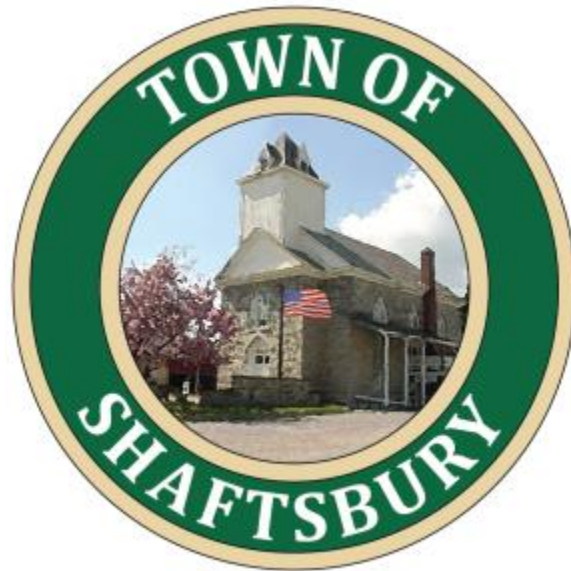


Town of Shaftsbury, Vermont



ANNUAL TOWN REPORT APPENDIX C

Final Audit Report

By Sullivan, Powers & Co., P.C.

Certified Public Accountants

For the Year Ending June 30, 2017

TOWN OF SHAFTSBURY, VERMONT
 AUDIT REPORT
 TABLE OF CONTENTS
 JUNE 30, 2017

	<u>Page #</u>
Independent Auditor's Report	1-3
Basic Financial Statements:	
Governmental Funds:	
Balance Sheet	Exhibit A 4
Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit B 5
Proprietary Fund:	
Statement of Fund Net Position	Exhibit C 6
Statement of Revenues, Expenses and Changes in Fund Net Position	Exhibit D 7
Statement of Cash Flows	Exhibit E 8
Fiduciary Funds:	
Statement of Fiduciary Net Position	Exhibit F 9
Statement of Changes in Fiduciary Net Position	Exhibit G 10
Notes to the Financial Statements	11-32
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	Schedule 1 33-40
Schedule of Proportionate Share of the Net Pension Liability - VMERS Defined Benefit Plan	Schedule 2 41
Schedule of Contributions - VMERS Defined Benefit Plan	Schedule 3 42

TOWN OF SHAFTSBURY, VERMONT
 AUDIT REPORT
 TABLE OF CONTENTS
 JUNE 30, 2017

		<u>Page #</u>
Other Information:		
Combining Balance Sheet - Non-Major Governmental Funds	Schedule 4	43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	Schedule 5	44
Combining Balance Sheet - Non-Major Special Revenue Funds	Schedule 6	45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Special Revenue Funds	Schedule 7	46
Combining Balance Sheet - Non-Major Capital Projects Funds	Schedule 8	47
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Capital Projects Funds	Schedule 9	48
Combining Schedule of Fiduciary Net Position - Private-Purpose Trust Funds	Schedule 10	49
Combining Schedule of Changes in Fiduciary Net Position - Private-Purpose Trust Funds	Schedule 11	50
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards		51-52
Schedule of Findings and Deficiencies in Internal Control		53-55
Responses to Deficiencies in Internal Control		

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
www.sullivanpowers.com

Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
VT Lic. #92-000180

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Town of Shaftsbury, Vermont as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise a portion of the Town of Shaftsbury, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on the Financial Statements as a Whole

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

In addition, we did not audit the transfer station revenues because of inadequacies in the Town's controls over transfer station revenues. We were unable to obtain sufficient appropriate audit evidence about the completeness of the transfer station revenues in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund (stated at \$32,523) by other auditing procedures.

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinion on the Financial Statements as a Whole” paragraphs, the financial statements referred to previously do not present fairly the financial position of the Town of Shaftsbury, Vermont, as of June 30, 2017, or the changes in its financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

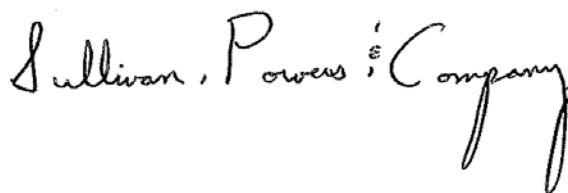
Other Information

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

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated January 19, 2018 on our consideration of the Town of Shaftsbury, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Shaftsbury, Vermont's internal control over financial reporting and compliance.

January 19, 2018
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, sweeping flourish at the end of the word "Company".

TOWN OF SHAFTSBURY, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Fire Equipment Replacement Fund	Cole Hall Renovation and Garage Fund	Paving Fund	Listers' Reappraisal Fund	Cemetery Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS								
Cash	\$ 1,309,557	\$ 0	\$ 0	\$ 0	\$ 0	\$ 70,385	\$ 0	\$ 1,379,942
Investments	97,759	0	0	0	122,781	144,290	0	364,830
Receivables	76,028	0	0	0	0	0	31,943	107,971
Due from Other Funds	0	214,938	292,358	3,342	102,098	89,530	118,353	820,619
Prepaid Expenses	9,328	0	0	0	0	0	0	9,328
Total Assets	\$ <u>1,492,672</u>	\$ <u>214,938</u>	\$ <u>292,358</u>	\$ <u>3,342</u>	\$ <u>224,879</u>	\$ <u>304,205</u>	\$ <u>150,296</u>	\$ <u>2,682,690</u>
LIABILITIES								
Accounts Payable	\$ 57,052	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 941	\$ 57,993
Accrued Payroll and Benefits Payable	4,651	0	0	0	0	0	0	4,651
Due to Other Funds	848,764	0	0	0	0	0	31,002	879,766
Unearned Revenue	5,720	0	0	0	0	0	0	5,720
Due to Delinquent Tax Collector	7,113	0	0	0	0	0	0	7,113
Total Liabilities	<u>923,300</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,943</u>	<u>955,243</u>
DEFERRED INFLOWS OF RESOURCES								
Prepaid Property Taxes	340	0	0	0	0	0	0	340
Unavailable Property Taxes and Interest	63,000	0	0	0	0	0	0	63,000
Total Deferred Inflows of Resources	<u>63,340</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>63,340</u>
FUND BALANCES								
Nonspendable	9,328	0	0	0	0	67,230	0	76,558
Restricted	0	0	0	3,342	0	236,975	24,442	264,759
Committed	0	214,938	292,358	0	0	0	93,911	601,207
Assigned	200,263	0	0	0	224,879	0	0	425,142
Unassigned	296,441	0	0	0	0	0	0	296,441
Total Fund Balances	<u>506,032</u>	<u>214,938</u>	<u>292,358</u>	<u>3,342</u>	<u>224,879</u>	<u>304,205</u>	<u>118,353</u>	<u>1,664,107</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>1,492,672</u>	\$ <u>214,938</u>	\$ <u>292,358</u>	\$ <u>3,342</u>	\$ <u>224,879</u>	\$ <u>304,205</u>	\$ <u>150,296</u>	\$ <u>2,682,690</u>

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

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

	General Fund	Fire Equipment Replacement Fund	Cole Hall Renovation and Garage Fund	Paving Fund	Listers' Reappraisal Fund	Cemetery Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:								
Property Taxes	\$ 1,522,165	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,522,165
Interest on Delinquent Taxes	8,698	0	0	0	0	0	0	8,698
Intergovernmental	220,997	0	0	124,983	17,234	0	162,497	525,711
Charges for Services	55,236	0	0	0	0	6,000	0	61,236
Permits, Licenses & Fees	28,918	0	0	0	0	0	0	28,918
Fines and Forfeits	5,392	0	0	0	0	0	0	5,392
Investment Income	11,659	498	690	47	725	14,298	440	28,357
Donations	0	0	0	0	0	82,230	0	82,230
Other	4,039	0	0	0	0	0	0	4,039
Total Revenues	1,857,104	498	690	125,030	17,959	102,528	162,937	2,266,746
Expenditures:								
General Government	419,013	0	0	0	2,400	0	7,691	429,104
Public Safety	103,304	0	0	0	0	0	0	103,304
Public Works	762,014	0	0	0	0	0	0	762,014
Culture and Recreation	28,328	0	0	0	0	0	0	28,328
Cemetery	24,229	0	0	0	0	3,351	0	27,580
Solid Waste	146,096	0	0	0	0	0	0	146,096
Capital Outlay:								
Public Works	0	0	19,145	196,901	0	0	313,563	529,609
Culture and Recreation	0	0	0	0	0	0	7,220	7,220
Cemetery	0	0	0	0	0	0	6,392	6,392
Debt Service:								
Principal	181,793	0	0	0	0	0	0	181,793
Interest	9,535	0	0	0	0	0	7	9,542
Total Expenditures	1,674,312	0	19,145	196,901	2,400	3,351	334,873	2,230,982
Excess/(Deficiency) of Revenues Over Expenditures	182,792	498	(18,455)	(71,871)	15,559	99,177	(171,936)	35,764
Other Financing Sources/(Uses):								
Insurance Proceeds	7,392	0	0	0	0	0	0	7,392
Transfers In	0	41,000	90,000	35,000	5,000	0	118,170	289,170
Transfers Out	(283,152)	0	0	(3,434)	0	0	(2,584)	(289,170)
Total Other Financing Sources/(Uses)	(275,760)	41,000	90,000	31,566	5,000	0	115,586	7,392
Net Change in Fund Balances	(92,968)	41,498	71,545	(40,305)	20,559	99,177	(56,350)	43,156
Fund Balances - July 1, 2016	599,000	173,440	220,813	43,647	204,320	205,028	174,703	1,620,951
Fund Balances - June 30, 2017	\$ 506,032	\$ 214,938	\$ 292,358	\$ 3,342	\$ 224,879	\$ 304,205	\$ 118,353	\$ 1,664,107

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

TOWN OF SHAFTSBURY, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

	<u>Water Fund</u>
<u>ASSETS</u>	
Current Assets:	
Investments	\$ 31,786
Receivables	38,593
Due from Other Funds	58,416
	128,795
Total Current Assets	128,795
Noncurrent Assets:	
Pumping Station	30,000
Meters & Meter Upgrades	40,000
Distribution System	443,000
Less: Accumulated Depreciation	(58,100)
	454,900
Total Noncurrent Assets	454,900
Total Assets	\$ 583,695
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 416
Accrued Payroll and Benefits Payable	116
General Obligation Bonds Payable - Current Portion	9,296
	9,828
Total Current Liabilities	9,828
Noncurrent Liabilities:	
General Obligation Bonds Payable - Noncurrent Portion	149,534
	149,534
Total Noncurrent Liabilities	149,534
Total Liabilities	159,362
<u>NET POSITION</u>	
Net Investment in Capital Assets	296,070
Unrestricted	128,263
	424,333
Total Net Position	424,333
Total Liabilities and Net Position	\$ 583,695

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

TOWN OF SHAFTSBURY, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Water Fund</u>
Operating Revenues:	
Charges for Services	\$ 139,585
Miscellaneous	25
	<hr/>
Total Operating Revenues	139,610
	<hr/>
Operating Expenses:	
Salary and Wages	14,323
Outside Services	1,674
Repairs and Maintenance	90
North Bennington Water Charges	63,839
North Bennington Bond Assessment	17,432
Water Testing	918
Legal, Dues & Postage	1,078
Training and Travel	2,392
Operating Supplies	457
Utilities	1,075
Machinery and Equipment	129
Depreciation	7,900
	<hr/>
Total Operating Expenses	111,307
	<hr/>
Operating Income	28,303
	<hr/>
Non-Operating Revenues/(Expenses):	
Investment Income	327
Interest Expense	(5,036)
	<hr/>
Total Non-Operating Revenues/(Expenses)	(4,709)
	<hr/>
Change in Net Position	23,594
Net Position - July 1, 2016	400,739
	<hr/>
Net Position - June 30, 2017	\$ 424,333
	<hr/>

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

TOWN OF SHAFTSBURY, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Water Fund</u>
Cash Flows From Operating Activities:	
Receipts from Customers and Users	\$ 142,333
Payments for Goods and Services	(88,774)
Payments for Wages and Benefits	<u>(16,407)</u>
Net Cash Provided by Operating Activities	<u>37,152</u>
Cash Flows from Noncapital Financing Activities:	
(Increase)/Decrease in Due from Other Funds	(58,416)
Increase/(Decrease) in Due to Other Funds	<u>(47,058)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(105,474)</u>
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on General Obligation Bonds Payable	(9,024)
Interest Paid on General Obligation Bonds Payable	<u>(5,036)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(14,060)</u>
Cash Flows From Investing Activities:	
Receipt of Interest and Dividends	<u>216</u>
Net Cash Provided by Investing Activities	<u>216</u>
Net Increase/(Decrease) in Cash	(82,166)
Cash - July 1, 2016	<u>82,166</u>
Cash - June 30, 2017	<u>\$ 0</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 28,303
Depreciation	7,900
(Increase)/Decrease in Accounts Receivable	2,723
Increase/(Decrease) in Accounts Payable	310
Increase/(Decrease) in Accrued Payroll and Benefits Payable	<u>(2,084)</u>
Net Cash Provided by Operating Activities	<u>\$ 37,152</u>

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

TOWN OF SHAFTSBURY, VERMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Private-Purpose Trust Funds
<u>ASSETS</u>	
Cash	\$ 72,301
Investments	148,215
Due from Other Funds	731
Total Assets	\$ 221,247
<u>LIABILITIES AND NET POSITION</u>	
Liabilities:	\$ <u>0</u>
Net Position:	
Restricted:	
Held in Trust for Other Purposes	221,247
Total Net Position	221,247
Total Liabilities and Net Position	\$ 221,247

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

TOWN OF SHAFTSBURY, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Private-Purpose Trust Funds
Additions:	
Investment Income	\$ <u>14,702</u>
Total Additions	<u>14,702</u>
Deductions:	
Library Expenses	519
Recreation Expenses	2,154
School Expenses	658
Investment Fees	<u>775</u>
Total Deductions	<u>4,106</u>
Change in Net Position	10,596
Net Position - July 1, 2016	<u>210,651</u>
Net Position - June 30, 2017	<u><u>\$ 221,247</u></u>

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

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. The Financial Reporting Entity

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

B. Basis of Presentation

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

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

The Town reports on the following major governmental funds:

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

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

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

Paving Fund – This fund accounts for the financial resources to be used for paving expenditures.

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

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

The Town reports on the following major enterprise fund:

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

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

Additionally, the Town reports the following fund type:

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

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

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

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

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

E. Use of Estimates

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

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

1. Cash

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

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

2. Investments

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

3. Receivables

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

4. Internal Balances

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

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

5. Inventories and Prepaid Expenses

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

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

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

6. Pensions

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

7. Deferred Outflows/Inflows of Resources

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

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

8. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated acquisition value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. The Town has not capitalized any interest costs.

TOWN OF SHAFTSBURY, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

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

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

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

9. Compensated Absences

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

10. Long-term Liabilities

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

11. Fund Equity

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

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2017, expenditures in the General Fund exceeded appropriations by \$41,381. These over-expenditures were funded by available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Cash

The Town's cash and investments as of June 30, 2017 consisted of the following:

Cash:	
Deposits with Financial Institutions	\$1,261,500
Deposits held by Investment Company	190,138
Cash on Hand	<u>605</u>
Total Cash	<u>1,452,243</u>
Investments:	
Certificates of Deposit	154,567
Mutual Funds	<u>390,264</u>
Total Investments	<u>544,831</u>
Total Cash and Investments	<u>\$1,997,074</u>

The Town has four (4) certificates of deposit at People's United Bank ranging from \$7,107 to \$122,781 with interest rates ranging from 0.15% to 0.40%. All certificates of deposit will mature during fiscal year 2018.

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Custodial Credit Risk

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

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$ 440,138	\$ 440,138
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	<u>1,166,067</u>	<u>1,206,139</u>
Total	<u>\$1,606,205</u>	<u>\$1,646,277</u>

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

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$1,261,500
Cash – Deposits held by Investment Company	190,138
Investments – Certificates of Deposit	<u>154,567</u>
Total	<u>\$1,606,205</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. The Town's certificates of deposit are exempt from interest rate risk disclosure. The Town's mutual funds are open-ended and, therefore, are also exempt from interest rate risk disclosure.

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. These organizations look at a number of factors in order to evaluate the risk of an obligation and rate the risk. The rating allows the investor to make informed buying and selling decisions. The Town does not have any policy to limit the exposure to credit risk. The Town's certificates of deposit are exempt from credit risk analysis. The mutual funds are open-ended and are, therefore, also exempt from credit risk analysis.

Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town's certificates of deposit and mutual funds are exempt from concentration of credit risk analysis.

B. Receivables

Receivables as of June 30, 2017, are as follows:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Water Fund</u>	<u>Total</u>
Delinquent Taxes Receivable	\$ 71,445	\$ 0	\$ 0	\$ 71,445
Penalties and Interest Receivable	4,583	0	0	4,583
Grants Receivable	0	31,943	0	31,943
Billed Services	0	0	18,593	18,593
Unbilled Services	<u>0</u>	<u>0</u>	<u>20,000</u>	<u>20,000</u>
 Total	 <u>\$ 76,028</u>	 <u>\$ 31,943</u>	 <u>\$ 38,593</u>	 <u>\$ 146,564</u>

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

C. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Water Fund				
Capital Assets, Being Depreciated:				
Pumping Station	\$ 30,000	\$ 0	\$ 0	\$ 30,000
Meters & Meter Upgrades	40,000	0	0	40,000
Distribution System	<u>443,000</u>	<u>0</u>	<u>0</u>	<u>443,000</u>
Totals	<u>513,000</u>	<u>0</u>	<u>0</u>	<u>513,000</u>
Less Accumulated Depreciation for:				
Pumping Station	1,800	600	0	2,400
Meters & Meter Upgrades	11,999	1,333	0	13,332
Distribution System	<u>36,401</u>	<u>5,967</u>	<u>0</u>	<u>42,368</u>
Totals	<u>50,200</u>	<u>7,900</u>	<u>0</u>	<u>58,100</u>
Water Fund Capital Assets, Net	<u>\$ 462,800</u>	<u>\$ (7,900)</u>	<u>\$ 0</u>	<u>\$ 454,900</u>

D. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2017 are as follows:

<u>Fund</u>	<u>Due from</u> <u>Other Funds</u>	<u>Due to</u> <u>Other Funds</u>
General Fund	\$ 0	\$ 848,764
Fire Equipment Replacement Fund	214,938	0
Cole Hall Renovation and Garage Fund	292,358	0
Paving Fund	3,342	0
Listers' Reappraisal Fund	102,098	0
Cemetery Fund	89,530	0
Non-Major Governmental Funds	118,353	31,002
Water Fund	58,416	0
Private-Purpose Trust Fund - Florence Beebe Memorial Fund	<u>731</u>	<u>0</u>
Total	<u>\$ 879,766</u>	<u>\$ 879,766</u>

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Interfund transfers during the year ended June 30, 2017 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Professional Audit Reserve Fund	\$ 4,000	* Appropriation
General Fund	Fire Equipment Replacement Fund	41,000	Appropriation
General Fund	Cole Hall Renovation and Garage Fund	90,000	Appropriation
General Fund	Paving Fund	35,000	Appropriation
General Fund	Listers' Reappraisal Fund	5,000	Appropriation
General Fund	Planning Grant Fund	2,063	Fund Local Match
General Fund	Equipment Replacement Fund	30,000	Appropriation
General Fund	Sidewalk Fund	20,089	Fund Local Match
General Fund	Park Fund	3,000	Appropriation
General Fund	Hooke Memorial Fund	3,000	Appropriation
General Fund	Culvert Fund	5,000	Appropriation
General Fund	Cemetery Capital Fund	9,000	Appropriation
General Fund	Class 3 Road Improvement Fund	40,000	Appropriation
Paving Fund	White Creek Paving Fund	3,434	Close Fund
Culvert Fund	Shaft Hollow Culvert Fund	<u>2,584</u>	Fund Local Match
Total		<u>\$ 293,170</u>	

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

E. Unearned Revenue

Unearned revenue in the General Fund consists of \$5,720 of access permits received in advance.

F. Deferred Inflows of Resources

Deferred inflows of resources in the General Fund consists of \$63,000 of delinquent property taxes and interest on those taxes not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$340 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$63,340.

G. Long-term Liabilities - Water Fund

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

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

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

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

The long-term liabilities outstanding as of June 30, 2017 for the Water Fund was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal and Interest Payments of \$3,117 Payable on December 1 Annually, Interest at 1%, 2% Administration Fee, Due December, 2029	\$ 37,215	\$ 0	\$ 2,000	\$ 35,215
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal and Interest Payments of \$10,943 Payable on December 1 Annually, Interest at 1%, 2% Administration Fee, Due December, 2030	<u>130,639</u>	<u>0</u>	<u>7,024</u>	<u>123,615</u>
Total	<u>\$167,854</u>	<u>\$ 0</u>	<u>\$ 9,024</u>	<u>\$158,830</u>

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 9,296	\$ 1,588	\$ 10,884
2019	9,575	1,496	11,071
2020	9,861	1,399	11,260
2021	10,157	1,301	11,458
2022	10,463	1,199	11,662
2023-2027	57,214	4,364	61,578
2028-2031	<u>52,264</u>	<u>1,326</u>	<u>53,590</u>
Total	<u>\$ 158,830</u>	<u>\$ 12,673</u>	<u>\$ 171,503</u>

H. Fund Balances

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

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

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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

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

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

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

Major Funds

General Fund:	
Nonspendable Prepaid Expenses	\$ 9,328
Cemetery Fund:	
Nonspendable Cemetery Fund Principal	<u>67,230</u>
Total Nonspendable Fund Balances	<u>\$76,558</u>

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

Major Funds

Paving Fund:	
Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes) – Designated for Paving Expenditures by the Voters	<u>\$ 3,342</u>
Cemetery Fund:	
Restricted for Cemetery Expenses by Sale of Lots and Donations (Source of Revenue is Sale of Lots and Donations)	<u>236,975</u>

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Non-Major Funds

Special Revenue Funds:

Restricted for Municipal Grants Expenses by Grant Agreements (Source of Revenue is Grant Revenue)	\$ <u>375</u>
--	---------------

Capital Projects Funds:

Restricted for Purchase of 510 North Street Property by Debt Agreement (Source of Revenue is Debt Proceeds)	532
Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes) – Designated for Culvert Expenditures	7,499
Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes) – Designated for Class 3 Road Improvement Expenditures	<u>16,036</u>

Total Capital Projects	<u>24,067</u>
------------------------	---------------

Total Non-Major Funds	<u>24,442</u>
-----------------------	---------------

Total Restricted Fund Balances	<u>\$264,759</u>
--------------------------------	------------------

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

Major Funds

Fire Equipment Replacement Fund:

Committed for Fire Equipment Expenditures by the Voters	<u>\$214,938</u>
---	------------------

Cole Hall Renovation and Garage Fund:

Committed for Cole Hall Renovation and Garage Expenditures by the Voters	<u>292,358</u>
--	----------------

Non-Major Funds

Capital Projects Funds:

Committed for Equipment Expenditures by the Voters	31,869
Committed for Park Expenditures by the Voters	4,905
Committed for Hooke Memorial Expenditures by the Voters	32,997
Committed for Cemetery Capital Expenditures by the Voters	<u>24,140</u>

Total Non-Major Funds	<u>93,911</u>
-----------------------	---------------

Total Committed Fund Balances	<u>\$601,207</u>
-------------------------------	------------------

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

Major Funds

General Fund:

Assigned for Economic Development Study Expenses	\$ 8,184
Assigned for Landfill Expenses	46,633
Assigned for Community Improvement Expenses – G.W. Hawkins Fund	<u>145,446</u>

Total General Fund	<u>200,263</u>
--------------------	----------------

Listers' Reappraisal Fund:

Assigned for Reappraisal Expenses	<u>224,879</u>
-----------------------------------	----------------

Total Assigned Fund Balances	<u>\$425,142</u>
------------------------------	------------------

I. Net Position Held in Trust for Various Purposes

The net position held in Trust for various purposes in the Town's Private-Purpose Trust Funds as of June 30, 2017 consisted of the following:

Restricted for School Expenses by Bequests	\$ 31,078
Restricted for Recreation Expenses by Donations	101,611
Restricted for Health Expenses by Agreements	30,330
Restricted for Elderly Citizens by Bequest	32,970
Restricted for Library Expenses by Bequests	24,527
Restricted for Florence Beebe Memorial Expenses by Bequests	<u>731</u>

Total Private-Purpose Trust Funds	<u>\$221,247</u>
-----------------------------------	------------------

IV. OTHER INFORMATION

A. PENSION PLANS

Defined Benefit Plan

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2017, the retirement system consisted of 441 participating employers.

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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

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

As of June 30, 2016, the measurement date selected by the State of Vermont, VMERS was funded at 80.95% and had a plan fiduciary net position of \$547,015,114 and a total pension liability of \$675,711,281 resulting in a net position liability of \$128,696,167. As of June 30, 2017, the Town's proportionate share of this was 0.0965% resulting in a net pension liability of \$124,141. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. As of June 30, 2016, the Town's proportion of 0.0965% was a decrease of 0.0198 from its proportion measured as of June 30, 2015.

Summary of System Provisions

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

Creditable Service – Service as a member plus purchased service.

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

Service Retirement Allowance:

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

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

Maximum benefit is 60% of AFC for Group B and 50% of AFC for Groups C and D. The previous amounts include the portion of the allowance provided by member contributions.

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Early Retirement Allowance:

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

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

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

Disability Retirement Allowance:

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

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

Death Benefit:

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

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

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

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

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

Member Contributions – Group B – 4.875%.

Employer Contributions – Group B – 5.50%.

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

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Significant Actuarial Assumptions and Methods

The actuarial assumptions regarding the incidence of mortality, terminations, retirements and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014.

Interest Rate: 7.95% per annum.

Salary increases: 5% per year.

Deaths: Group B – RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 60% Blue collar and 40% White collar adjustment. The post-retirement mortality assumption was chosen to recognize improved longevity experience after the valuation date.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.8% per annum for members of Group B.

Actuarial Cost Method: Projected benefit cost method. The unfunded accrued liability is amortized in installments increasing 5% per year.

Asset Valuation Method: Invested assets are reported at fair value.

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

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% per year.

Long-term Expected Rate of Return:

The long-term expected rate of return on investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	8.54%
Fixed Income	2.36%
Alternatives	8.35%
Multi-strategy	4.90%

Nominal long-term expected rates of return for these asset classes are equal to the sum of the expected long-term real rates and the expected long-term inflation rate of 3.0%.

Discount Rate – The discount rate used to measure the total pension liability was 7.95%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.95 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%):

<u>1% Decrease (6.95%)</u>	<u>Discount Rate (7.95%)</u>	<u>1% Increase (8.95%)</u>
\$206,087	\$124,141	\$55,529

Defined Contribution Plan

Employees in Group DC, a defined contribution plan, contribute 5% of their gross salary and the Town contributes 5.125%.

The Town pays all costs accrued each year for the plan. The premise of Plan DC is to allow employees to have a choice in investing their retirement assets. Each employee will receive the value of their account upon retirement.

Total covered payroll for Group DC was \$23,122. Pension expense for the year ended June 30, 2017 was \$1,185.

Additional Information

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

TOWN OF SHAFTSBURY, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

B. PROPERTY TAXES

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes were levied in October and were due November 10. The penalty is eight percent (8%). Interest is charged at one percent (1%) per month for the first three months and one and one-half percent (1-1/2%) per month for each month thereafter. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale. The tax rates for 2017 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.3803	.3803
Local Agreement	.0039	.0039
Education	<u>1.2558</u>	<u>1.4366</u>
Total	<u>1.6400</u>	<u>1.8208</u>

C. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through a local broker. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

D. COMPENSATED ABSENCES

It is the policy of the Town to permit employees to accumulate earned but unused vacation benefits, personal leave and sick time. Amounts not expected to be liquidated with expendable available financial resources are not reported in the governmental funds. No expenditure is reported for these amounts until paid. The total accrued leave time as of June 30, 2017 was \$2,754. As of June 30, 2017, there was no accrued leave time liability for the Water Fund.

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

E. LONG-TERM DEBT - GOVERNMENTAL FUNDS

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

The Town has notes payable to finance capital purchases through a local bank.

The long-term debt outstanding as of June 30, 2017 for the Governmental Funds was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, People's United Bank, 492 North Street, Principal Payments of \$13,333 Payable on April 27 Annually Plus Interest at 2%, Due April, 2018	\$ 26,666	\$ 0	\$ 13,333	\$ 13,333
Note Payable, People's United Bank, 510 North Street, Principal Payments of \$10,000 Payable on May 19 Annually Plus Interest at 2%, Due May, 2019	30,000	0	10,000	20,000
Capital Lease Payable, Tax-Exempt Leasing Corp., 2015 International Truck, Principal and Interest Payments of \$37,147 Payable on July 15 Annually, Interest at 2.59%, Due July, 2018	105,907	0	34,403	71,504
Capital Lease Payable, Tax-Exempt Leasing Corp., 2013 Rescue Pumper and 2013 International Truck, Principal and Interest Payments of \$90,886 Payable on October 1 Annually, Interest at 2.09%, Due and Paid October, 2016	89,025	0	89,025	0
Capital Lease Payable, SunTrust Equipment Finance & Leasing Corp., 2013 Excavator and 2013 Dodge Truck, Principal and Interest Payments of \$38,204 Payable on August 21 Annually, Interest at 2.19%, Due August, 2019	<u>144,800</u>	<u>0</u>	<u>35,032</u>	<u>109,768</u>
Total Governmental Funds	<u>\$396,398</u>	<u>\$ 0</u>	<u>\$181,793</u>	<u>\$214,605</u>

TOWN OF SHAFTSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Capital Leases</u>
2018	\$ 23,333	\$ 667	\$ 75,351
2019	10,000	200	75,351
2020	<u>0</u>	<u>0</u>	<u>38,204</u>
Total	33,333	867	188,906
Less: Imputed Interest	<u>0</u>	<u>0</u>	<u>(7,634)</u>
Total	<u>\$ 33,333</u>	<u>\$ 867</u>	<u>\$ 181,272</u>

F. SHORT-TERM DEBT

Annually, the Town borrows monies in anticipation of taxes. The activity during 2017 was as follows:

Short-term Debt - July 1, 2016	\$ 0
Proceeds of Tax Anticipation Note	150,000
Repayment of Tax Anticipation Note	<u>(150,000)</u>
Short-term Debt - June 30, 2017	<u>\$ 0</u>

G. LANDFILL POST-CLOSURE COSTS

State and Federal laws and regulations required the Town to close its landfill in 2006. These laws and regulations required the Town to perform certain maintenance and monitoring at the site. The Town has estimated that they will continue for another five (5) years. The Town's estimated liability is \$87,000. This amount is based on what it would cost to perform all post closure care now. Actual costs may vary due to changes in the cost of living, changes in technology, changes in regulations or variances between estimated and actual amounts.

H. SUBSEQUENT EVENTS

The Town obtained a tax anticipation note with People's United Bank on July 21, 2017 for \$300,000. Interest is at 1.85% and the note was due and paid on December 15, 2017.

On August 1, 2017, the Town received \$1,100,000 in bond proceeds from the Vermont Municipal Bond Bank for the construction of the highway garage and transfer station. The bond requires annual principal payments of \$50,000 beginning November 1, 2018. The interest rate ranges from 1.78% to 3.87% and the bond matures on November 1, 2039.

TOWN OF SHAFTSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Current Tax Revenue	\$ 1,533,276	\$ 1,495,313	\$ (37,963)
Taxpayer Prebates from State	21,252	26,852	5,600
Late Homestead Penalty	0	2,451	2,451
Delinquent Tax Revenue	2,471	0	(2,471)
Delinquent Tax Interest	11,500	8,636	(2,864)
Railroad Tax	300	62	(238)
State Land Use	30,070	36,530	6,460
Vermont Forest and Parks	17,874	0	(17,874)
State PILOT Program	1,191	18,610	17,419
Federal Land PILOT Program	4,664	3,382	(1,282)
Vermont State Highway Aid	155,000	158,800	3,800
Government Grants	0	3,675	3,675
Brush Fees	200	125	(75)
Access Permits	10,500	9,060	(1,440)
Pay-As-You-Throw Revenues	32,600	32,523	(77)
Town Clerk Fees	0	8,419	8,419
Compost Bucket Sales	0	168	168
Zoning Permits	4,000	7,005	3,005
Dog Licenses	3,750	4,034	284
Beer and Liquor Licenses	185	175	(10)
Dog Fines	400	0	(400)
State Police Fines	500	0	(500)
Sheriff Fines	4,800	2,941	(1,859)
Interest Income	1,800	1,857	57
Other Income	31,984	3,589	(28,395)
Insurance Proceeds	0	7,392	7,392
Trustees of Public Funds	2,300	0	(2,300)
User Fees	700	100	(600)
Town Recreation Fund Transfer	1,500	0	(1,500)
Administrative Burial Fees	1,500	2,000	500
Lots Fees	2,000	7,575	5,575
Cemetery Perpetual Trusts	3,000	0	(3,000)
Corner Markers	750	1,135	385
Cemetery Miscellaneous Revenue	0	450	450
Total Revenues	1,880,067	1,842,859	(37,208)

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures:			
Administration:			
Select Board Stipend	\$ 2,500	\$ 2,500	\$ 0
Town Administrator Salary	57,000	59,500	(2,500)
Administrative Support Wages	3,110	2,060	1,050
Health Plan Administration	750	932	(182)
FICA & Medicare	4,598	4,685	(87)
Liability Insurance & Bonds	50,980	47,467	3,513
Retirement Contribution	3,064	3,273	(209)
Unemployment Insurance	5,000	4,898	102
Professional Services	14,000	12,644	1,356
Postage	3,000	2,905	95
Meetings/Training	500	308	192
IT and Website Support	1,750	1,163	587
Advertising & Legal Notices	2,500	2,482	18
Dues & Subscriptions	9,572	10,018	(446)
Office Supplies	750	3,276	(2,526)
Office Equipment/Leases	3,000	2,273	727
Miscellaneous Expenses	250	1,324	(1,074)
	<u>162,324</u>	<u>161,708</u>	<u>616</u>
Total Administration			
Cole Hall - Town Offices:			
Contract Services	3,745	3,463	282
Repairs and Maintenance	5,000	1,288	3,712
Operating Supplies	2,300	1,772	528
Utilities	4,479	5,017	(538)
Heating Fuel	5,508	2,035	3,473
	<u>21,032</u>	<u>13,575</u>	<u>7,457</u>
Total Cole Hall - Town Offices			
Elections & Vital Statistics:			
Town Clerk Stipend	8,000	7,537	463
Assistant Town Clerk	7,415	3,702	3,713
Town Clerk Salary	0	8,615	(8,615)
Poll Worker Wages	2,500	1,872	628
Town Clerk Health Insurance - Premium	11,242	8,628	2,614
Employee Health Insurance - Deductible	4,000	1,596	2,404
FICA & Medicare	3,283	2,700	583
Retirement Contribution	2,158	1,659	499
Travel and Meetings - Clerk	200	0	200
Travel and Meetings - Elections	200	359	(159)
Machine Equipment/Supplies - Elections	6,000	3,874	2,126
Operating Equipment/Supplies - Clerk	3,200	1,384	1,816
	<u>48,198</u>	<u>41,926</u>	<u>6,272</u>
Total Elections & Vital Statistics			

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Accounting/Payroll:			
Bookkeeping Wages	\$ 9,959	\$ 7,119	\$ 2,840
FICA & Medicare	762	543	219
Payroll Services	2,250	2,233	17
Total Accounting/Payroll	<u>12,971</u>	<u>9,895</u>	<u>3,076</u>
Auditing:			
Auditor Wages	2,500	1,511	989
FICA & Medicare	191	116	75
Travel and Meetings	300	0	300
Town Report	4,800	5,386	(586)
Total Auditing	<u>7,791</u>	<u>7,013</u>	<u>778</u>
Delinquent Tax Collection:			
FICA & Medicare	1,300	1,325	(25)
Supplies	800	284	516
Total Delinquent Tax Collection	<u>2,100</u>	<u>1,609</u>	<u>491</u>
Treasurer Services:			
Treasurer's Salary	16,000	16,000	0
Assistant Treasurer	957	322	635
Bank Service Charge	1,320	660	660
Billing Supplies	1,875	907	968
FICA & Medicare	1,297	1,224	73
Total Treasurer Services	<u>21,449</u>	<u>19,113</u>	<u>2,336</u>
Listers:			
Lister Wages	10,000	7,250	2,750
FICA & Medicare	765	516	249
Professional Services	25,000	28,803	(3,803)
Tax Maps	5,900	0	5,900
IT Support and Computer Maintenance	1,000	215	785
Travel and Meetings	250	0	250
Dues and Subscriptions	300	0	300
Operating Supplies	400	366	34
Total Listers	<u>43,615</u>	<u>37,150</u>	<u>6,465</u>
Animal Control:			
ACO Wages	600	162	438
Contract Services	6,000	6,000	0
FICA & Medicare	46	27	19
Veterinary Expense	900	172	728
Tags/Miscellaneous	400	357	43
Total Animal Control	<u>7,946</u>	<u>6,718</u>	<u>1,228</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Emergency Management:			
Travel and Meetings	\$ 250	\$ 0	\$ 250
Operating Supplies	400	0	400
Equipment Maintenance	800	541	259
	<hr/>	<hr/>	<hr/>
Total Emergency Management	1,450	541	909
	<hr/>	<hr/>	<hr/>
Fire Department:			
Chief's Stipends	2,600	2,600	0
FICA & Medicare	199	0	199
Insurance & Bonds	2,497	2,193	304
Firehouse Maintenance	7,000	10,580	(3,580)
Fire Truck Maintenance	6,070	3,592	2,478
Communications	3,000	2,928	72
Training	2,000	1,184	816
Operating Supplies	750	874	(124)
Utilities	9,690	9,630	60
Firehouse Heating Fuel (Fuel Oil)	11,016	6,136	4,880
Gas, Oil and Diesel (Trucks)	4,000	1,071	2,929
Extrication Equipment	2,000	675	1,325
Equipment Replacement	18,000	19,961	(1,961)
	<hr/>	<hr/>	<hr/>
Total Fire Department	68,822	61,424	7,398
	<hr/>	<hr/>	<hr/>
Fire Warden:			
Operating Supplies	250	900	(650)
Vehicle & Equipment	1,500	2,077	(577)
	<hr/>	<hr/>	<hr/>
Total Fire Warden	1,750	2,977	(1,227)
	<hr/>	<hr/>	<hr/>
Law Enforcement:			
Constable Wages	200	0	200
Sheriff Services	33,819	31,644	2,175
	<hr/>	<hr/>	<hr/>
Total Law Enforcement	34,019	31,644	2,375
	<hr/>	<hr/>	<hr/>
Highway Administration:			
Highway Wages - Regular	202,574	214,551	(11,977)
Highway Wages - Overtime	17,823	32,027	(14,204)
Employee Health Insurance - Premium	49,780	54,959	(5,179)
Employee Health Insurance - Deductible	14,000	8,469	5,531
Disability Insurance	2,000	1,230	770
FICA & Medicare	16,860	18,829	(1,969)
Retirement Contribution	11,846	13,335	(1,489)
Uniform Cleaning	6,000	8,249	(2,249)
Travel and Meetings	500	303	197
Steel Toe Footwear	600	372	228
CDL Physicals and Drug Testing	800	1,390	(590)
	<hr/>	<hr/>	<hr/>
Total Highway Administration	322,783	353,714	(30,931)
	<hr/>	<hr/>	<hr/>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway Construction & Maintenance:			
Subcontract Costs	\$ 22,500	\$ 20,500	\$ 2,000
Signs	4,000	4,414	(414)
Tree Removal	5,000	2,610	2,390
Bridges and Guardrails	2,000	0	2,000
Operating Supplies	0	767	(767)
Gravel	65,000	94,157	(29,157)
Chloride (Dust Control)	41,500	40,735	765
Winter Salt	48,800	48,663	137
Winter Sand	52,070	51,441	629
Level & Sealing	3,500	147	3,353
Rentals	6,000	4,500	1,500
Culverts	2,500	2,000	500
Sidewalk Construction & Maintenance	3,000	20,089	(17,089)
	<u>255,870</u>	<u>290,023</u>	<u>(34,153)</u>
Total Highway Construction & Maintenance			
Highway Equipment Maintenance:			
Truck #1 International	2,500	13,703	(11,203)
Truck #2-2012 International	1,000	2,664	(1,664)
Truck #3-06 International	1,000	8,167	(7,167)
Truck #4-1 International Tandem Axle	1,000	8,513	(7,513)
Truck #5-06 One Ton	2,000	22,824	(20,824)
Truck #6-95 International/Chloride	1,500	1,351	149
Truck #7-02 One Ton	1,000	3,467	(2,467)
Truck #8-97 Pickup/Shop	1,000	100	900
A.M. General Military Surplus	1,000	0	1,000
John Deere Backhoe 2011	1,000	2,877	(1,877)
John Deere Surplus Loader	1,000	273	727
Cat Excavator 1988	2,000	883	1,117
Cat Grader 1987	2,000	2,416	(416)
John Deere Tractor/Mower 1988	1,000	840	160
Plows & Sanders	1,500	1,001	499
Sidewalk Machine 2002	1,000	1,795	(795)
John Deere Grader 2010	3,500	1,322	2,178
Cat Traxcavator	1,000	0	1,000
Rentals	0	1,065	(1,065)
Communications	500	27	473
Gas, Diesel and Oil	58,650	40,430	18,220
Small Machinery and Equipment	5,500	2,992	2,508
	<u>90,650</u>	<u>116,710</u>	<u>(26,060)</u>
Total Highway Equipment Maintenance			
Highway Garage:			
Repairs and Maintenance	2,500	1,304	1,196
Operating Supplies	6,000	3,594	2,406
Utilities	3,747	3,071	676
Heating Fuel	6,242	2,619	3,623
Small Machinery and Equipment	0	2,598	(2,598)
	<u>18,489</u>	<u>13,186</u>	<u>5,303</u>
Total Highway Garage			

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Solid Waste Facility:			
Attendant Wages	\$ 13,520	\$ 14,447	\$ (927)
FICA & Medicare	1,034	1,105	(71)
Professional Services	0	1,215	(1,215)
Management Contract	56,730	56,453	277
Methane Well Monitoring	750	325	425
Solid Waste Implementation Plan	18,000	12,238	5,762
Subcontract Costs	0	532	(532)
Groundwater Monitoring	8,354	11,732	(3,378)
Solid Waste Removal	25,000	22,294	2,706
Repairs & Maintenance	3,000	183	2,817
Operating Supplies	400	815	(415)
Sticker Cost	1,600	1,322	278
Transfer Station Utilities	500	702	(202)
Landfill Utilities	300	0	300
Total Solid Waste Facility	129,188	123,363	5,825
Street Lights:			
Hawks Avenue	425	405	20
S. Shaftsbury Village	10,131	8,065	2,066
Total Street Lights	10,556	8,470	2,086
Parks and Recreation:			
Salaries & Wages	8,250	4,444	3,806
FICA & Medicare	631	363	268
Professional Services	0	1,446	(1,446)
Building Construction, Maintenance and Repairs	1,000	19,966	(18,966)
Equipment Maintenance	1,000	467	533
Operating Supplies	600	410	190
Equipment	0	682	(682)
Utilities	475	550	(75)
Reimbursement Gas	765	0	765
Total Parks and Recreation	12,721	28,328	(15,607)
Cemetery Expenditures:			
Salaries & Wages	4,200	4,039	161
Cemetery Committee Assistant	3,110	68	3,042
FICA & Medicare	559	318	241
Contract Services	15,500	17,550	(2,050)
Repairs and Maintenance	3,000	246	2,754
Travel and Meetings	400	384	16
Corner Marker Installation	125	325	(200)
(New) Corner Marker Purchases	700	1,015	(315)
Transfer to Perpetual Care Fund	2,000	0	2,000
Miscellaneous	0	284	(284)
Total Cemetery Expenditures	29,594	24,229	5,365

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Development Review Board:			
Board Member Stipends	\$ 500	\$ 500	\$ 0
Professional Services	1,820	0	1,820
Travel and Meetings	500	0	500
Advertising and Legal	777	1,056	(279)
Operating Supplies	100	0	100
Town Clerk Recording Fees	900	0	900
	<hr/>	<hr/>	<hr/>
Total Development Review Board	4,597	1,556	3,041
Planning:			
Board Member Stipends	500	100	400
Zoning Administrator Wages	14,000	8,594	5,406
FICA & Medicare	1,071	652	419
Travel and Meetings	250	0	250
Advertising and Legal	200	193	7
Operating Supplies	150	0	150
Transfer to Planning Grant Fund	0	2,063	(2,063)
	<hr/>	<hr/>	<hr/>
Total Planning	16,171	11,602	4,569
County Taxes:	<hr/>	<hr/>	<hr/>
	27,000	28,236	(1,236)
Debt Service Expenditures:			
Tax Anticipation Note - Interest	1,000	624	376
Lease 2013 Tandem Plow & 2013 Intl Fire Truck	90,886	90,886	0
Lease 2014 Tandem Plow	37,147	37,147	0
Lease 2013 Dodge Ram & 2013 Excavator	38,204	38,204	0
492 North Rd Property	13,334	13,867	(533)
510 North Rd Property	13,000	10,600	2,400
	<hr/>	<hr/>	<hr/>
Total Debt Service Expenditures	193,571	191,328	2,243
Transfer to Reserves:			
Reappraisal Reserve Fund	5,000	5,000	0
Cole Hall Reserve Fund	15,000	15,000	0
Equipment Reserve Fund	30,000	30,000	0
Fire Warden Truck Reserve Fund	1,000	1,000	0
Fire Truck Reserve Fund	40,000	40,000	0
Garage Reserve Fund	75,000	75,000	0
Paving Reserve Fund	35,000	35,000	0
Cemetery Reserve Fund	9,000	9,000	0
Park Reserve Fund	3,000	3,000	0
Culvert Reserve Fund	5,000	5,000	0
Audit Reserve Fund	4,000	4,000	0
Veterans Memorial (Hooke) Fund	3,000	3,000	0
Class 3 Road Capital Improvement Reserve Fund	40,000	40,000	0
	<hr/>	<hr/>	<hr/>
Total Transfer to Reserves	265,000	265,000	0

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Community Appropriations:			
Bennington Free Library	\$ 16,000	\$ 16,000	\$ 0
John G. McCullough Library	10,000	10,000	0
Arlington Rescue Squad	7,000	7,000	0
VNA & Hospice of S.V.H.C.	5,225	5,225	0
Bennington Project Independence	4,560	4,560	0
Paran Recreation, Inc.	2,500	2,500	0
Shaftsbury History Society	2,500	2,500	0
Turning Point Center of Bennington	2,500	2,500	0
Bennington Rescue Squad	2,000	2,000	0
WBTN	2,000	2,000	0
Grandview Cemetery Association	2,000	2,000	0
Habitat for Humanity	1,850	1,850	0
BROC	1,700	1,700	0
SWVT Council on Aging	1,100	1,100	0
Bennington Coalition Homeless	1,000	1,000	0
Bennington Free Clinic	1,000	1,000	0
Park McCullough House	1,000	1,000	0
Sunrise Family Resource Center	1,000	1,000	0
Vermont Center for Independent Living	1,000	1,000	0
RSVP	950	950	0
Tutorial Center, Inc.	900	900	0
Bennington Little League	600	600	0
Center for Restorative Justice	600	600	0
Bennington County Conservation District	475	475	0
PAVE	450	450	0
Vermont Association Blind & Visually Impaired	300	300	0
Green Up Vermont	200	200	0
	<u>70,410</u>	<u>70,410</u>	<u>0</u>
Total Community Appropriations	70,410	70,410	0
Total Expenditures	<u>1,880,067</u>	<u>1,921,448</u>	<u>(41,381)</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>\$ 0</u>	<u>(78,589)</u>	<u>\$ (78,589)</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Designated Fund Income		20	
Landfill Fund Income		11,951	
Landfill Fund Expenses		(22,733)	
Professional Audit Reserve Fund Expenses		(16,741)	
Professional Audit Reserve Fund Transfer In		4,000	
G.W. Hawkins Fund Income		9,666	
G.W. Hawkins Fund Expenses		(542)	
Net Change in Fund Balance		(92,968)	
Fund Balance - July 1, 2016		<u>599,000</u>	
Fund Balance - June 30, 2017		<u>\$ 506,032</u>	

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

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2017

	2017	2016	2015
Total Plan Net Pension Liability	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.0965%	0.1163%	0.1120%
Town's Proportionate Share of the Net Pension Liability	\$ 124,141	\$ 89,672	\$ 10,218
Town's Covered Employee Payroll	\$ 310,577	\$ 266,557	\$ 302,481
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	39.9711%	33.6408%	3.3781%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: The actuarial assumptions regarding the incidence of mortality, terminations, retirements, and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014.

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

TOWN OF SHAFTSBURY, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2017

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

Notes to Schedule

Valuation Date: June 30, 2016

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

TOWN OF SHAFTSBURY, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

	Special Revenue Funds	Capital Project Funds	Total
<u>ASSETS</u>			
Receivables	\$ 0	\$ 31,943	\$ 31,943
Due from Other Funds	375	117,978	118,353
Total Assets	\$ 375	\$ 149,921	\$ 150,296
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 0	\$ 941	\$ 941
Due to Other Funds	0	31,002	31,002
Total Liabilities	0	31,943	31,943
Fund Balances:			
Restricted	375	24,067	24,442
Committed	0	93,911	93,911
Total Fund Balances	375	117,978	118,353
Total Liabilities and Fund Balances	\$ 375	\$ 149,921	\$ 150,296

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Capital Project Funds	Total
Revenues:			
Intergovernmental	\$ 6,610	\$ 155,887	\$ 162,497
Investment Income	<u>9</u>	<u>431</u>	<u>440</u>
Total Revenues	<u>6,619</u>	<u>156,318</u>	<u>162,937</u>
Expenditures:			
General Government	7,691	0	7,691
Capital Outlay:			
Public Works	0	313,563	313,563
Culture and Recreation	0	7,220	7,220
Cemetery	0	6,392	6,392
Debt Service:			
Interest	<u>0</u>	<u>7</u>	<u>7</u>
Total Expenditures	<u>7,691</u>	<u>327,182</u>	<u>334,873</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(1,072)</u>	<u>(170,864)</u>	<u>(171,936)</u>
Other Financing Sources/(Uses):			
Transfers In	2,063	116,107	118,170
Transfers Out	<u>0</u>	<u>(2,584)</u>	<u>(2,584)</u>
Total Other Financing Sources/(Uses)	<u>2,063</u>	<u>113,523</u>	<u>115,586</u>
Net Changes in Fund Balances	991	(57,341)	(56,350)
Fund Balances/(Deficit) - July 1, 2016	<u>(616)</u>	<u>175,319</u>	<u>174,703</u>
Fund Balances - June 30, 2017	\$ <u><u>375</u></u>	\$ <u><u>117,978</u></u>	\$ <u><u>118,353</u></u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Municipal Grants Fund	Planning Grant Fund	Total
<u>ASSETS</u>			
Due from Other Funds	\$ <u>375</u>	\$ <u>0</u>	\$ <u>375</u>
Total Assets	\$ <u><u>375</u></u>	\$ <u><u>0</u></u>	\$ <u><u>375</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
Fund Balances:			
Restricted	375	0	375
Total Fund Balances	375	0	375
Total Liabilities and Fund Balances	\$ <u>375</u>	\$ <u>0</u>	\$ <u>375</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Municipal Grants Fund	Planning Grant Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Intergovernmental	\$ 0	\$ 6,610	\$ 6,610
Investment Income	<u>1</u>	<u>8</u>	<u>9</u>
Total Revenues	<u>1</u>	<u>6,618</u>	<u>6,619</u>
Expenditures:			
General Government	<u>0</u>	<u>7,691</u>	<u>7,691</u>
Total Expenditures	<u>0</u>	<u>7,691</u>	<u>7,691</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>1</u>	<u>(1,073)</u>	<u>(1,072)</u>
Other Financing Sources:			
Transfers In	<u>0</u>	<u>2,063</u>	<u>2,063</u>
Total Other Financing Sources	<u>0</u>	<u>2,063</u>	<u>2,063</u>
Net Changes in Fund Balances	1	990	991
Fund Balances/(Deficit) - July 1, 2016	<u>374</u>	<u>(990)</u>	<u>(616)</u>
Fund Balances - June 30, 2017	<u>\$ 375</u>	<u>\$ 0</u>	<u>\$ 375</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2017

	Equipment Replacement Fund	Sidewalk Fund	North Street Property Fund	White Creek Paving Fund	Park Fund	Hooke Memorial Fund	Culvert Fund	Cemetery Capital Fund	Shaft Hollow Culvert Fund	Class 3 Road Improvement Fund	Total
ASSETS											
Receivables	\$ 0	\$ 31,943	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,943
Due from Other Funds	<u>31,869</u>	<u>0</u>	<u>532</u>	<u>0</u>	<u>4,905</u>	<u>32,997</u>	<u>7,499</u>	<u>24,140</u>	<u>0</u>	<u>16,036</u>	<u>117,978</u>
Total Assets	\$ <u>31,869</u>	\$ <u>31,943</u>	\$ <u>532</u>	\$ <u>0</u>	\$ <u>4,905</u>	\$ <u>32,997</u>	\$ <u>7,499</u>	\$ <u>24,140</u>	\$ <u>0</u>	\$ <u>16,036</u>	\$ <u>149,921</u>
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts Payable	\$ 0	\$ 941	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 941
Due to Other Funds	<u>0</u>	<u>31,002</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,002</u>
Total Liabilities	<u>0</u>	<u>31,943</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,943</u>
Fund Balances:											
Restricted	0	0	532	0	0	0	7,499	0	0	16,036	24,067
Committed	<u>31,869</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,905</u>	<u>32,997</u>	<u>0</u>	<u>24,140</u>	<u>0</u>	<u>0</u>	<u>93,911</u>
Total Fund Balances	<u>31,869</u>	<u>0</u>	<u>532</u>	<u>0</u>	<u>4,905</u>	<u>32,997</u>	<u>7,499</u>	<u>24,140</u>	<u>0</u>	<u>16,036</u>	<u>117,978</u>
Total Liabilities and Fund Balances	\$ <u>31,869</u>	\$ <u>31,943</u>	\$ <u>532</u>	\$ <u>0</u>	\$ <u>4,905</u>	\$ <u>32,997</u>	\$ <u>7,499</u>	\$ <u>24,140</u>	\$ <u>0</u>	\$ <u>16,036</u>	\$ <u>149,921</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Equipment Replacement Fund	Sidewalk Fund	North Street Property Fund	White Creek Paving Fund	Park Fund	Hooke Memorial Fund	Culvert Fund	Cemetery Capital Fund	Shaft Hollow Culvert Fund	Class 3 Road Improvement Fund	Total
Revenues:											
Intergovernmental	\$ 0	\$ 132,729	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,158	\$ 0	\$ 155,887
Investment Income	<u>191</u>	<u>15</u>	<u>25</u>	<u>0</u>	<u>17</u>	<u>80</u>	<u>20</u>	<u>67</u>	<u>0</u>	<u>16</u>	<u>431</u>
Total Revenues	<u>191</u>	<u>132,744</u>	<u>25</u>	<u>0</u>	<u>17</u>	<u>80</u>	<u>20</u>	<u>67</u>	<u>23,158</u>	<u>16</u>	<u>156,318</u>
Expenditures:											
Capital Outlay:											
Public Works	57,548	183,817	29,495	0	0	0	0	0	16,601	26,102	313,563
Culture and Recreation	0	0	0	0	7,220	0	0	0	0	0	7,220
Cemetery	0	0	0	0	0	0	0	6,392	0	0	6,392
Debt Service:											
Interest	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>	<u>6</u>	<u>7</u>
Total Expenditures	<u>57,548</u>	<u>183,817</u>	<u>29,495</u>	<u>0</u>	<u>7,220</u>	<u>0</u>	<u>0</u>	<u>6,392</u>	<u>16,608</u>	<u>26,108</u>	<u>327,182</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(57,357)</u>	<u>(51,073)</u>	<u>(29,470)</u>	<u>0</u>	<u>(7,203)</u>	<u>80</u>	<u>20</u>	<u>(6,325)</u>	<u>6,550</u>	<u>(26,086)</u>	<u>(170,864)</u>
Other Financing Sources/(Uses):											
Transfers In	30,000	20,089	0	3,434	3,000	3,000	5,000	9,000	2,584	40,000	116,107
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,584)</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>(2,584)</u>
Total Other Financing Sources/(Uses)	<u>30,000</u>	<u>20,089</u>	<u>0</u>	<u>3,434</u>	<u>3,000</u>	<u>3,000</u>	<u>2,416</u>	<u>9,000</u>	<u>2,584</u>	<u>40,006</u>	<u>113,523</u>
Net Changes in Fund Balances	(27,357)	(30,984)	(29,470)	3,434	(4,203)	3,080	2,436	2,675	9,134	13,914	(57,341)
Fund Balances/(Deficit) - July 1, 2016	<u>59,226</u>	<u>30,984</u>	<u>30,002</u>	<u>(3,434)</u>	<u>9,108</u>	<u>29,917</u>	<u>5,063</u>	<u>21,465</u>	<u>(9,134)</u>	<u>2,122</u>	<u>175,319</u>
Fund Balances - June 30, 2017	\$ <u>31,869</u>	\$ <u>0</u>	\$ <u>532</u>	\$ <u>0</u>	\$ <u>4,905</u>	\$ <u>32,997</u>	\$ <u>7,499</u>	\$ <u>24,141</u>	\$ <u>6</u>	\$ <u>16,038</u>	\$ <u>117,978</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS
 JUNE 30, 2017

	Trustees of Public Funds Fund	Florence Beebe Memorial Fund	Total
<u>ASSETS</u>	<u> </u>	<u> </u>	<u> </u>
Cash	\$ 72,301	\$ 0	\$ 72,301
Investments	148,215	0	148,215
Due from Other Funds	<u>0</u>	<u>731</u>	<u>731</u>
Total Assets	<u>\$ 220,516</u>	<u>\$ 731</u>	<u>\$ 221,247</u>
 <u>LIABILITIES AND NET POSITION</u>			
Liabilities:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Net Position:			
Restricted	<u>220,516</u>	<u>731</u>	<u>221,247</u>
Total Net Position	<u>220,516</u>	<u>731</u>	<u>221,247</u>
Total Liabilities and Net Position	<u>\$ 220,516</u>	<u>\$ 731</u>	<u>\$ 221,247</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Trustees of Public Funds Fund	Florence Beebe Memorial Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Investment Income	\$ <u>14,700</u>	\$ <u>2</u>	\$ <u>14,702</u>
Total Additions	<u>14,700</u>	<u>2</u>	<u>14,702</u>
Deductions:			
Library Expenses	519	0	519
Recreation Expenses	2,154	0	2,154
School Expenses	658	0	658
Investment Fees	<u>775</u>	<u>0</u>	<u>775</u>
Total Deductions	<u>4,106</u>	<u>0</u>	<u>4,106</u>
Change in Net Position	10,594	2	10,596
Net Position - July 1, 2016	<u>209,922</u>	<u>729</u>	<u>210,651</u>
Net Position - June 30, 2017	<u>\$ 220,516</u>	<u>\$ 731</u>	<u>\$ 221,247</u>

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
www.sullivanpowers.com

Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
VT Lic. #92-000180

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of the Town of Shaftsbury, Vermont as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Shaftsbury, Vermont's basic financial statements and have issued our report thereon dated January 19, 2018. The report on the financial statements is adverse because of the omission of the government-wide financial statements and the inadequacies in the Town's controls over transfer station revenues.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Shaftsbury, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2017-01 through 2017-03 to be material weaknesses.

Compliance and Other Matters

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

We also noted certain other matters that we reported to the management of the Town of Shaftsbury, Vermont in a separate letter dated January 19, 2018.

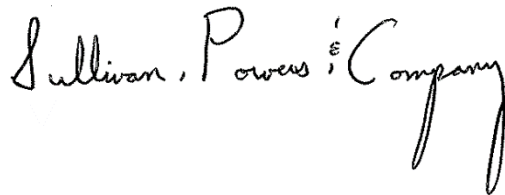
Town of Shaftsbury, Vermont's Response to Deficiencies in Internal Control

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

Purpose of this Report

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

January 19, 2018
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF SHAFTSBURY, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2017

Deficiencies in Internal Control:

Material Weaknesses:

2017-01 Governmental Fixed Assets Accounting and Reporting

Criteria:

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

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

Condition:

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

Cause:

Unknown

Effect:

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

Recommendation:

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

TOWN OF SHAFTSBURY, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2017

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

2017-02 Transfer Station Revenue

Criteria:

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

Condition:

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

Cause:

Unknown.

Effect:

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

Recommendation:

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

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

TOWN OF SHAFTSBURY, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2017

2017-03 Reconciliation of Balance Sheet Accounts

Criteria:

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

Condition:

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

Cause:

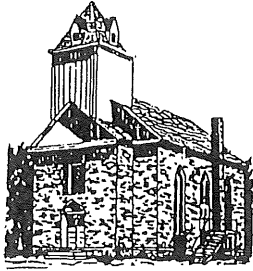
Unknown.

Effect:

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

Recommendation:

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



WWW.SHAFTSBURY.NET

TOWN OF SHAFTSBURY

MUNICIPAL OFFICES AT COLE HALL

P. O. BOX 409
61 BUCK HILL ROAD
SHAFTSBURY, VT 05262-0409
FAX 802-442-0955

Jordon Plummer
Senior Accountant
Sullivan, Powers & Company,
77 Barre Street
Montpelier, VT 05601

January 19, 2017

Jordon,

The FY17 audit has been reviewed and we would like to respond to the following Findings and Deficiencies in Internal Control.

Material Weaknesses

2017-01 Asset Management: The NEMRC Asset Program is being developed that will correct this weakness.

2017-02 Transfer Station Revenue: Discussion has begun between the Treasurer, Town Administrator, and Selectboard to modify the collection system. We are investigating several new procedures for collection of funds and maintaining compliance with State PAYT requirements.

2017-03 Reconciliation of Balance Sheet Accounts: Procedures will be developed to insure reconciliation of all accounts prior to the audit.

Other Recommendations:

- Fraud Risk Assessment – A process will be developed to perform this task.
- Documentation of Internal Control System- The Town will develop procedures for evaluation and documentation following the recommendations provided.
- Accounting and Procedures Manual- The manual will be reviewed and updated as needed.
- GASB 34 – This is a continuing process for the Town.
- Revenue Budgeting – These items are no longer budgeted.
- Volunteer Stipend Payments – The Town will investigate this practice and make any needed changes.

Thank You

David Kiernan
Town Administrator