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## Independent Auditor's Report

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

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

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Town of Shaftsbury, Vermont as of and for the year ended June 30, 2018, 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 \$32,881) 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, 2018, 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.

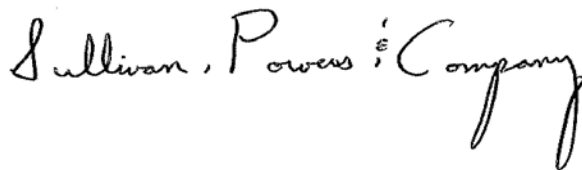
***Other Information***

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 23, 2019 on our consideration of the Town of Shaftsbury, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Shaftsbury, Vermont's internal control over financial reporting and compliance.

January 23, 2019  
Montpelier, Vermont  
VT Lic. #92-000180



TOWN OF SHAFTSBURY, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General Fund	Cole Hall Renovation and Garage Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,317,823	\$ 0	\$ 318,199	\$ 1,636,022
Restricted Cash	0	952,255	0	952,255
Investments	114,907	0	273,316	388,223
Receivables	124,341	0	0	124,341
Due from Other Funds	0	401,393	434,009	835,402
Prepaid Expenses	9,763	0	0	9,763
Inventory	0	0	5,000	5,000
Total Assets	\$ 1,566,834	\$ 1,353,648	\$ 1,030,524	\$ 3,951,006
<u>LIABILITIES</u>				
Accounts Payable	\$ 34,189	\$ 55,445	\$ 10,285	\$ 99,919
Accrued Payroll and Benefits Payable	6,143	0	0	6,143
Due to Other Funds	907,432	0	0	907,432
Unearned Revenue	5,140	0	0	5,140
Due to Delinquent Tax Collector	6,337	0	0	6,337
Total Liabilities	959,241	55,445	10,285	1,024,971
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Prepaid Property Taxes	57,691	0	0	57,691
Unavailable Property Taxes and Interest	78,500	0	0	78,500
Total Deferred Inflows of Resources	136,191	0	0	136,191
<u>FUND BALANCES</u>				
Nonspendable	9,763	0	74,680	84,443
Restricted	0	896,810	369,260	1,266,070
Committed	0	401,393	330,829	732,222
Assigned	206,779	0	245,470	452,249
Unassigned	254,860	0	0	254,860
Total Fund Balances	471,402	1,298,203	1,020,239	2,789,844
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,566,834	\$ 1,353,648	\$ 1,030,524	\$ 3,951,006

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, 2018

	General Fund	Cole Hall Renovation and Garage Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 1,535,354	\$ 0	\$ 0	\$ 1,535,354
Interest on Delinquent Taxes	11,523	0	0	11,523
Intergovernmental	217,678	0	21,883	239,561
Charges for Services	58,394	0	3,928	62,322
Permits, Licenses and Fees	53,414	0	0	53,414
Fines and Forfeits	5,079	0	0	5,079
Investment Income	6,882	11,382	6,520	24,784
Donations	2,497	0	70,637	73,134
Other	3,768	0	0	3,768
<b>Total Revenues</b>	<b>1,894,589</b>	<b>11,382</b>	<b>102,968</b>	<b>2,008,939</b>
Expenditures:				
General Government	366,980	0	2,400	369,380
Public Safety	125,114	0	0	125,114
Public Works	823,604	0	0	823,604
Culture and Recreation	31,473	0	338	31,811
Cemetery	35,595	0	5,024	40,619
Solid Waste	133,813	0	0	133,813
Capital Outlay:				
Public Works	0	206,427	138,345	344,772
Debt Service:				
Principal	94,428	0	0	94,428
Interest	5,544	27,662	0	33,206
<b>Total Expenditures</b>	<b>1,616,551</b>	<b>234,089</b>	<b>146,107</b>	<b>1,996,747</b>
Excess/(Deficiency) of Revenues Over Expenditures	278,038	(222,707)	(43,139)	12,192
Other Financing Sources/(Uses):				
Proceeds from Long-term Debt	0	1,100,000	0	1,100,000
Proceeds from Sale of Equipment	1,000	0	0	1,000
Insurance Proceeds	12,545	0	0	12,545
Transfers In	534	128,552	198,195	327,281
Transfers Out	(326,747)	0	(534)	(327,281)
<b>Total Other Financing Sources/(Uses)</b>	<b>(312,668)</b>	<b>1,228,552</b>	<b>197,661</b>	<b>1,113,545</b>
<b>Net Change in Fund Balances</b>	<b>(34,630)</b>	<b>1,005,845</b>	<b>154,522</b>	<b>1,125,737</b>
Fund Balances - July 1, 2017	506,032	292,358	865,717	1,664,107
Fund Balances - June 30, 2018	\$ 471,402	\$ 1,298,203	\$ 1,020,239	\$ 2,789,844

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

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2018

	<u>Water Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 31,897
Receivables	47,512
Due from Other Funds	<u>71,297</u>
Total Current Assets	<u>150,706</u>
Noncurrent Assets:	
Pumping Station	30,000
Meters & Meter Upgrades	40,000
Distribution System	443,000
Less: Accumulated Depreciation	<u>(66,000)</u>
Total Noncurrent Assets	<u>447,000</u>
Total Assets	<u>\$ 597,706</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 321
Accrued Payroll and Benefits Payable	170
General Obligation Bonds Payable - Current Portion	<u>9,575</u>
Total Current Liabilities	<u>10,066</u>
Noncurrent Liabilities:	
General Obligation Bonds Payable - Noncurrent Portion	<u>139,959</u>
Total Noncurrent Liabilities	<u>139,959</u>
Total Liabilities	<u>150,025</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	297,466
Unrestricted	<u>150,215</u>
Total Net Position	<u>447,681</u>
Total Liabilities and Net Position	<u>\$ 597,706</u>

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

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2018

	Water Fund
Operating Revenues:	
Charges for Services	\$ 142,049
Interest and Penalties	1,862
Total Operating Revenues	143,911
Operating Expenses:	
Salary and Wages	16,546
Outside Services	534
Repairs and Maintenance	1,459
North Bennington Water Charges	67,380
North Bennington Bond Assessment	16,560
Water Testing	1,343
Legal, Dues & Postage	419
Training and Travel	1,534
Operating Supplies	390
Utilities	2,074
Depreciation	7,900
Total Operating Expenses	116,139
Operating Income	27,772
Non-Operating Revenues/(Expenses):	
Investment Income	341
Asset Management Grant Income	10,200
Asset Management Grant Expense	(10,200)
Interest Expense	(4,765)
Total Non-Operating Revenues/(Expenses)	(4,424)
Change in Net Position	23,348
Net Position - July 1, 2017	424,333
Net Position - June 30, 2018	\$ 447,681

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, 2018

	Water Fund
Cash Flows From Operating Activities:	
Receipts from Customers and Users	\$ 145,192
Payments for Goods and Services	(91,788)
Payments for Wages and Benefits	(16,492)
Net Cash Provided by Operating Activities	36,912
Cash Flows from Noncapital Financing Activities:	
Asset Management Grant Expense	(10,200)
(Increase)/Decrease in Due from Other Funds	(12,881)
Net Cash Provided/(Used) by Noncapital Financing Activities	(23,081)
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on General Obligation Bonds Payable	(9,296)
Interest Paid on General Obligation Bonds Payable	(4,765)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(14,061)
Cash Flows From Investing Activities:	
Receipt of Interest and Dividends	341
Net Cash Provided by Investing Activities	341
Net Increase in Cash	111
Cash and Cash Equivalents - July 1, 2017	31,786
Cash and Cash Equivalents - June 30, 2018	\$ 31,897
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 27,772
Depreciation	7,900
(Increase)/Decrease in Accounts Receivable	1,281
Increase/(Decrease) in Accounts Payable	(95)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	54
Net Cash Provided by Operating Activities	\$ 36,912

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



TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018

<u>ASSETS</u>	<u>Private-Purpose Trust Funds</u>
Cash	\$ 49,804
Investments	170,805
Due from Other Funds	<u>733</u>
Total Assets	<u><u>\$ 221,342</u></u>
<u>LIABILITIES AND NET POSITION</u>	
Liabilities:	<u>\$ 0</u>
Net Position:	
Restricted:	
Held in Trust for Other Purposes	<u>221,342</u>
Total Net Position	<u>221,342</u>
Total Liabilities and Net Position	<u><u>\$ 221,342</u></u>

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

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Private-Purpose Trust Funds
Additions:	
Investment Income	\$ <u>5,412</u>
Total Additions	<u>5,412</u>
Deductions:	
Library Expenses	603
Recreation Expenses	2,497
School Expenses	764
Investment Fees	<u>1,453</u>
Total Deductions	<u>5,317</u>
Change in Net Position	95
Net Position - July 1, 2017	<u>221,247</u>
Net Position - June 30, 2018	<u><u>\$ 221,342</u></u>

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

TOWN OF SHAFTSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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, 2018

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

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

The Town reports on the following major governmental funds:

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

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

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.

### **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.

TOWN OF SHAFTSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

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.

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.

TOWN OF SHAFTSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**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.”

**5. Inventories and Prepaid Expenses**

Inventory quantities are determined by physical count and are valued at the lower of cost or market. Inventories in the governmental funds consist of highway materials.

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.

TOWN OF SHAFTSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

## **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.

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:

TOWN OF SHAFTSBURY, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2018

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

**9. Compensated Absences**

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

**10. Long-term Liabilities**

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

**11. Fund Equity**

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

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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



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**B. Budgeted Deficit**

The Town budgeted a current year's deficiency of revenues over expenditures in the General Fund in the amounts of \$43,553 in order to utilize a portion of the previous year's surplus. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 1.

**C. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2018, expenditures in the General Fund exceeded appropriations by \$1,354. These over-expenditures were funded by excess revenues and available fund balance.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash**

The Town's cash, cash equivalents and investments as of June 30, 2018 consisted of the following:

Unrestricted Cash and Cash Equivalents:

Deposits with Financial Institutions	\$1,298,936
Deposits held by Investment Company	163,004
Cash on Hand	605
Certificates of Deposit	<u>255,178</u>
Total Unrestricted Cash and Cash Equivalents	<u>1,717,723</u>

Restricted Cash:

Money Market Mutual Fund – U.S. Government Securities – Unspent Bond Proceeds	<u>952,255</u>
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Investments:

Mutual Funds – Mixed Holdings	<u>559,028</u>
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Total Cash, Cash Equivalents and Investments	<u>\$3,229,006</u>
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The Town has four (4) certificates of deposit at People's United Bank ranging from \$7,118 to \$223,281 with interest rates of 0.40%. All certificates of deposit will mature during fiscal year 2019.

**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 money market mutual fund and mutual funds are in the name of the Town and are not exposed to custodial credit risk. The following table shows the custodial credit risk of the Town's cash and certificates of deposit.

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	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$ 663,004	\$ 663,004
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	<u>1,054,114</u>	<u>1,109,062</u>
Total	<u>\$1,717,118</u>	<u>\$1,772,066</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	\$1,298,936
Cash – Deposits held by Investment Company	163,004
Cash Equivalents – Certificates of Deposit	<u>255,178</u>
Total	<u>\$1,717,118</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 money market mutual fund and mutual funds are open-ended and, therefore, are also exempt from interest rate risk disclosure.

**Credit Risk**

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

**Concentration of Credit Risk**

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

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**Fair Value**

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

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

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

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

The Town has the following fair value measurements as of June 30, 2018:

Description	Total	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual Funds - Mixed Holdings	\$ 559,028	\$ 559,028	\$ 0	\$ 0
Total	\$ 559,028	\$ 559,028	\$ 0	\$ 0

**B. Receivables**

Receivables as of June 30, 2018, are as follows:

	General Fund	Water Fund	Total
Delinquent Taxes Receivable	\$ 79,209	\$ 0	\$ 79,209
Penalties and Interest Receivable	14,985	0	14,985
Due from School District	30,147	0	30,147
Grant Receivable	0	10,200	10,200
Billed Services	0	17,312	17,312
Unbilled Services	0	20,000	20,000
Total	\$ 124,341	\$ 47,512	\$ 171,853

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**C. Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Water Fund</b>				
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	2,400	600	0	3,000
Meters & Meter Upgrades	13,332	1,333	0	14,665
Distribution System	<u>42,368</u>	<u>5,967</u>	<u>0</u>	<u>48,335</u>
Totals	<u>58,100</u>	<u>7,900</u>	<u>0</u>	<u>66,000</u>
Water Fund Capital Assets, Net	<u>\$ 454,900</u>	<u>\$ (7,900)</u>	<u>\$ 0</u>	<u>\$ 447,000</u>

**D. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2018 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 907,432
Cole Hall Renovation and Garage Fund	401,393	0
Non-Major Governmental Funds	434,009	0
Water Fund	71,297	0
Private-Purpose Trust Fund - Florence Beebe Memorial Fund	<u>733</u>	<u>0</u>
Total	<u>\$ 907,432</u>	<u>\$ 907,432</u>

Interfund transfers during the year ended June 30, 2018 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Professional Audit Reserve Fund	\$ 14,000	* Appropriation
General Fund	Cole Hall Renovation and Garage Fund	128,552	Appropriation
General Fund	Listers' Reappraisal Fund	5,000	Appropriation
General Fund	Equipment Replacement Fund	50,000	Appropriation
General Fund	Fire Equipment Replacement Fund	41,000	Appropriation
General Fund	Sidewalk Fund	1,195	Fund Local Match
General Fund	Paving Fund	35,000	Appropriation
General Fund	Park Fund	3,000	Appropriation
General Fund	Hooke Memorial Fund	3,000	Appropriation
General Fund	Culvert Fund	5,000	Appropriation
General Fund	Cemetery Capital Fund	6,000	Appropriation
General Fund	Class 3 Road Improvement Fund	49,000	Appropriation
North Street Property Fund	General Fund	<u>534</u>	Close Fund
Total		<u>\$ 341,281</u>	

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\* 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 \$5,140 of access permits received in advance.

**F. Deferred Inflows of Resources**

Deferred inflows of resources in the General Fund consists of \$78,500 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 \$57,691 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$136,191.

**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.

The long-term liabilities outstanding as of June 30, 2018 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	\$ 35,215	\$ 0	\$ 2,061	\$ 33,154
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>123,615</u>	<u>0</u>	<u>7,235</u>	<u>116,380</u>
Total	<u>\$158,830</u>	<u>\$ 0</u>	<u>\$ 9,296</u>	<u>\$149,534</u>

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

Year Ending June 30	Principal	Interest	Total
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	10,776	1,095	11,871
2024-2028	58,931	3,792	62,723
2029-2031	39,771	803	40,574
Total	<u>\$ 149,534</u>	<u>\$ 11,085</u>	<u>\$ 160,619</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.

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.

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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		\$ <u>9,763</u>

Non-Major Funds

Capital Projects Funds:		
Nonspendable Inventories		5,000

Permanent Fund:		
Nonspendable Cemetery Fund Principal		<u>69,680</u>

Total Non-Major Funds		<u>74,680</u>
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Total Nonspendable Fund Balances		<u>\$84,443</u>
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The fund balances in the following funds are restricted as follows:

Major Funds

Cole Hall Renovation and Garage Fund:		
Restricted for Town Garage Improvement Expenditures by Unspent Bond Proceeds (Source of Revenue is Bond Proceeds)		\$ <u>896,810</u>

Non-Major Funds

Special Revenue Funds:		
Restricted for Municipal Grants Expenses by Grant Agreements (Source of Revenue is Grant Revenue)		<u>376</u>

Capital Projects Funds:		
Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes) – Designated for Equipment Expenditures		31,340
Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes) – Designated for Paving Expenditures		12,605
Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes) – Designated for Culvert Expenditures		7,565

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Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes) – Designated for Class 3 Road Improvement Expenditures	\$ 9,070
Restricted for Howard Park Expenditures by Bequest (Source of Revenue is Donations)	<u>71,243</u>
Total Capital Projects Funds	<u>131,823</u>

Permanent Fund:

Restricted for Cemetery Expenses by Sale of Lots and Donations (Source of Revenue is Sale of Lots and Donations)	<u>237,061</u>
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Total Non-Major Funds	<u>369,260</u>
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Total Restricted Fund Balances	<u>\$1,266,070</u>
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The fund balances in the following funds are committed as follows:

Major Funds

Cole Hall Renovation and Garage Fund:

Committed for Cole Hall Renovation and Garage Expenditures by the Voters	<u>\$401,393</u>
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Non-Major Funds

Capital Projects Funds:

Committed for Fire Equipment Expenditures by the Voters	256,590
Committed for Park Expenditures by the Voters	7,924
Committed for Hooke Memorial Expenditures by the Voters	36,092
Committed for Cemetery Capital Expenditures by the Voters	<u>30,223</u>

Total Non-Major Funds	<u>330,829</u>
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Total Committed Fund Balances	<u>\$732,222</u>
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The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:

Assigned for Economic Development Study Expenses	\$ 8,205
Assigned for Landfill Expenses	50,162
Assigned for Community Improvement Expenses – G.W. Hawkins Fund	<u>148,412</u>

Total General Fund	<u>206,779</u>
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Non-Major Funds

Special Revenue Funds:	
Assigned for Reappraisal Expenses	\$ <u>245,470</u>
Total Assigned Fund Balances	\$ <u>452,249</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, 2018 consisted of the following:

Restricted for School Expenses by Bequests	\$ 30,839
Restricted for Recreation Expenses by Donations	101,163
Restricted for Health Expenses by Agreements	30,836
Restricted for Elderly Citizens by Bequest	33,538
Restricted for Library Expenses by Bequests	24,233
Restricted for Florence Beebe Memorial Expenses by Bequests	<u>733</u>
Total Private-Purpose Trust Funds	\$ <u>221,342</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, 2018, the retirement system consisted of 423 participating employers.

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

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

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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, 2017, the measurement date selected by the State of Vermont, VMERS was funded at 83.64% and had a plan fiduciary net position of \$619,510,342 and a total pension liability of \$740,665,894 resulting in a net position liability of \$121,155,552. As of June 30, 2018, the Town's proportionate share of this was 0.1046% resulting in a net pension liability of \$126,727. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Town's proportion of 0.1046% was an increase of 0.0081 from its proportion measured as of the prior year.

**Summary of System Provisions**

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

Creditable Service – Service as a member plus purchased service.

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

Service Retirement Allowance:

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

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

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

Early Retirement Allowance:

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

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

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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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.

**Significant Actuarial Assumptions and Methods**

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation, a decrease from 7.95% in the prior year.

Salary increases: 5% per year.

Mortality – The mortality tables were updated for the current year from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement:

Death in Active Service: Group B – 98% of RP-2014 blended 60% Blue Collar Employee, 40% Healthy Employee with generational projection using Scale SSA-2017.

Healthy Post-Retirement: Group B – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational projection using Scale SSA-2017.

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Disabled Post-Retirement: Group B – RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017.

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

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.30% per annum for Group B members, a decrease from 1.8% in the prior year (beginning at normal retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group B who receive a disability retirement benefit). The January 1, 2018 COLA is assumed to be 0.75%.

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

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

Inflation: 2.50%, a decrease from 3% in the prior year.

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	16%	6.07%
Non-US Equity	16%	7.42%
Global Equity	9%	6.85%
Real Estate	8%	4.62%
Private Markets	15%	7.80%
Hedge Funds	8%	3.95%
Risk Parity	4%	4.84%

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Discount Rate – The discount rate used to measure the total pension liability was 7.50%, a decrease from 7.95% in the prior year. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System’s projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$226,262	\$126,727	\$44,178

**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.

**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 2018 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.3801	.3801
Local Agreement	.0043	.0043
Education	<u>1.3177</u>	<u>1.4379</u>
Total	<u>1.7021</u>	<u>1.8223</u>

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JUNE 30, 2018

**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, 2018 was \$4,888. As of June 30, 2018, there was no accrued leave time liability for the Water Fund.

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

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

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

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

TOWN OF SHAFTSBURY, VERMONT  
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The long-term debt outstanding as of June 30, 2018 for the Governmental Funds was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Town Garage, Principal Payments of \$50,000 Payable on November 1 Annually, Interest Ranging from 1.78% to 3.87% Payable on May 1 and November 1, Due November, 2039	\$ 0	\$1,100,000	\$ 0	\$1,100,000
Note Payable, People’s United Bank, 492 North Street, Principal Payments of \$13,333 Payable on April 27 Annually Plus Interest at 2%, Due and Paid April, 2018	13,333	0	13,333	0
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	20,000	0	10,000	10,000
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 and Paid July, 2018	71,504	0	35,295	36,209
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>109,768</u>	<u>0</u>	<u>35,800</u>	<u>73,968</u>
Total Governmental Funds	<u>\$214,605</u>	<u>\$1,100,000</u>	<u>\$94,428</u>	<u>\$1,220,177</u>

TOWN OF SHAFTSBURY, VERMONT  
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Debt service requirements to maturity in the Governmental Funds are as follows:

Year Ending June 30	Principal	Interest	Capital Leases
2019	\$ 60,000	\$ 33,060	\$ 75,351
2020	50,000	31,935	38,204
2021	50,000	30,943	0
2022	50,000	29,890	0
2023	50,000	28,770	0
2024-2028	250,000	124,464	0
2029-2033	250,000	86,071	0
2034-2038	250,000	42,274	0
2039-2040	100,000	3,871	0
Total	1,110,000	411,278	113,555
Less: Imputed Interest	0	0	(3,378)
Total	<u>\$ 1,110,000</u>	<u>\$ 411,278</u>	<u>\$ 110,177</u>

**F. SHORT-TERM DEBT**

Annually, the Town borrows monies in anticipation of taxes. The activity during 2018 was as follows:

Short-term Debt - July 1, 2017	\$ 0
Proceeds of Tax Anticipation Note	100,000
Repayment of Tax Anticipation Note	<u>(100,000)</u>
Short-term Debt - June 30, 2018	<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 19, 2018 for \$300,000. Interest is at 2.85% and the note was due and paid on December 14, 2018.



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	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Current Tax Revenue	\$ 1,541,492	\$ 1,535,354	\$ (6,138)
Taxpayer Prebates from State	21,252	0	(21,252)
Late Homestead Penalty	0	3,118	3,118
Delinquent Tax Revenue	2,471	0	(2,471)
Delinquent Tax Interest	11,500	11,523	23
Education Billing Fee Retained	0	9,049	9,049
Tax Sale Fees	0	1,264	1,264
Railroad Tax	300	991	691
State Land Use	36,530	38,145	1,615
Vermont Forest and Parks	17,874	0	(17,874)
State PILOT Program	1,191	16,408	15,217
Federal Land PILOT Program	4,664	3,453	(1,211)
Vermont State Highway Aid	155,000	158,681	3,681
Water Charges for Labor	5,268	1,838	(3,430)
Brush Fees	200	148	(52)
Access Permits	10,500	9,095	(1,405)
Pay-As-You-Throw Revenues	32,600	32,881	281
Town Clerk Fees	21,764	33,037	11,273
Compost Bucket Sales	0	266	266
Zoning Permits	5,000	5,505	505
Dog Licenses	3,750	3,854	104
Beer and Liquor Licenses	185	185	0
Marriage Licenses	0	126	126
Dog Fines	400	0	(400)
State Police Fines	500	1,961	1,461
Sheriff Fines	4,800	0	(4,800)
Interest Income	1,800	2,845	1,045
Miscellaneous Income	0	3,768	3,768
Trustees of Public Funds	2,300	2,497	197
Park Fees	700	200	(500)
Town Recreation Fund Transfer	1,500	0	(1,500)
Administrative Burial Fees & Permits	1,500	4,610	3,110
Lots Fees	3,600	2,450	(1,150)
Cemetery Perpetual Trusts	5,400	3,216	(2,184)
Corner Markers	1,500	360	(1,140)
Cemetery Miscellaneous Income	125	335	210
Sale of Equipment	0	1,000	1,000
Insurance Proceeds	0	12,545	12,545
Transfer from North Street Property Fund	0	534	534
	<u>1,895,666</u>	<u>1,901,242</u>	<u>5,576</u>
Total Revenues	1,895,666	1,901,242	5,576

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures:			
Administration:			
Select Board Stipend	\$ 2,500	\$ 2,400	\$ 100
Town Administrator Salary	60,000	60,000	0
Administrative Support Wages	2,108	224	1,884
Health Plan Administration	800	887	(87)
FICA & Medicare	4,751	4,609	142
Liability Insurance & Bonds	52,000	54,275	(2,275)
Retirement Contribution	3,171	3,300	(129)
Unemployment Insurance	5,500	2,982	2,518
Professional Services	13,000	10,180	2,820
Postage	3,000	562	2,438
Meetings/Training	500	716	(216)
IT and Website Support	1,750	2,558	(808)
Advertising & Legal Notices	2,500	3,394	(894)
Dues & Subscriptions	9,770	10,068	(298)
Office Supplies	1,000	1,580	(580)
Office Equipment/Leases	3,000	2,688	312
Miscellaneous Expenses	250	2,497	(2,247)
Total Administration	<u>165,600</u>	<u>162,920</u>	<u>2,680</u>
Cole Hall - Town Offices:			
Contract Services	3,415	3,385	30
Repairs and Maintenance	3,000	2,175	825
Operating Supplies	2,300	1,374	926
Utilities	4,500	4,843	(343)
Heating Fuel	5,508	2,240	3,268
Total Cole Hall - Town Offices	<u>18,723</u>	<u>14,017</u>	<u>4,706</u>
Elections & Vital Statistics:			
Assistant Town Clerk	6,240	6,146	94
Town Clerk Salary	28,000	29,099	(1,099)
Poll Worker Wages	1,250	912	338
Town Clerk Health Insurance	0	2,284	(2,284)
FICA & Medicare	2,715	2,720	(5)
Retirement Contribution	2,158	1,624	534
Professional Services	0	48	(48)
Travel and Meetings - Clerk	700	1,008	(308)
Travel and Meetings - Elections	400	0	400
Machine Equipment/Supplies - Elections	3,000	2,720	280
Operating Equipment/Supplies - Clerk	2,500	4,714	(2,214)
Total Elections & Vital Statistics	<u>46,963</u>	<u>51,275</u>	<u>(4,312)</u>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Accounting/Payroll:</b>			
Bookkeeping Wages	\$ 10,158	\$ 6,102	\$ 4,056
FICA & Medicare	772	467	305
Payroll Services	2,300	2,275	25
<b>Total Accounting/Payroll</b>	<b>13,230</b>	<b>8,844</b>	<b>4,386</b>
<b>Auditing:</b>			
Auditor Wages	2,500	475	2,025
FICA & Medicare	191	36	155
Travel and Meetings	300	0	300
Town Report	2,500	2,824	(324)
<b>Total Auditing</b>	<b>5,491</b>	<b>3,335</b>	<b>2,156</b>
<b>Delinquent Tax Collection:</b>			
FICA & Medicare	1,300	1,270	30
Supplies	800	59	741
<b>Total Delinquent Tax Collection</b>	<b>2,100</b>	<b>1,329</b>	<b>771</b>
<b>Treasurer Services:</b>			
Treasurer's Salary	18,000	18,000	0
Other Services	0	102	(102)
Bank Service Charge	1,320	660	660
Billing Supplies	1,875	1,623	252
FICA & Medicare	1,377	1,377	0
<b>Total Treasurer Services</b>	<b>22,572</b>	<b>21,762</b>	<b>810</b>
<b>Listers:</b>			
Lister Wages	9,000	17,461	(8,461)
FICA & Medicare	688	1,332	(644)
Professional Services	24,000	0	24,000
Tax Maps	1,800	0	1,800
IT Support and Computer Maintenance	1,000	1,249	(249)
Travel and Meetings	250	299	(49)
Dues and Subscriptions	300	0	300
Operating Supplies	400	264	136
<b>Total Listers</b>	<b>37,438</b>	<b>20,605</b>	<b>16,833</b>
<b>Animal Control:</b>			
ACO Wages	600	456	144
Contracted Services/Monthly Stipends	6,120	6,120	0
FICA & Medicare	46	0	46
Veterinary Expense	900	0	900
Tags/Miscellaneous	400	451	(51)
<b>Total Animal Control</b>	<b>8,066</b>	<b>7,027</b>	<b>1,039</b>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Emergency Management:			
Travel and Meetings	\$ 250	\$ 318	\$ (68)
Operating Supplies	400	0	400
Equipment Maintenance	800	0	800
Emergency Shelter Equipment	0	1,141	(1,141)
	<u>1,450</u>	<u>1,459</u>	<u>(9)</u>
Total Emergency Management			
Fire Department:			
Chief's Stipends	2,600	2,600	0
FICA & Medicare	199	0	199
Insurance & Bonds	2,550	2,177	373
Firehouse Maintenance	19,000	19,345	(345)
Fire Truck Maintenance	6,000	10,851	(4,851)
Communications	3,000	5,873	(2,873)
Training	2,000	1,534	466
Operating Supplies	750	56	694
Utilities	9,690	11,328	(1,638)
Firehouse Heating Fuel (Fuel Oil)	11,016	7,264	3,752
Gas, Oil and Diesel (Trucks)	4,000	1,641	2,359
Extrication Equipment	2,000	1,314	686
Equipment Replacement	6,000	6,027	(27)
	<u>68,805</u>	<u>70,010</u>	<u>(1,205)</u>
Total Fire Department			
Fire Warden:			
Operating Supplies	250	0	250
Vehicle & Equipment	1,500	823	677
	<u>1,750</u>	<u>823</u>	<u>927</u>
Total Fire Warden			
Law Enforcement:			
Constable Wages	200	0	200
Sheriff Services	37,118	31,295	5,823
	<u>37,318</u>	<u>31,295</u>	<u>6,023</u>
Total Law Enforcement			
Bennington Rescue:	<u>7,500</u>	<u>7,500</u>	<u>0</u>
Highway Administration:			
Highway Wages - Regular	247,602	220,623	26,979
Highway Wages - Overtime	20,000	36,736	(16,736)
Employee Health Insurance - Premium	61,532	51,853	9,679
Employee Health Insurance - Deductible	18,000	5,708	12,292
Disability Insurance	2,400	949	1,451
FICA & Medicare	20,472	19,540	932
Retirement Contribution	14,344	13,842	502
Uniform Cleaning	7,200	8,991	(1,791)
Travel and Meetings	400	40	360
Steel Toe Footwear	600	400	200
CDL Physicals and Drug Testing	800	587	213
	<u>393,350</u>	<u>359,269</u>	<u>34,081</u>
Total Highway Administration			

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	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Highway Construction &amp; Maintenance:</b>			
Subcontract Costs	\$ 24,000	\$ 21,800	\$ 2,200
Signs	4,000	2,729	1,271
Tree Removal	5,000	3,180	1,820
Bridges and Guardrails	2,000	0	2,000
Paving	0	104	(104)
Operating Supplies	0	7,082	(7,082)
Gravel	65,000	70,579	(5,579)
Chloride (Dust Control)	50,000	32,433	17,567
Winter Salt	48,800	61,647	(12,847)
Winter Sand	52,000	70,051	(18,051)
Level & Sealing	3,000	89	2,911
Cleaning	1,000	0	1,000
Rentals	6,000	3,900	2,100
Culverts	2,500	12,670	(10,170)
Sidewalk Construction & Maintenance	0	4,811	(4,811)
	<u>263,300</u>	<u>291,075</u>	<u>(27,775)</u>
<b>Highway Equipment Maintenance:</b>			
Truck #1 International	2,500	16,920	(14,420)
Truck #2-2012 International	1,000	13,466	(12,466)
Truck #3-06 International	1,000	21,083	(20,083)
Truck #4-1 International Tandem Axle	1,000	9,240	(8,240)
Truck #5-06 One Ton	2,000	5,548	(3,548)
Truck #6-95 International/Chloride	1,500	4,505	(3,005)
Truck #7-02 One Ton	1,000	6,105	(5,105)
Truck #8-97 Pickup/Shop	1,000	2,156	(1,156)
Truck #9A.M. General Military Surplus	1,000	0	1,000
Truck #10 17 Dodge 3500	0	1,144	(1,144)
John Deere Backhoe 2011	1,000	2,273	(1,273)
John Deere Surplus Loader	1,000	80	920
Cat Excavator 1988	2,000	2,789	(789)
Cat Grader 1987	2,000	1,569	431
John Deere Tractor/Mower 1988	1,000	1,138	(138)
Plows & Sanders	1,500	2,886	(1,386)
Sidewalk Machine 2002	1,000	4,108	(3,108)
John Deere Grader 2010	3,500	5,926	(2,426)
Cat Traxcavator	1,000	756	244
Deere Surplus Loader	0	201	(201)
Rentals	0	165	(165)
Communications	500	0	500
Gas, Diesel and Oil	58,650	42,862	15,788
Small Machinery and Equipment	5,500	6,102	(602)
	<u>90,650</u>	<u>151,022</u>	<u>(60,372)</u>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway Garage:			
Repairs and Maintenance	\$ 2,500	\$ 313	\$ 2,187
Operating Supplies	4,000	2,618	1,382
Utilities	3,745	3,758	(13)
Heating Fuel	6,242	4,550	1,692
Small Machinery and Equipment	0	4,034	(4,034)
	<hr/>	<hr/>	<hr/>
Total Highway Garage	16,487	15,273	1,214
Solid Waste Facility:			
Attendant Wages	13,790	15,735	(1,945)
FICA & Medicare	1,055	1,182	(127)
Professional Services	0	1,785	(1,785)
Management Contract	57,865	57,300	565
Methane Well Monitoring	750	159	591
Solid Waste Implementation Plan	17,324	12,080	5,244
Groundwater Monitoring	10,000	18,780	(8,780)
Solid Waste Removal	25,000	22,720	2,280
Repairs & Maintenance	2,000	692	1,308
Operating Supplies	400	117	283
Sticker Cost	1,600	2,516	(916)
Transfer Station Utilities	500	747	(247)
Landfill Utilities	300	0	300
	<hr/>	<hr/>	<hr/>
Total Solid Waste Facility	130,584	133,813	(3,229)
Street Lights:			
Hawks Avenue	425	354	71
S. Shaftsbury Village	10,500	7,806	2,694
	<hr/>	<hr/>	<hr/>
Total Street Lights	10,925	8,160	2,765
Parks and Recreation:			
Building Construction, Maintenance and Repairs	1,000	944	56
Equipment Maintenance	1,000	497	503
Operating Supplies	500	198	302
Utilities	475	584	(109)
	<hr/>	<hr/>	<hr/>
Total Parks and Recreation	2,975	2,223	752
Cemetery Expenditures:			
Salaries & Wages	5,000	5,218	(218)
Cemetery Committee Assistant	3,400	135	3,265
FICA & Medicare	643	415	228
Contract Services	22,000	26,025	(4,025)
Repairs and Maintenance	4,000	2,315	1,685
Travel and Meetings	400	357	43
Corner Marker Installation	200	250	(50)
(New) Corner Marker Purchases	1,300	640	660
Transfer to Perpetual Care Fund	5,400	0	5,400
Miscellaneous	0	240	(240)
	<hr/>	<hr/>	<hr/>
Total Cemetery Expenditures	42,343	35,595	6,748

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Development Review Board:			
Board Member Stipends	\$ 500	\$ 300	\$ 200
Professional Services	1,820	706	1,114
Travel and Meetings	500	0	500
Advertising and Legal	1,000	1,503	(503)
Operating Supplies	100	0	100
Town Clerk Recording Fees	900	0	900
	<u>4,820</u>	<u>2,509</u>	<u>2,311</u>
Total Development Review Board			
Planning:			
Board Member Stipends	500	300	200
Zoning Administrator Wages	11,000	8,914	2,086
FICA & Medicare	842	681	161
Professional Services	0	390	(390)
Travel and Meetings	250	0	250
Advertising and Legal	200	0	200
Operating Supplies	150	0	150
	<u>12,942</u>	<u>10,285</u>	<u>2,657</u>
Total Planning			
County Taxes:	<u>28,500</u>	<u>28,624</u>	<u>(124)</u>
Debt Service Expenditures:			
Tax Anticipation Note - Interest	1,000	622	378
Lease 2013 Tandem Plow & 2013 Intl Fire Truck	38,204	38,204	0
Lease 2014 Tandem Plow	37,147	37,147	0
492 North Rd Property	13,334	13,599	(265)
510 North Rd Property	13,000	10,400	2,600
	<u>102,685</u>	<u>99,972</u>	<u>2,713</u>
Total Debt Service Expenditures			
Transfer to Reserves:			
Reappraisal Reserve Fund	5,000	5,000	0
Cole Hall Reserve Fund	10,000	10,000	0
Equipment Reserve Fund	50,000	50,000	0
Fire Warden Truck Reserve Fund	1,000	1,000	0
Fire Truck Reserve Fund	40,000	40,000	0
Garage Reserve Fund	118,552	118,552	0
Paving Reserve Fund	35,000	35,000	0
Cemetery Reserve Fund	4,000	4,000	0
Park Reserve Fund	3,000	3,000	0
Culvert Reserve Fund	5,000	5,000	0
Audit Reserve Fund	14,000	14,000	0
Veterans Memorial (Hooke) Fund	3,000	3,000	0
Class 3 Road Capital Improvement Reserve Fund	49,000	49,000	0
	<u>337,552</u>	<u>337,552</u>	<u>0</u>
Total Transfer to Reserves			

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Community Appropriations:			
Bennington Free Library	\$ 16,750	\$ 16,750	\$ 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
Martha Canfield Library	2,100	0	2,100
Paran Recreation, Inc.	2,500	2,500	0
Shaftsbury History Society	2,500	2,500	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
Vermont Center for Independent Living	1,000	1,000	0
RSVP	950	950	0
Tutorial Center, Inc.	900	900	0
Center for Restorative Justice	540	540	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
	65,100	63,000	2,100
Total Community Appropriations			
	1,939,219	1,940,573	(1,354)
Total Expenditures			
Excess/(Deficiency) of Revenues Over Expenditures	\$ (43,553)	(39,331)	\$ 4,222
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Designated Fund Income		21	
Landfill Fund Income		3,529	
Professional Audit Reserve Fund Expenses		(15,815)	
Professional Audit Reserve Fund Transfer In		14,000	
G.W. Hawkins Fund Income		3,876	
G.W. Hawkins Fund Expenses		(910)	
Net Change in Fund Balance		(34,630)	
Fund Balance - July 1, 2017		506,032	
Fund Balance - June 30, 2018		\$ 471,402	

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, 2018

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

**Notes to Schedule**

Benefit Changes: None.

Changes in Assumptions and Methods: The following changes were effective for the June 30, 2017 valuation date:

- Assumed inflation was lowered from 3.0% to 2.5%.
- The investment return assumption was lowered from 7.95% to 7.50%.
- Assumed COLA increases were lowered from 1.50% to 1.15% for Group A members and from 1.80% to 1.3% for Group B, C and D members.
- The mortality tables were updated from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement.

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

TOWN OF SHAFTSBURY, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 VMERS DEFINED BENEFIT PLAN  
 FOR THE YEAR ENDED JUNE 30, 2018

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

**Notes to Schedule**

Valuation Date: June 30, 2017

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

TOWN OF SHAFTSBURY, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2018

	Special Revenue Funds	Capital Project Funds	Permanent Fund <u>Cemetery</u> Fund	<u>Total</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 223,281	\$ 16,084	\$ 78,834	\$ 318,199
Investments	0	55,159	218,157	273,316
Due from Other Funds	22,565	401,694	9,750	434,009
Inventory	<u>0</u>	<u>5,000</u>	<u>0</u>	<u>5,000</u>
Total Assets	<u>\$ 245,846</u>	<u>\$ 477,937</u>	<u>\$ 306,741</u>	<u>\$ 1,030,524</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ <u>0</u>	\$ <u>10,285</u>	\$ <u>0</u>	\$ <u>10,285</u>
Total Liabilities	<u>0</u>	<u>10,285</u>	<u>0</u>	<u>10,285</u>
Fund Balances:				
Nonspendable	0	5,000	69,680	74,680
Restricted	376	131,823	237,061	369,260
Committed	0	330,829	0	330,829
Assigned	<u>245,470</u>	<u>0</u>	<u>0</u>	<u>245,470</u>
Total Fund Balances	<u>245,846</u>	<u>467,652</u>	<u>306,741</u>	<u>1,020,239</u>
Total Liabilities and Fund Balances	<u>\$ 245,846</u>	<u>\$ 477,937</u>	<u>\$ 306,741</u>	<u>\$ 1,030,524</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 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Capital Project Funds	Permanent Fund Cemetery Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:				
Intergovernmental	\$ 17,243	\$ 4,640	\$ 0	\$ 21,883
Charges for Services	0	0	3,928	3,928
Investment Income	749	2,139	3,632	6,520
Donations	<u>0</u>	<u>70,637</u>	<u>0</u>	<u>70,637</u>
Total Revenues	<u>17,992</u>	<u>77,416</u>	<u>7,560</u>	<u>102,968</u>
Expenditures:				
General Government	2,400	0	0	2,400
Culture and Recreation	0	338	0	338
Cemetery	0	0	5,024	5,024
Capital Outlay:				
Public Works	<u>0</u>	<u>138,345</u>	<u>0</u>	<u>138,345</u>
Total Expenditures	<u>2,400</u>	<u>138,683</u>	<u>5,024</u>	<u>146,107</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>15,592</u>	<u>(61,267)</u>	<u>2,536</u>	<u>(43,139)</u>
Other Financing Sources/(Uses):				
Transfers In	5,000	193,195	0	198,195
Transfers Out	<u>0</u>	<u>(534)</u>	<u>0</u>	<u>(534)</u>
Total Other Financing Sources/(Uses)	<u>5,000</u>	<u>192,661</u>	<u>0</u>	<u>197,661</u>
Net Changes in Fund Balances	20,592	131,394	2,536	154,522
Fund Balances - July 1, 2017	<u>225,254</u>	<u>336,258</u>	<u>304,205</u>	<u>865,717</u>
Fund Balances - June 30, 2018	<u>\$ 245,846</u>	<u>\$ 467,652</u>	<u>\$ 306,741</u>	<u>\$ 1,020,239</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2018

	Municipal Grants Fund	Listers' Reappraisal Fund	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 0	\$ 223,281	\$ 223,281
Due from Other Funds	376	22,189	22,565
Total Assets	\$ 376	\$ 245,470	\$ 245,846
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
Fund Balances:			
Restricted	376	0	376
Assigned	0	245,470	245,470
Total Fund Balances	376	245,470	245,846
Total Liabilities and Fund Balances	\$ 376	\$ 245,470	\$ 245,846

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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, 2018

	Municipal Grants Fund	Listers' Reappraisal Fund	Total
Revenues:			
Intergovernmental	\$ 0	\$ 17,243	\$ 17,243
Investment Income	<u>1</u>	<u>748</u>	<u>749</u>
Total Revenues	<u>1</u>	<u>17,991</u>	<u>17,992</u>
Expenditures:			
General Government	<u>0</u>	<u>2,400</u>	<u>2,400</u>
Total Expenditures	<u>0</u>	<u>2,400</u>	<u>2,400</u>
Excess of Revenues Over Expenditures	<u>1</u>	<u>15,591</u>	<u>15,592</u>
Other Financing Sources/(Uses):			
Transfers In	<u>0</u>	<u>5,000</u>	<u>5,000</u>
Total Other Financing Sources/(Uses)	<u>0</u>	<u>5,000</u>	<u>5,000</u>
Net Changes in Fund Balances	1	20,591	20,592
Fund Balances - July 1, 2017	<u>375</u>	<u>224,879</u>	<u>225,254</u>
Fund Balances - June 30, 2018	<u>\$ 376</u>	<u>\$ 245,470</u>	<u>\$ 245,846</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2018

	Equipment Replacement Fund	Fire Equipment Replacement Fund	Sidewalk Fund	Paving Fund	North Street Property Fund	Park Fund	Hooke Memorial Fund	Culvert Fund	Cemetery Capital Fund	Class 3 Road Improvement Fund	Howard Park Fund	Total
<b>ASSETS</b>												
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,084	\$ 16,084
Investments	0	0	0	0	0	0	0	0	0	0	55,159	55,159
Due from Other Funds	31,340	256,590	0	12,605	0	7,924	36,092	7,565	30,223	19,355	0	401,694
Inventory	0	0	0	0	0	0	0	5,000	0	0	0	5,000
Total Assets	\$ 31,340	\$ 256,590	\$ 0	\$ 12,605	\$ 0	\$ 7,924	\$ 36,092	\$ 12,565	\$ 30,223	\$ 19,355	\$ 71,243	\$ 477,937
<b>LIABILITIES AND FUND BALANCES</b>												
Liabilities:												
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,285	\$ 0	\$ 10,285
Total Liabilities	0	0	0	0	0	0	0	0	0	10,285	0	10,285
Fund Balances:												
Nonspendable	0	0	0	0	0	0	0	5,000	0	0	0	5,000
Restricted	31,340	0	0	12,605	0	0	0	7,565	0	9,070	71,243	131,823
Committed	0	256,590	0	0	0	7,924	36,092	0	30,223	0	0	330,829
Total Fund Balances	31,340	256,590	0	12,605	0	7,924	36,092	12,565	30,223	9,070	71,243	467,652
Total Liabilities and Fund Balances	\$ 31,340	\$ 256,590	\$ 0	\$ 12,605	\$ 0	\$ 7,924	\$ 36,092	\$ 12,565	\$ 30,223	\$ 19,355	\$ 71,243	\$ 477,937

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TOWN OF SHAFTSBURY, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Equipment Replacement Fund	Fire Equipment Replacement Fund	Sidewalk Fund	Paving Fund	North Street Property Fund	Park Fund	Hooke Memorial Fund	Culvert Fund	Cemetery Capital Fund	Class 3 Road Improvement Fund	Howard Park Fund	Total
<b>Revenues:</b>												
Intergovernmental	\$ 4,640	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,640
Investment Income	129	652	14	60	2	19	95	66	83	75	944	2,139
Donations	0	0	0	0	0	0	0	0	0	0	70,637	70,637
<b>Total Revenues</b>	<b>4,769</b>	<b>652</b>	<b>14</b>	<b>60</b>	<b>2</b>	<b>19</b>	<b>95</b>	<b>66</b>	<b>83</b>	<b>75</b>	<b>71,581</b>	<b>77,416</b>
<b>Expenditures:</b>												
Culture and Recreation	0	0	0	0	0	0	0	0	0	0	338	338
Capital Outlay:												
Public Works	55,298	0	1,209	25,797	0	0	0	0	0	56,041	0	138,345
<b>Total Expenditures</b>	<b>55,298</b>	<b>0</b>	<b>1,209</b>	<b>25,797</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>56,041</b>	<b>338</b>	<b>138,683</b>
<b>Excess/(Deficiency) of Revenues Over Expenditures</b>	<b>(50,529)</b>	<b>652</b>	<b>(1,195)</b>	<b>(25,737)</b>	<b>2</b>	<b>19</b>	<b>95</b>	<b>66</b>	<b>83</b>	<b>(55,966)</b>	<b>71,243</b>	<b>(61,267)</b>
<b>Other Financing Sources/(Uses):</b>												
Transfers In	50,000	41,000	1,195	35,000	0	3,000	3,000	5,000	6,000	49,000	0	193,195
Transfers Out	0	0	0	0	(534)	0	0	0	0	0	0	(534)
<b>Total Other Financing Sources/(Uses)</b>	<b>50,000</b>	<b>41,000</b>	<b>1,195</b>	<b>35,000</b>	<b>(534)</b>	<b>3,000</b>	<b>3,000</b>	<b>5,000</b>	<b>6,000</b>	<b>49,000</b>	<b>0</b>	<b>192,661</b>
<b>Net Changes in Fund Balances</b>	<b>(529)</b>	<b>41,652</b>	<b>0</b>	<b>9,263</b>	<b>(532)</b>	<b>3,019</b>	<b>3,095</b>	<b>5,066</b>	<b>6,083</b>	<b>(6,966)</b>	<b>71,243</b>	<b>131,394</b>
<b>Fund Balances - July 1, 2017</b>	<b>31,869</b>	<b>214,938</b>	<b>0</b>	<b>3,342</b>	<b>532</b>	<b>4,905</b>	<b>32,997</b>	<b>7,499</b>	<b>24,140</b>	<b>16,036</b>	<b>0</b>	<b>336,258</b>
<b>Fund Balances - June 30, 2018</b>	<b>\$ 31,340</b>	<b>\$ 256,590</b>	<b>\$ 0</b>	<b>\$ 12,605</b>	<b>\$ 0</b>	<b>\$ 7,924</b>	<b>\$ 36,092</b>	<b>\$ 12,565</b>	<b>\$ 30,223</b>	<b>\$ 9,070</b>	<b>\$ 71,243</b>	<b>\$ 467,652</b>



TOWN OF SHAFTSBURY, VERMONT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 PRIVATE-PURPOSE TRUST FUNDS  
 JUNE 30, 2018

	Trustees of Public Funds Fund	Florence Beebe Memorial Fund	Total
<u>ASSETS</u>	<hr/>	<hr/>	<hr/>
Cash	\$ 49,804	\$ 0	\$ 49,804
Investments	170,805	0	170,805
Due from Other Funds	<u>0</u>	<u>733</u>	<u>733</u>
Total Assets	<u>\$ 220,609</u>	<u>\$ 733</u>	<u>\$ 221,342</u>
 <u>LIABILITIES AND NET POSITION</u>			
Liabilities:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Position:			
Restricted	<u>220,609</u>	<u>733</u>	<u>221,342</u>
Total Net Position	<u>220,609</u>	<u>733</u>	<u>221,342</u>
Total Liabilities and Net Position	<u>\$ 220,609</u>	<u>\$ 733</u>	<u>\$ 221,342</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, 2018

	Trustees of Public Funds Fund	Florence Beebe Memorial Fund	Total
Additions:			
Investment Income	\$ 5,410	\$ 2	\$ 5,412
Total Additions	<u>5,410</u>	<u>2</u>	<u>5,412</u>
Deductions:			
Library Expenses	603	0	603
Recreation Expenses	2,497	0	2,497
School Expenses	764	0	764
Investment Fees	<u>1,453</u>	<u>0</u>	<u>1,453</u>
Total Deductions	<u>5,317</u>	<u>0</u>	<u>5,317</u>
Change in Net Position	93	2	95
Net Position - July 1, 2017	<u>220,516</u>	<u>731</u>	<u>221,247</u>
Net Position - June 30, 2018	<u>\$ 220,609</u>	<u>\$ 733</u>	<u>\$ 221,342</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of the Town of Shaftsbury, Vermont as of and for the year ended June 30, 2018, 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 23, 2019. The report on the financial statements is adverse because of the omission of the government-wide financial statements and the inadequacies in the Town's controls over transfer station revenues.

***Internal Control Over Financial Reporting***

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Shaftsbury, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2018-01 through 2018-03 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 23, 2019.

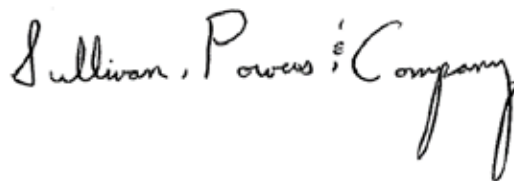
### ***Town of Shaftsbury, Vermont's Response to Deficiencies in Internal Control***

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

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

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

January 23, 2019  
Montpelier, Vermont  
VT Lic. #92-000180



TOWN OF SHAFTSBURY, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2018

Deficiencies in Internal Control:

Material Weaknesses:

2018-01 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, 2018

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.

2018-02 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, 2018

2018-03 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 accounts receivable, prepaid expenses, accumulated depreciation, accounts payable, accrued payroll and benefits payable, bonds payable and deferred inflows of resources were not reconciled prior to the audit to the actual balances at year end which resulted in various adjustments to revenue and expenses.

*Cause:*

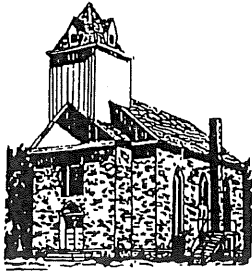
Unknown.

*Effect:*

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

*Recommendation:*

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



WWW.SHAFTSBURY.NET

# TOWN OF SHAFTSBURY

MUNICIPAL OFFICES AT COLE HALL

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

January 23, 2019

Jordon,

The FY18 audit has been reviewed and we would like to respond to the following Findings and Deficiencies in Internal Control.

2018-01 The Town is aware of this issue. This spring a new Town garage and renovated Town Hall will open. Equipment and materials loaded in will be inventoried and data uploaded to the NEMRC Asset Program. A planned auction in the spring will remove a number of unused assets from the Town inventory.

2018-02 The Transfer Station has also been under construction this year. It has been moved and updated. During the course of the year the Town is examining the need for a rate increase. Along with that we will be looking at different payment systems, including a vending kiosk, to better track PAYT.

2018-03 The Town officials with supervision over these areas will evaluate procedures to address this issue.

Please contact us with any additional concerns.

Thank You

David Kiernan  
Town Administrator