	35,000	35,000
Health and welfare	-	-	-	-	-	13,678	13,678
Capital outlay	-	25,600	-	220,400	-	104,136	350,136
TOTAL EXPENDITURES	<u>2,025,493</u>	<u>25,600</u>	<u>-</u>	<u>220,400</u>	<u>82,500</u>	<u>489,708</u>	<u>2,843,701</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>423,102</u>	<u>(17,885)</u>	<u>4,528</u>	<u>(161,270)</u>	<u>(82,429)</u>	<u>(378,259)</u>	<u>(212,213)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	81,588	50,000	-	187,970	319,558
Transfers (out)	(319,558)	-	-	-	-	-	(319,558)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(319,558)</u>	<u>-</u>	<u>81,588</u>	<u>50,000</u>	<u>-</u>	<u>187,970</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	103,544	(17,885)	86,116	(111,270)	(82,429)	(190,289)	(212,213)
FUND BALANCES - JULY 1	<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>
FUND BALANCES - JUNE 30	<u>\$ 693,814</u>	<u>\$ 1,621,361</u>	<u>\$ 1,582,218</u>	<u>\$ 406,660</u>	<u>\$ 57,639</u>	<u>\$ 1,266,914</u>	<u>\$ 5,628,606</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, 2018

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (212,213)</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	28,825
Depreciation expense	<u>(294,737)</u>
	<u>(265,912)</u>
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>	
Taxes and liens receivable	<u>(572)</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	<u>(9,310)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ (488,007)</u></u>

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

TOWN OF VERNON, VERMONT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Private- Purpose Trusts</u>
ASSETS	
Cash and cash equivalents	\$ 23,605
Investments, at fair value	170,191
Accounts receivable	<u>47</u>
TOTAL ASSETS	<u><u>\$ 193,843</u></u>
LIABILITIES	
Accounts payable	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>
NET POSITION	
Restricted - held in trust for special purposes	<u>193,843</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 193,843</u></u>

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

TOWN OF VERNON, VERMONT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR YEAR ENDED JUNE 30, 2018

	Private- Purpose Trusts
	<u> </u>
ADDITIONS	
Net increase (decrease) in the fair value of investments	\$ 10,796
Total additions	<u>10,796</u>
DEDUCTIONS	
Withdrawals	<u>1,000</u>
Total deductions	<u>1,000</u>
Change in net position	9,796
NET POSITION - JULY 1	<u>184,047</u>
NET POSITION - JUNE 30	<u><u>\$ 193,843</u></u>

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

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 streets, culture and recreation, sanitation and solid waste, cemetery, health and welfare, 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, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*" The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. 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

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 85, "*Omnibus 2017.*" The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, "*Certain Debt Extinguishment Issues.*" The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. 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.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (general government, public safety, etc.) excluding fiduciary activities. 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. Program revenues must be directly associated with the function. 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.

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.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b. The Emergency Capital Reserve Fund is used to 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.
- 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.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 a formal investment policy but also 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 \$118,648 for the year ended June 30, 2018. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2018.

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 government-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

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. As of June 30, 2018, the Town's liability for compensated absences is \$37,515.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Deferred property tax and interest, which arises only under a modified accrual basis of accounting, 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 1, 2017 on the assessed value listed as of April 1, 2017, for all real and personal property located in the Town. Taxes were due on September 9, 2017, January 11, 2018 and May 3, 2018. Payments received after the due dates were charged interest of 1% per month. Payments received after May 3, 2018 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.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2018, the Town's cash balances of \$2,713,328 were comprised of bank balances of \$2,963,636, of which \$397,936 were insured by federal depository insurance and consequently were not exposed to custodial credit risk, and the remaining bank balances of \$2,159,258 were collateralized with securities held by the financial institution in the Town's name. The cash equivalents balances of \$406,442, of which \$273,971 were collateralized by the Securities Investor Protection Corporation (SIPC) and the remaining balance of \$132,417 uncollateralized and uninsured.

Account Type	Bank Balance
Checking accounts	\$ 2,441,071
Money market accounts	52,277
Savings accounts	63,846
Cash equivalents	406,442
	\$ 2,963,636

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

In accordance with its investment policy, the Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and broker/dealers. Of the Town's investments of \$3,156,885, \$565,354 were covered by the Securities Investor Protection Corporation (SIPC) and the remaining investments of \$2,591,531 were uncollateralized and uninsured.

At June 30, 2018, the Town had the following investments and maturities:

Investment Type	Fair Value	N/A	< 1 Year	1 - 5 Years	> 5 Years
Equity securities:					
Mutual funds:					
Fixed income	\$ 2,435,249	\$ 258,135	\$ 899,127	\$ 1,277,987	\$ -
Equities	721,636	33,248	299,285	193,752	195,351
	\$ 3,156,885	\$ 291,383	\$ 1,198,412	\$ 1,471,739	\$ 195,351

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018:

	June 30, 2018 Total	Fair Value Measurements Using		
		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	\$ 3,156,885	\$ 3,156,885	\$ -	\$ -
Total equity securities	<u>3,156,885</u>	<u>3,156,885</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>3,156,885</u>	<u>\$ 3,156,885</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	<u>406,442</u>			
Total cash equivalents measured at the NAV	<u>406,442</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 3,563,327</u>			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. 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, 2018 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, 2018

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2018 consisted of the following individual fund receivables and payables:

	Receivables (Due From)	Payables (Due To)
General fund	\$ 82,738	\$ 1,695,593
Capital fund	794,800	-
Road upgrade fund	297,714	-
Culvert reserve fund	57,639	-
Nonmajor special revenue funds	355,408	10,474
Nonmajor capital projects funds	116,319	-
Nonmajor permanent funds	1,449	-
	\$ 1,706,067	\$ 1,706,067

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance 7/1/17	Additions	Disposals	Balance 6/30/18
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	1,695,515	28,825	-	1,724,340
Vehicles	1,689,037	-	-	1,689,037
Machinery and equipment	719,107	-	-	719,107
Infrastructure	2,302,469	-	-	2,302,469
	6,406,128	28,825	-	6,434,953
Less: accumulated depreciation	(3,467,382)	(294,737)	-	(3,762,119)
	2,938,746	(265,912)	-	2,672,834
Net capital assets	\$ 3,347,362	\$ (265,912)	\$ -	\$ 3,081,450

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

	Balance 7/1/17	Additions	Reductions	Balance 6/30/18	Current Year Portion
Accrued compensated absences	\$ 28,205	\$ 9,310	\$ -	\$ 37,515	\$ 37,515
Totals	<u>\$ 28,205</u>	<u>\$ 9,310</u>	<u>\$ -</u>	<u>\$ 37,515</u>	<u>\$ 37,515</u>

NOTE 6 - NONSPENDABLE FUND BALANCE

At June 30, 2018, the Town had the following nonspendable fund balance:

General Fund:	
Inventory	<u>\$ 25,342</u>

NOTE 7 - RESTRICTED FUND BALANCES

At June 30, 2018, the Town had the following restricted fund balances:

General fund:	
Public safety department	\$ 22,306
Solid waste department	198
Recreation department	22,563
General expenses department	7,851
Nonmajor permanent funds (Schedule H)	<u>252,871</u>
	<u>\$ 305,789</u>

NOTE 8 - COMMITTED FUND BALANCES

At June 30, 2018, the Town had the following committed fund balances:

Nonmajor capital projects funds (Schedule F)	<u>\$ 364,302</u>
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TOWN OF VERNON, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 9 - ASSIGNED FUND BALANCES

At June 30, 2018, the Town had the following assigned fund balances:

General fund:	
Dog fund	\$ 23,990
Unemployment fund	24,629
Reserve fund	50,258
J. M. Miller Forest fund	178,333
Grant transfer fund	25
Emergency capital reserve fund	1,621,361
Capital fund	1,582,218
Road upgrade fund	406,660
Culvert reserve fund	57,639
Nonmajor special revenue funds (Schedule D)	653,025
	<u>\$ 4,598,138</u>

NOTE 10 - APPROPRIATIONS

At June 30, 2018, various departmental revenues funded the following departments for budgetary purposes:

Planning	\$ 10,496
Recreation department	28,574
EOC grant	2,901
Miscellaneous expenses	29,941
	<u>\$ 71,912</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, 2018. There were no significant reductions in insurance coverage from that of the prior year and amounts of settlements have not exceeded insurance coverage in the past three years.

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - RISK MANAGEMENT (CONTINUED)

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.

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

TOWN OF VERNON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - CONTINGENCIES (CONTINUED)

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.

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, 2018, the Town received 24.1% 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.

NOTE 16 - DEFICIT FUND BALANCE

At June 30, 2018, the Town had the following deficit fund balance:

Nonmajor special revenue funds (Schedule D):	
Pay to throw fund	<u>\$ 3,284</u>

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, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance - July 1	\$ 590,270	\$ 590,270	\$ 590,270	\$ -
Resources (Inflows):				
Property taxes	1,565,188	1,565,188	1,442,058	(123,130)
Intergovernmental revenues	656,000	656,000	685,758	29,758
Charges for services	205,250	205,250	278,371	73,121
Current interest income	10,800	10,800	13,356	2,556
Other revenue	53,212	53,212	29,052	(24,160)
Amounts Available for Appropriation	<u>3,080,720</u>	<u>3,080,720</u>	<u>3,038,865</u>	<u>(41,855)</u>
Charges to Appropriations (Outflows):				
Town clerk's office	90,193	90,193	85,015	5,178
Town treasurer's office	91,173	91,173	88,514	2,659
Listers	54,466	54,466	38,493	15,973
Selectboard	155,170	155,170	135,459	19,711
General expenses	189,469	189,469	186,699	2,770
Planning	7,910	7,910	18,406	(10,496)
Recreation department	353,020	353,020	381,594	(28,574)
School rental	221,270	221,270	221,270	-
Building & grounds	50,100	50,100	49,640	460
Cemeteries	14,680	14,680	5,980	8,700
Vernon seniors	2,350	2,350	2,350	-
Town van	14,205	14,205	8,885	5,320
Historians south school	3,761	3,761	3,624	137
County sheriff's	232,960	232,960	232,960	-
Fire department	108,971	108,971	94,175	14,796
Rescues	49,922	49,922	49,922	-
EOC grant	12,062	12,062	14,963	(2,901)
Other public safety	22,206	22,206	10,999	11,207
Highway maintenance	89,700	89,700	85,418	4,282
Town garage operation	265,769	265,769	243,467	22,302
Road equipment repair/maint	65,035	65,035	37,719	27,316
Miscellaneous expense	-	-	29,941	(29,941)
Appropriations	84,088	84,088	84,088	-
Transfers to other funds	235,470	235,470	235,470	-
Total Charges to Appropriations	<u>2,413,950</u>	<u>2,413,950</u>	<u>2,345,051</u>	<u>68,899</u>
Budgetary Fund Balance, June 30	<u>\$ 666,770</u>	<u>\$ 666,770</u>	<u>\$ 693,814</u>	<u>\$ 27,044</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, 2018

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Property taxes	\$ 1,565,188	\$ 1,565,188	\$ 1,442,058	\$ (123,130)
Intergovernmental revenues:				
State of Vermont - PILOT program	600,000	600,000	600,000	-
State of Vermont - current use	30,000	30,000	47,712	17,712
State of Vermont - natural resources	8,000	8,000	8,244	244
State of Vermont - reimb services	15,500	15,500	25,257	9,757
State of Vermont - Railroad tax	2,500	2,500	4,545	2,045
Charges for services:				
Treasurer	1,000	1,000	962	(38)
Planning/zoning Fees	-	-	12,195	12,195
Clerk fees	15,250	15,250	17,088	1,838
Police income	4,000	4,000	4,031	31
Recreation department	185,000	185,000	244,095	59,095
Interest income:				
Current tax interest	10,000	10,000	9,764	(236)
Interest income	800	800	3,592	2,792
Miscellaneous revenues	53,212	53,212	29,052	(24,160)
Amounts Available for Appropriation	<u>\$ 2,490,450</u>	<u>\$ 2,490,450</u>	<u>\$ 2,448,595</u>	<u>\$ (41,855)</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, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
Town Clerk's Office:					
Town clerk/treasurer's office	\$ 49,967	\$ -	\$ 49,967	\$ 49,024	\$ 943
Assistant town clerk	18,667	-	18,667	14,708	3,959
Town clerk's office FICA	5,250	-	5,250	3,750	1,500
Health insurance	13,582	-	13,582	13,811	(229)
Dental insurance	627	-	627	581	46
New/replace office equip	1,000	-	1,000	789	211
Postage for ballots	-	-	-	59	(59)
Travel & conferences	600	-	600	505	95
Miscellaneous (elections)	500	-	500	138	362
Marriage lic qtr return	-	-	-	1,650	(1,650)
	<u>90,193</u>	<u>-</u>	<u>90,193</u>	<u>85,015</u>	<u>5,178</u>
Town Treasurer's Office:					
Treasurer/finance director	52,929	-	52,929	51,930	999
Assistant treas/finance dir	17,585	-	17,585	17,253	332
Treasurer's office FICA	6,000	-	6,000	4,897	1,103
Health insurance	13,582	-	13,582	13,811	(229)
Dental insurance	627	-	627	533	94
New/replace office equip	200	-	200	-	200
Travel & conferences	250	-	250	90	160
	<u>91,173</u>	<u>-</u>	<u>91,173</u>	<u>88,514</u>	<u>2,659</u>
Listers:					
Listers	42,400	-	42,400	30,484	11,916
Listers' FICA	3,244	-	3,244	2,339	905
Health insurance	6,695	-	6,695	4,328	2,367
Dental insurance	627	-	627	581	46
Travel and conferences	1,500	-	1,500	761	739
	<u>54,466</u>	<u>-</u>	<u>54,466</u>	<u>38,493</u>	<u>15,973</u>

TOWN OF VERNON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
Selectboard:					
Selectboard salaries	10,000	-	10,000	10,000	-
Town administrator	50,962	-	50,962	50,000	962
Secretary for selectboard	6,000	-	6,000	1,194	4,806
FICA	5,673	-	5,673	5,168	505
Health insurance	13,108	-	13,108	13,328	(220)
Dental insurance	627	-	627	581	46
457(b) contribution	12,500	-	12,500	10,203	2,297
New/replace office equipment	500	-	500	-	500
Printing of town report	1,000	-	1,000	967	33
EOC building expenses	3,500	-	3,500	-	3,500
Postage for town report	100	-	100	169	(69)
Legal services	20,000	-	20,000	10,924	9,076
Outside audit	14,000	-	14,000	12,590	1,410
Travel	500	-	500	2,357	(1,857)
Safety committee	500	-	500	-	500
Contributions and gifts	700	-	700	82	618
Green-up	150	-	150	-	150
Emergency repairs/replacements	15,000	-	15,000	-	15,000
Welcome signs	250	-	250	250	-
Flag	100	-	100	100	-
Friends of village grant	-	-	-	10,000	(10,000)
Miscellaneous	-	-	-	7,546	(7,546)
	<u>155,170</u>	<u>-</u>	<u>155,170</u>	<u>135,459</u>	<u>19,711</u>
General Expenses:					
Committee secretaries	400	-	400	298	102
FICA	30	-	30	22	8
General office supplies	5,000	-	5,000	5,067	(67)
Advertising	1,000	-	1,000	1,114	(114)
Telephone	15,000	-	15,000	13,705	1,295
Postage	4,000	-	4,000	2,625	1,375
Dues & subscriptions	1,000	-	1,000	421	579
VT league of cities & towns	3,495	-	3,495	3,495	-
County tax	22,145	-	22,145	26,145	(4,000)
Contracts maint & repairs	15,000	-	15,000	15,310	(310)
Technology upgrades	4,000	-	4,000	1,076	2,924
Insurance & bonds	118,399	-	118,399	117,421	978
	<u>189,469</u>	<u>-</u>	<u>189,469</u>	<u>186,699</u>	<u>2,770</u>

TOWN OF VERNON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
Planning:					
Postage & misc.	225	-	225	-	225
Windham regional plan. com	7,000	-	7,000	5,726	1,274
Professional assistance	685	-	685	-	685
17 muni planning grant	-	-	-	12,612	(12,612)
18 muni planning grant	-	-	-	68	(68)
	<u>7,910</u>	<u>-</u>	<u>7,910</u>	<u>18,406</u>	<u>(10,496)</u>
Recreation Department					
Director	50,343	-	50,343	49,393	950
Assistant director	37,333	-	37,333	36,629	704
Maintenance	6,807	-	6,807	5,795	1,012
Water Safety instructors	31,331	-	31,331	26,756	4,575
Day camp staff	13,906	-	13,906	12,662	1,244
Customer service	6,994	-	6,994	3,013	3,981
Pre-school instructor	29,590	-	29,590	27,008	2,582
Pre-school assistant	29,732	-	29,732	28,967	765
Weekend supervisor	2,500	-	2,500	2,945	(445)
FICA	15,954	-	15,954	13,913	2,041
Health insurance	70,352	-	70,352	71,543	(1,191)
Dental insurance	2,508	-	2,508	2,373	135
Supplies	20,430	-	20,430	18,307	2,123
Utilities/fuel oil	7,000	-	7,000	10,008	(3,008)
Telephone	500	-	500	1,137	(637)
Contracts and rentals	1,590	-	1,590	1,710	(120)
New/replace equipment	-	-	-	1,036	(1,036)
Repairs & maintenance	1,050	-	1,050	1,799	(749)
Programs	25,100	-	25,100	20,399	4,701
Partnership - preschool	-	-	-	41,878	(41,878)
Preschool fundraiser	-	-	-	1,767	(1,767)
Grants	-	-	-	1,329	(1,329)
L Peduzzi Scholarship	-	-	-	217	(217)
Donations	-	-	-	710	(710)
Travel & conferences	-	-	-	300	(300)
	<u>353,020</u>	<u>-</u>	<u>353,020</u>	<u>381,594</u>	<u>(28,574)</u>

TOWN OF VERNON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
School rental	221,270	-	221,270	221,270	-
Building & Grounds:					
Groundskeeping	6,000	-	6,000	4,864	1,136
Cleaning	8,000	-	8,000	7,995	5
Snow removal	2,500	-	2,500	1,550	950
Supplies	1,000	-	1,000	1,349	(349)
Custodial equipment	100	-	100	-	100
Fuel oil	9,000	-	9,000	6,650	2,350
Elec. Town/lib/north	15,000	-	15,000	13,924	1,076
Repairs to equipment	500	-	500	-	500
Repairs to bldg.	8,000	-	8,000	13,308	(5,308)
	<u>50,100</u>	<u>-</u>	<u>50,100</u>	<u>49,640</u>	<u>460</u>
Cemeteries:					
Caretaking	9,180	-	9,180	5,239	3,941
Supplies	500	-	500	741	(241)
Repair & maintenance	5,000	-	5,000	-	5,000
	<u>14,680</u>	<u>-</u>	<u>14,680</u>	<u>5,980</u>	<u>8,700</u>
Vernon Seniors:					
Activities	2,350	-	2,350	2,350	-
	<u>2,350</u>	<u>-</u>	<u>2,350</u>	<u>2,350</u>	<u>-</u>
Town Van:					
Van driver	10,873	-	10,873	6,992	3,881
FICA	832	-	832	535	297
Gasoline	1,500	-	1,500	1,066	434
Van maintenance	1,000	-	1,000	292	708
	<u>14,205</u>	<u>-</u>	<u>14,205</u>	<u>8,885</u>	<u>5,320</u>
Historians South School :					
Record preservation & supplies	800	-	800	800	-
Electricity	450	-	450	428	22
Building repairs & maint	280	-	280	165	115
Grounds	2,231	-	2,231	2,231	-
	<u>3,761</u>	<u>-</u>	<u>3,761</u>	<u>3,624</u>	<u>137</u>

TOWN OF VERNON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
Windham County Sheriff	232,960	-	232,960	232,960	-
Fire Department:					
Fire chief stipend	5,000	-	5,000	5,000	-
Lost wages	800	-	800	-	800
FICA	444	-	444	383	61
Uniforms	-	-	-	484	(484)
Inoculations	500	-	500	-	500
Physicals	500	-	500	170	330
EAP	400	-	400	713	(313)
Supplies	1,500	-	1,500	1,340	160
EMS Vernon resuce supplies	4,000	-	4,000	2,999	1,001
New/replace equipment	15,000	-	15,000	13,095	1,905
Public education	1,000	-	1,000	1,005	(5)
Fuel oil	8,000	-	8,000	7,456	544
Electricity - fire dept	3,000	-	3,000	3,235	(235)
Dues and subscriptions	900	-	900	1,249	(349)
Southwest mutual aid	28,000	-	28,000	28,710	(710)
Gasoline	3,000	-	3,000	1,353	1,647
Equip. repair & Maint.	7,000	-	7,000	6,025	975
Truck repair & Maintenance	8,000	-	8,000	4,532	3,468
Fire pond maint.	4,000	-	4,000	1,500	2,500
Bldg. repair & maint	4,000	-	4,000	4,805	(805)
Training, travel & cong.	1,500	-	1,500	169	1,331
Rescue training, Trav, Co	2,000	-	2,000	1,439	561
Prior Year Carryover	8,427	-	8,427	6,118	2,309
Travel reimbursements	2,000	-	2,000	2,395	(395)
	<u>108,971</u>	<u>-</u>	<u>108,971</u>	<u>94,175</u>	<u>14,796</u>
Rescues' Operating Budget	<u>49,922</u>	<u>-</u>	<u>49,922</u>	<u>49,922</u>	<u>-</u>
EM Carryover	12,062	-	12,062	-	12,062
FY17/18 EOC Grant	-	14,963	14,963	14,963	-
	<u>12,062</u>	<u>14,963</u>	<u>27,025</u>	<u>14,963</u>	<u>12,062</u>

TOWN OF VERNON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	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	-	500
Deputy health officer	1,500	-	1,500	1,500	-
Public safety FICA	306	-	306	306	-
Siren's maint/batteries	2,400	-	2,400	-	2,400
Emergency management	15,000	-	15,000	6,693	8,307
	<u>22,206</u>	<u>-</u>	<u>22,206</u>	<u>10,999</u>	<u>11,207</u>
Highway Maintenance:					
Equipment rental	5,500	-	5,500	6,616	(1,116)
Guard rails	1,100	-	1,100	-	1,100
Culverts	5,500	-	5,500	11,035	(5,535)
Gravel	8,000	-	8,000	7,755	245
Chhloride	7,000	-	7,000	6,773	227
Asphalt	1,500	-	1,500	2,426	(926)
Salt	46,000	-	46,000	36,693	9,307
Sand	8,000	-	8,000	7,977	23
Tree warden	2,300	-	2,300	2,615	(315)
Stormwater run-off permit	4,400	-	4,400	3,528	872
RSMS/culvert inventory	400	-	400	-	400
	<u>89,700</u>	<u>-</u>	<u>89,700</u>	<u>85,418</u>	<u>4,282</u>
Town Garage Operation:					
Road commissioner	61,333	-	61,333	62,019	(686)
Equipment operator	41,296	-	41,296	40,620	676
Operator/mechanic	43,641	-	43,641	43,415	226
Part-time operator	5,000	-	5,000	2,297	2,703
FICA	11,573	-	11,573	10,452	1,121
Health insurance	46,245	-	46,245	47,028	(783)
Dental insurance	1,881	-	1,881	1,743	138
Uniforms	2,500	-	2,500	2,272	228
Drug & alcohol testing	500	-	500	95	405
Supplies	4,800	-	4,800	3,201	1,599
Fuel oil	15,000	-	15,000	6,722	8,278
Electricity	3,000	-	3,000	3,028	(28)

TOWN OF VERNON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
Town Garage Operation:					
Dumpster fee	1,000		1,000	940	60
Dues & subscriptions	500	-	500	74	426
Gas & diesel	16,000	-	16,000	11,435	4,565
Road tools & supplies	4,000	-	4,000	3,862	138
Safety equipment	3,000	-	3,000	1,362	1,638
Bldg. repair & maint.	4,000	-	4,000	2,719	1,281
Travel & conferences	500	-	500	183	317
	<u>265,769</u>	<u>-</u>	<u>265,769</u>	<u>243,467</u>	<u>22,302</u>
Road equip. repair/maint:					
Trucks	10,000	-	10,000	8,866	1,134
Grader	2,500	-	2,500	2,587	(87)
Tractor	1,000	-	1,000	380	620
Snow plows & sander	3,000	-	3,000	3,067	(67)
Front end loader	2,500	-	2,500	1,066	1,434
Small equipment	2,400	-	2,400	2,188	212
Radios	500	-	500	241	259
Prior year carry over	43,135	-	43,135	19,324	23,811
	<u>65,035</u>	<u>-</u>	<u>65,035</u>	<u>37,719</u>	<u>27,316</u>
Miscellaneous expenses	-	-	-	29,941	(29,941)
Appropriations	<u>84,088</u>	<u>-</u>	<u>84,088</u>	<u>84,088</u>	<u>-</u>
Transfers to other funds:					
Special revenue funds	185,470	-	185,470	185,470	-
Road upgrade fund	50,000	-	50,000	50,000	-
	<u>235,470</u>	<u>-</u>	<u>235,470</u>	<u>235,470</u>	<u>-</u>
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 2,413,950</u>	<u>\$ 14,963</u>	<u>\$ 2,428,913</u>	<u>\$ 2,345,051</u>	<u>\$ 83,862</u>

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

TOWN OF VERNON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 114,056	\$ 29,201	\$ 32,794	\$ 176,051
Investments	191,781	218,782	218,628	629,191
Accounts receivable	240	-	-	240
Due from other funds	355,408	116,319	1,449	473,176
TOTAL ASSETS	\$ 661,485	\$ 364,302	\$ 252,871	\$ 1,278,658
LIABILITIES				
Accrued payroll and benefits payable	\$ 1,028	\$ -	\$ -	\$ 1,028
Due to other funds	10,474	-	-	10,474
TOTAL LIABILITIES	11,502	-	-	11,502
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	242	-	-	242
TOTAL DEFERRED INFLOWS OF RESOURCES	242	-	-	242
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	252,871	252,871
Committed	-	364,302	-	364,302
Assigned	653,025	-	-	653,025
Unassigned	(3,284)	-	-	(3,284)
TOTAL FUND BALANCES	649,741	364,302	252,871	1,266,914
TOTAL LIABILITIES AND FUND BALANCES	\$ 661,485	\$ 364,302	\$ 252,871	\$ 1,278,658

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, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 8,797	\$ -	\$ -	\$ 8,797
Interest income	-	-	13,417	13,417
Charges for services	67,744	-	-	67,744
Other income	17,163	1,578	2,750	21,491
TOTAL REVENUES	<u>93,704</u>	<u>1,578</u>	<u>16,167</u>	<u>111,449</u>
EXPENDITURES				
Capital outlay	-	104,136	-	104,136
Other	370,692	-	14,880	385,572
TOTAL EXPENDITURES	<u>370,692</u>	<u>104,136</u>	<u>14,880</u>	<u>489,708</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(276,988)</u>	<u>(102,558)</u>	<u>1,287</u>	<u>(378,259)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	185,470	2,500	-	187,970
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>185,470</u>	<u>2,500</u>	<u>-</u>	<u>187,970</u>
NET CHANGE IN FUND BALANCES	(91,518)	(100,058)	1,287	(190,289)
FUND BALANCES - JULY 1	<u>741,259</u>	<u>464,360</u>	<u>251,584</u>	<u>1,457,203</u>
FUND BALANCES - JUNE 30	<u>\$ 649,741</u>	<u>\$ 364,302</u>	<u>\$ 252,871</u>	<u>\$ 1,266,914</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, 2018

	Emergency Services	Reappraisal	Solid Waste Fund	Scholarship Fund	Pay to Throw Fund
ASSETS					
Cash and cash equivalents	\$ 12,670	\$ 2,624	\$ 10,065	\$ 8,182	\$ -
Investments	88,665	19,657	964	50,588	-
Accounts receivable	-	-	-	-	240
Due from other funds	-	192,181	-	-	-
TOTAL ASSETS	<u>\$ 101,335</u>	<u>\$ 214,462</u>	<u>\$ 11,029</u>	<u>\$ 58,770</u>	<u>\$ 240</u>
LIABILITIES					
Accrued payroll and benefits payable	\$ -	\$ 198	\$ -	\$ -	\$ -
Due to other funds	-	-	4,407	-	3,524
TOTAL LIABILITIES	<u>-</u>	<u>198</u>	<u>4,407</u>	<u>-</u>	<u>3,524</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	101,335	214,264	6,622	58,770	-
Unassigned	-	-	-	-	(3,284)
TOTAL FUND BALANCES (DEFICITS)	<u>101,335</u>	<u>214,264</u>	<u>6,622</u>	<u>58,770</u>	<u>(3,284)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 101,335</u>	<u>\$ 214,462</u>	<u>\$ 11,029</u>	<u>\$ 58,770</u>	<u>\$ 240</u>

TOWN OF VERNON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Professional Services Fund	Elderly Assistance Fund	Restoration Fund	Library Fund	Total
ASSETS					
Cash and cash equivalents	\$ 4,259	\$ 44,424	\$ -	\$ 31,832	\$ 114,056
Investments	31,907	-	-	-	191,781
Accounts receivable	-	-	-	-	240
Due from other funds	148,690	-	14,537	-	355,408
TOTAL ASSETS	<u>\$ 184,856</u>	<u>\$ 44,424</u>	<u>\$ 14,537</u>	<u>\$ 31,832</u>	<u>\$ 661,485</u>
LIABILITIES					
Accrued payroll and benefits payable	\$ -	\$ -	\$ -	\$ 830	\$ 1,028
Due to other funds	-	95	-	2,448	10,474
TOTAL LIABILITIES	<u>-</u>	<u>95</u>	<u>-</u>	<u>3,278</u>	<u>11,502</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	-	-	-	242	242
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>242</u>	<u>242</u>
FUND BALANCES (DEFICITS)					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	184,856	44,329	14,537	28,312	653,025
Unassigned	-	-	-	-	(3,284)
TOTAL FUND BALANCES (DEFICITS)	<u>184,856</u>	<u>44,329</u>	<u>14,537</u>	<u>28,312</u>	<u>649,741</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 184,856</u>	<u>\$ 44,424</u>	<u>\$ 14,537</u>	<u>\$ 31,832</u>	<u>\$ 661,485</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, 2018

	Emergency Services	Reappraisal	Solid Waste Fund	Scholarship Fund	Pay to Throw Fund
REVENUES					
Intergovernmental	\$ -	\$ 8,797	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	67,744
Other income	480	312	133	325	1
TOTAL REVENUES	<u>480</u>	<u>9,109</u>	<u>133</u>	<u>325</u>	<u>67,745</u>
EXPENDITURES					
Other	120	42,361	73,325	35,000	71,029
TOTAL EXPENDITURES	<u>120</u>	<u>42,361</u>	<u>73,325</u>	<u>35,000</u>	<u>71,029</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>360</u>	<u>(33,252)</u>	<u>(73,192)</u>	<u>(34,675)</u>	<u>(3,284)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	70,470	-	-
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>70,470</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	360	(33,252)	(2,722)	(34,675)	(3,284)
FUND BALANCES (DEFICITS) - JULY 1	<u>100,975</u>	<u>247,516</u>	<u>9,344</u>	<u>93,445</u>	<u>-</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 101,335</u>	<u>\$ 214,264</u>	<u>\$ 6,622</u>	<u>\$ 58,770</u>	<u>\$ (3,284)</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, 2018

	Professional Services Fund	Elderly Assistance Fund	Restoration Fund	Library Fund	Total
REVENUES					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 8,797
Charges for services	-	-	-	-	67,744
Other income	335	25	5,606	9,946	17,163
TOTAL REVENUES	335	25	5,606	9,946	93,704
EXPENDITURES					
Other	57,108	13,678	7,489	70,582	370,692
TOTAL EXPENDITURES	57,108	13,678	7,489	70,582	370,692
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(56,773)	(13,653)	(1,883)	(60,636)	(276,988)
OTHER FINANCING SOURCES (USES)					
Transfers in	35,000	10,000	-	70,000	185,470
Transfers (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	35,000	10,000	-	70,000	185,470
NET CHANGE IN FUND BALANCES (DEFICITS)	(21,773)	(3,653)	(1,883)	9,364	(91,518)
FUND BALANCES (DEFICITS) - JULY 1	206,629	47,982	16,420	18,948	741,259
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 184,856</u>	<u>\$ 44,329</u>	<u>\$ 14,537</u>	<u>\$ 28,312</u>	<u>\$ 649,741</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, 2018

	Farmland Fund	Parking Lot Maintenance Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 29,154	\$ 47	\$ 29,201
Investments	218,427	355	218,782
Due from other funds	49,153	67,166	116,319
TOTAL ASSETS	<u>\$ 296,734</u>	<u>\$ 67,568</u>	<u>\$ 364,302</u>
LIABILITIES			
Due to others funds	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	296,734	67,568	364,302
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>296,734</u>	<u>67,568</u>	<u>364,302</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 296,734</u>	<u>\$ 67,568</u>	<u>\$ 364,302</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 CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Farmland Fund	Parking Lot Maintenance Fund	Total
REVENUES			
Other income	\$ 1,510	\$ 68	\$ 1,578
TOTAL REVENUES	<u>1,510</u>	<u>68</u>	<u>1,578</u>
EXPENDITURES			
Capital outlay	104,136	-	104,136
TOTAL EXPENDITURES	<u>104,136</u>	<u>-</u>	<u>104,136</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(102,626)</u>	<u>68</u>	<u>(102,558)</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	(102,626)	2,568	(100,058)
FUND BALANCES - JULY 1	<u>399,360</u>	<u>65,000</u>	<u>464,360</u>
FUND BALANCES - JUNE 30	<u><u>\$ 296,734</u></u>	<u><u>\$ 67,568</u></u>	<u><u>\$ 364,302</u></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, Vermont.

TOWN OF VERNON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS

JUNE 30, 2018

	A. Perry Cemetery Fund	North Cemetery Fund	P.A. Lee Cemetery Fund	South Cemetery Fund	Tyler Cemetery Fund	Whithed Cemetery Fund	Total
ASSETS							
Cash and cash equivalents	\$ 3,614	\$ 13,121	\$ -	\$ 6,278	\$ 9,781	\$ -	\$ 32,794
Investments	1,107	44,773	-	6,129	166,619	-	218,628
Due from other funds	-	-	1,205	-	-	244	1,449
TOTAL ASSETS	<u>\$ 4,721</u>	<u>\$ 57,894</u>	<u>\$ 1,205</u>	<u>\$ 12,407</u>	<u>\$ 176,400</u>	<u>\$ 244</u>	<u>\$ 252,871</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	4,721	57,894	1,205	12,407	176,400	244	252,871
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>4,721</u>	<u>57,894</u>	<u>1,205</u>	<u>12,407</u>	<u>176,400</u>	<u>244</u>	<u>252,871</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,721</u>	<u>\$ 57,894</u>	<u>\$ 1,205</u>	<u>\$ 12,407</u>	<u>\$ 176,400</u>	<u>\$ 244</u>	<u>\$ 252,871</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, 2018

	A. Perry Cemetery Fund	North Cemetery Fund	P.A. Lee Cemetery Fund	South Cemetery Fund	Tyler Cemetery Fund	Whithed Cemetery Fund	Total
REVENUES							
Interest income	\$ 109	\$ 1,689	\$ -	\$ 553	\$ 11,065	\$ 1	\$ 13,417
Other income	-	1,150	600	500	500	-	2,750
TOTAL REVENUES	<u>109</u>	<u>2,839</u>	<u>600</u>	<u>1,053</u>	<u>11,565</u>	<u>1</u>	<u>16,167</u>
EXPENDITURES							
Other	-	1,450	-	-	13,430	-	14,880
TOTAL EXPENDITURES	<u>-</u>	<u>1,450</u>	<u>-</u>	<u>-</u>	<u>13,430</u>	<u>-</u>	<u>14,880</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>109</u>	<u>1,389</u>	<u>600</u>	<u>1,053</u>	<u>(1,865)</u>	<u>1</u>	<u>1,287</u>
NET CHANGE IN FUND BALANCES	109	1,389	600	1,053	(1,865)	1	1,287
FUND BALANCES - JULY 1	<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>
FUND BALANCES - JUNE 30	<u>\$ 4,721</u>	<u>\$ 57,894</u>	<u>\$ 1,205</u>	<u>\$ 12,407</u>	<u>\$ 176,400</u>	<u>\$ 244</u>	<u>\$ 252,871</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, 2018

	Land and Non-depreciable Assets	Buildings and Improvements	Furniture, Equipment & Vehicles	Infrastructure	Total
Town wide	\$ 408,616	\$ 1,724,340	\$ 2,408,144	\$ 2,302,469	\$ 6,843,569
Total General Capital Assets	408,616	1,724,340	2,408,144	2,302,469	6,843,569
Less: Accumulated Depreciation	-	(1,121,746)	(1,354,493)	(1,285,880)	(3,762,119)
Net General Capital Assets	<u>\$ 408,616</u>	<u>\$ 602,594</u>	<u>\$ 1,053,651</u>	<u>\$ 1,016,589</u>	<u>\$ 3,081,450</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, 2018

	General Capital Assets 7/1/17	Additions	Deletions	General Capital Assets 6/30/18
Town Wide	\$ 6,814,744	\$ 28,825	\$ -	\$ 6,843,569
Total General Capital Assets	6,814,744	28,825	-	6,843,569
Less: Accumulated Depreciation	(3,467,382)	(294,737)	-	(3,762,119)
Net General Capital Assets	<u>\$ 3,347,362</u>	<u>\$ (265,912)</u>	<u>\$ -</u>	<u>\$ 3,081,450</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, 2018, 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 January 16, 2019.

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.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
January 16, 2019