

TOWN OF WAITSFIELD, VERMONT

AUDIT REPORT

JUNE 30, 2017

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 AUDIT REPORT
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Independent Auditor's Report

Selectboard
Town of Waitsfield, Vermont
4144 Main Street
Waitsfield, Vermont 05673

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Waitsfield, Vermont as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Waitsfield, 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 the modified cash basis of accounting described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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'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 Cemetery Commission Fund and the Governmental Activities

Management has not included the Cemetery Commission Fund, which is a permanent fund, in the Town of Waitsfield, Vermont's financial statements. Modified cash basis accounting principles require the Cemetery Commission Fund to be presented as a major governmental fund and financial information about the Cemetery Commission Fund to be part of the governmental activities, thus increasing that activity's assets, liabilities, revenues, and expenditures/expenses, and changes in its fund balance/net position. The amount by which this departure would affect the assets, liabilities, fund balance/net position, revenues, and expenditures/expenses of the governmental activities and the omitted major fund has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Cemetery Commission Fund and the Governmental Activities" paragraph, the financial statements referred to previously do not present fairly the financial position of the Cemetery Commission Fund and the governmental activities of the Town of Waitsfield, Vermont as of June 30, 2017, or the changes in financial position thereof for the year then ended in conformity with the modified cash basis of accounting, as described in Note I.D.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, the General Fund, the Vermont Grant Fund, the Town Office Fund, the Covered Bridge Repair Fund, the 2011 Storm Fund, the Sewer Fund, the Heavy Equipment Fund, the Water Main Break Fund, the Village West Sidewalk Fund, the Water Fund, the Wait House Fund and the aggregate remaining fund information of the Town of Waitsfield, Vermont, as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with the modified cash basis of accounting, as described in Note I.D.

Other Matters

Basis of Accounting

We draw attention to Note I.D. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Required Supplementary 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.

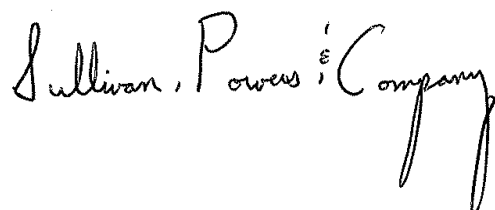
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Waitsfield, 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 express no 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 10, 2018 on our consideration of the Town of Waitsfield, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Waitsfield, Vermont's internal control over financial reporting and compliance.

January 10, 2018
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF WAITSFIELD, VERMONT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2017

| | Governmental Activities | Business-type Activities | Total |
|------------------------------|----------------------------|-----------------------------|------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 668,150 | \$ 198,955 | \$ 867,105 |
| Internal Balances | 49,225 | (49,225) | 0 |
| Total Assets | 717,375 | 149,730 | 867,105 |
| <u>LIABILITIES</u> | | | |
| Payroll Withholdings Payable | 127 | 0 | 127 |
| Tax Sale Overpayments | 3,047 | 0 | 3,047 |
| Escrow Liabilities | 14,429 | 0 | 14,429 |
| Due to Customers | 0 | 218 | 218 |
| Total Liabilities | 17,603 | 218 | 17,821 |
| <u>NET POSITION</u> | | | |
| Restricted | 327,442 | 0 | 327,442 |
| Unrestricted | 372,330 | 149,512 | 521,842 |
| Total Net Position | \$ 699,772 | \$ 149,512 | \$ 849,284 |

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

TOWN OF WAITSFIELD, VERMONT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017

| Functions/Programs: | Program Receipts | | | | Net (Disbursements) Receipts and Changes in Net Position | | |
|--|-----------------------|-------------------------|--|--|---|-----------------------------|--------------------|
| | Cash Disbursements | Charges for Services | Operating Grants/Loans and Contributions | Capital Grants/Loans and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 1,196,082 | \$ 84,072 | \$ 0 | \$ 623,553 | \$ (488,457) | \$ 0 | \$ (488,457) |
| Public Safety | 121,309 | 39,698 | 0 | 4,017 | (77,594) | 0 | (77,594) |
| Highways and Streets | 722,052 | 785 | 69,556 | 603,322 | (48,389) | 0 | (48,389) |
| Culture and Recreation | 132,455 | 0 | 22,522 | 87,813 | (22,120) | 0 | (22,120) |
| Community Development | 13,050 | 0 | 0 | 0 | (13,050) | 0 | (13,050) |
| Sewer | 344,158 | 12,325 | 0 | 969,824 | 637,991 | 0 | 637,991 |
| Debt Service | 1,488,975 | 0 | 0 | 0 | (1,488,975) | 0 | (1,488,975) |
| Total Governmental Activities | <u>4,018,081</u> | <u>136,880</u> | <u>92,078</u> | <u>2,288,529</u> | <u>(1,500,594)</u> | <u>0</u> | <u>(1,500,594)</u> |
| Business-type Activities | | | | | | | |
| Water | 171,017 | 197,980 | 0 | 0 | 0 | 26,963 | 26,963 |
| Wait House | 18,109 | 18,254 | | | 0 | 145 | 145 |
| Total Business-type Activities | <u>189,126</u> | <u>216,234</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>27,108</u> | <u>27,108</u> |
| Total Primary Government | <u>\$ 4,207,207</u> | <u>\$ 353,114</u> | <u>\$ 92,078</u> | <u>\$ 2,288,529</u> | <u>(1,500,594)</u> | <u>27,108</u> | <u>(1,473,486)</u> |
| General Receipts: | | | | | | | |
| Property Taxes | | | | | 1,306,006 | 0 | 1,306,006 |
| Penalties and Interest on Delinquent Taxes | | | | | 35,836 | 0 | 35,836 |
| General State Grants | | | | | 96,920 | 0 | 96,920 |
| Unrestricted Investment Earnings | | | | | 1,938 | 232 | 2,170 |
| Water Main Break Settlement | | | | | 80,000 | 0 | 80,000 |
| Other | | | | | 13,396 | 0 | 13,396 |
| Total General Receipts | | | | | <u>1,534,096</u> | <u>232</u> | <u>1,534,328</u> |
| Change in Net Position | | | | | 33,502 | 27,340 | 60,842 |
| Net Position - July 1, 2016 | | | | | <u>666,270</u> | <u>122,172</u> | <u>788,442</u> |
| Net Position - June 30, 2017 | | | | | <u>\$ 699,772</u> | <u>\$ 149,512</u> | <u>\$ 849,284</u> |

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

TOWN OF WAITSFIELD, VERMONT
 STATEMENT OF MODIFIED CASH BASIS ASSETS, LIABILITIES AND FUND BALANCES
 GOVERNMENTAL FUNDS
 JUNE 30, 2017

| | General Fund | Vermont Grant Fund | Town Office Fund | Covered Bridge Repair Fund | 2011 Storm Fund | Sewer Fund | Heavy Equipment Fund | Water Main Break Fund | Village West Sidewalk Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--------------------------------------|-------------------|--------------------|------------------|----------------------------|------------------|------------------|----------------------|-----------------------|----------------------------|------------------------------|--------------------------|
| ASSETS | | | | | | | | | | | |
| Cash | \$ 141,079 | \$ 104,617 | \$ 2 | \$ 4,375 | \$ 0 | \$ 14,429 | \$ 101,437 | \$ 0 | \$ 0 | \$ 302,211 | \$ 668,150 |
| Due from Other Funds | <u>94,293</u> | <u>0</u> | <u>14,923</u> | <u>0</u> | <u>0</u> | <u>64,791</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>161,800</u> | <u>335,807</u> |
| Total Assets | <u>\$ 235,372</u> | <u>\$ 104,617</u> | <u>\$ 14,925</u> | <u>\$ 4,375</u> | <u>\$ 0</u> | <u>\$ 79,220</u> | <u>\$ 101,437</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 464,011</u> | <u>\$ 1,003,957</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | |
| Payroll Withholdings Payable | \$ 127 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 127 |
| Tax Sale Overpayments | 3,047 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,047 |
| Escrow Liabilities | 0 | 0 | 0 | 0 | 0 | 14,429 | 0 | 0 | 0 | 0 | 14,429 |
| Due to Other Funds | <u>0</u> | <u>0</u> | <u>0</u> | <u>15,259</u> | <u>179,872</u> | <u>0</u> | <u>3</u> | <u>42,883</u> | <u>31,663</u> | <u>16,902</u> | <u>286,582</u> |
| Total Liabilities | <u>3,174</u> | <u>0</u> | <u>0</u> | <u>15,259</u> | <u>179,872</u> | <u>14,429</u> | <u>3</u> | <u>42,883</u> | <u>31,663</u> | <u>16,902</u> | <u>304,185</u> |
| Fund Balances/(Deficits): | | | | | | | | | | | |
| Restricted | 0 | 104,617 | 14,925 | 0 | 0 | 64,791 | 0 | 0 | 0 | 143,109 | 327,442 |
| Committed | 0 | 0 | 0 | 0 | 0 | 0 | 101,434 | 0 | 0 | 225,287 | 326,721 |
| Assigned | 64,834 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 90,903 | 155,737 |
| Unassigned/(Deficit) | <u>167,364</u> | <u>0</u> | <u>0</u> | <u>(10,884)</u> | <u>(179,872)</u> | <u>0</u> | <u>0</u> | <u>(42,883)</u> | <u>(31,663)</u> | <u>(12,190)</u> | <u>(110,128)</u> |
| Total Fund Balances/(Deficits) | <u>232,198</u> | <u>104,617</u> | <u>14,925</u> | <u>(10,884)</u> | <u>(179,872)</u> | <u>64,791</u> | <u>101,434</u> | <u>(42,883)</u> | <u>(31,663)</u> | <u>447,109</u> | <u>699,772</u> |
| Total Liabilities and Fund Balances | <u>\$ 235,372</u> | <u>\$ 104,617</u> | <u>\$ 14,925</u> | <u>\$ 4,375</u> | <u>\$ 0</u> | <u>\$ 79,220</u> | <u>\$ 101,437</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 464,011</u> | <u>\$ 1,003,957</u> |

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

TOWN OF WAITSFIELD, VERMONT
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

| | General Fund | Vermont Grant Fund | Town Office Fund | Covered Bridge Repair Fund | 2011 Storm Fund | Sewer Fund | Heavy Equipment Fund | Water Main Break Fund | Village West Sidewalk Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|-------------------|--------------------|------------------|----------------------------|---------------------|------------------|----------------------|-----------------------|----------------------------|------------------------------|--------------------------|
| Cash Receipts: | | | | | | | | | | | |
| Property Taxes | \$ 1,306,006 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 1,306,006 |
| Penalties and Interest on | | | | | | | | | | | |
| Delinquent Taxes | 35,836 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 35,836 |
| Intergovernmental | 166,476 | 0 | 370,519 | 317,305 | 0 | 455,939 | 0 | 0 | 16,402 | 165,162 | 1,491,803 |
| Charges for Services | 79,662 | 0 | 0 | 0 | 0 | 12,325 | 0 | 0 | 0 | 0 | 91,987 |
| Permits, Licenses and Fees | 35,493 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,702 | 39,195 |
| Fines and Forfeits | 5,698 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,698 |
| Investment Income | 1,199 | 54 | 32 | 92 | 0 | 0 | 63 | 0 | 0 | 498 | 1,938 |
| Donations | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,075 | 2,075 |
| Other | 4,406 | 0 | 7,017 | 0 | 0 | 0 | 0 | 0 | 0 | 8,990 | 20,413 |
| Total Cash Receipts | 1,634,776 | 54 | 377,568 | 317,397 | 0 | 468,264 | 63 | 0 | 16,402 | 180,427 | 2,994,951 |
| Cash Disbursements: | | | | | | | | | | | |
| General Government | 739,049 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,500 | 740,549 |
| Public Safety | 113,274 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 113,274 |
| Highways and Streets | 422,797 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 422,797 |
| Culture and Recreation | 11,769 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 23,612 | 35,381 |
| Community Development | 0 | 13,050 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,050 |
| Capital Outlay: | | | | | | | | | | | |
| General Government | 0 | 0 | 455,097 | 0 | 0 | 0 | 0 | 0 | 0 | 436 | 455,533 |
| Public Safety | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,035 | 8,035 |
| Highways and Streets | 141,613 | 0 | 0 | 29,110 | 0 | 0 | 0 | 40,278 | 37,954 | 50,300 | 299,255 |
| Culture and Recreation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 97,074 | 97,074 |
| Sewer | 0 | 0 | 0 | 0 | 0 | 344,158 | 0 | 0 | 0 | 0 | 344,158 |
| Debt Service: | | | | | | | | | | | |
| Principal | 333,454 | 0 | 227,056 | 0 | 0 | 769,638 | 0 | 95,000 | 0 | 0 | 1,425,148 |
| Interest | 52,665 | 0 | 1,927 | 0 | 0 | 6,212 | 0 | 3,023 | 0 | 0 | 63,827 |
| Total Cash Disbursements | 1,814,621 | 13,050 | 684,080 | 29,110 | 0 | 1,120,008 | 0 | 138,301 | 37,954 | 180,957 | 4,018,081 |
| Excess/(Deficiency) of Cash Receipts | (179,845) | (12,996) | (306,512) | 288,287 | 0 | (651,744) | 63 | (138,301) | (21,552) | (530) | (1,023,130) |
| Over Cash Disbursements | (179,845) | (12,996) | (306,512) | 288,287 | 0 | (651,744) | 63 | (138,301) | (21,552) | (530) | (1,023,130) |
| Other Financing Sources: | | | | | | | | | | | |
| Water Main Break Settlement | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 80,000 | 0 | 0 | 80,000 |
| Proceeds from Long-term Debt | 91,730 | 0 | 245,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 336,730 |
| Proceeds from Short-term Debt | 0 | 0 | 1,017 | 0 | 125,000 | 513,885 | 0 | 0 | 0 | 0 | 639,902 |
| Total Other Financing Sources | 91,730 | 0 | 246,017 | 0 | 125,000 | 513,885 | 0 | 80,000 | 0 | 0 | 1,056,632 |
| Net Change in Fund Balances | (88,115) | (12,996) | (60,495) | 288,287 | 125,000 | (137,859) | 63 | (58,301) | (21,552) | (530) | 33,502 |
| Fund Balances/(Deficits) - July 1, 2016 | 320,313 | 117,613 | 75,420 | (299,171) | (304,872) | 202,650 | 101,371 | 15,418 | (10,111) | 447,639 | 666,270 |
| Fund Balances/(Deficits) - June 30, 2017 | \$ 232,198 | \$ 104,617 | \$ 14,925 | \$ (10,884) | \$ (179,872) | \$ 64,791 | \$ 101,434 | \$ (42,883) | \$ (31,663) | \$ 447,109 | \$ 699,772 |

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

TOWN OF WAITSFIELD, VERMONT
STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2017

| | Water Fund | Wait House Fund | Total |
|---------------------|-------------------|-----------------------|-------------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 193,128 | \$ 5,827 | \$ 198,955 |
| Total Assets | <u>193,128</u> | <u>5,827</u> | <u>198,955</u> |
| <u>LIABILITIES</u> | | | |
| Due to Customers | 218 | 0 | 218 |
| Due to Other Funds | <u>49,003</u> | <u>222</u> | <u>49,225</u> |
| Total Liabilities | <u>49,221</u> | <u>222</u> | <u>49,443</u> |
| <u>NET POSITION</u> | | | |
| Unrestricted | <u>143,907</u> | <u>5,605</u> | <u>149,512</u> |
| Total Net Position | <u>\$ 143,907</u> | <u>\$ 5,605</u> | <u>\$ 149,512</u> |

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

TOWN OF WAITSFIELD, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Water Fund | Wait House Fund | Total |
|--|-------------------|-----------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Operating Receipts: | | | |
| Charges for Services | \$ 197,980 | \$ 18,254 | \$ 216,234 |
| Total Operating Receipts | <u>197,980</u> | <u>18,254</u> | <u>216,234</u> |
| Operating Disbursements: | | | |
| Administrative Charges | 1,500 | 0 | 1,500 |
| Administrative Supplies | 493 | 0 | 493 |
| Permits and Licenses | 688 | 0 | 688 |
| Insurance | 793 | 1,550 | 2,343 |
| Professional Services | 22,125 | 2,523 | 24,648 |
| Communications | 1,249 | 0 | 1,249 |
| Utilities | 2,604 | 9,804 | 12,408 |
| Maintenance | 8,569 | 4,232 | 12,801 |
| Total Operating Disbursements | <u>38,021</u> | <u>18,109</u> | <u>56,130</u> |
| Operating Income | <u>159,959</u> | <u>145</u> | <u>160,104</u> |
| Non-Operating Receipts/(Disbursements): | | | |
| Investment Income | 228 | 4 | 232 |
| Debt Service - Principal | (49,305) | 0 | (49,305) |
| Debt Service - Interest | (83,691) | 0 | (83,691) |
| Total Non-Operating Receipts/(Disbursements) | <u>(132,768)</u> | <u>4</u> | <u>(132,764)</u> |
| Change in Net Position | 27,191 | 149 | 27,340 |
| Net Position - July 1, 2016 | <u>116,716</u> | <u>5,456</u> | <u>122,172</u> |
| Net Position - June 30, 2017 | <u>\$ 143,907</u> | <u>\$ 5,605</u> | <u>\$ 149,512</u> |

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note I.D., these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. 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.

A. The Financial Reporting Entity

This report includes all of the activity of the Town of Waitsfield, 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, receipts, and disbursements. 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.

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole. 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.

TOWN OF WAITSFIELD, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through property taxes, intergovernmental receipts, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each segment of the Town's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program receipts, including all taxes, are presented as general receipts.

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

Vermont Grant Fund – This fund accounts for the assets held by the Town for future community development expenditures.

Town Office Fund – This fund accounts for the assets held by the Town for capital expenses associated with the new municipal building.

Covered Bridge Repair Fund – This fund accounts for assets held by the Town for the rehabilitation of the Town's covered bridge.

2011 Storm Fund – This fund accounts for the assets held by the Town for the 2011 storm expenditures.

Sewer Fund – This fund accounts for the activity related to the assets held by the Town and capital investments for private sewer systems.

Heavy Equipment Fund – This fund accounts for the assets held by the Town for heavy equipment expenditures.

Water Main Break Fund – This fund accounts for the 2014 water main break settlement proceeds and expenditures of the Town.

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

Village West Sidewalk Fund – This fund accounts for the design and construction expenditures for new segments of the Town’s village west sidewalk.

The Town reports on the following major proprietary funds:

Water Fund – This fund accounts for the maintenance and operations of the water system.

Wait House Fund – This fund accounts for the maintenance and operations of the Wait House.

Proprietary fund operating receipts, 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 receipts, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. Equity (i.e., modified cash basis net position) is segregated into restricted and unrestricted net position. Operating statements present increases (i.e., receipts) and decreases (i.e., disbursements) in modified cash basis net position.

Governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Their reported fund balances (modified cash basis fund balances) 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., receipts and other financing sources) and decreases (i.e., disbursements and other financing uses) in modified cash basis fund balances.

D. Basis of Accounting

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

The Town's policy is to prepare its financial statements generally on the basis of cash receipts and disbursements; consequently, certain revenue and related assets are recognized when received rather than when earned and certain expenditures and related liabilities are recognized when paid rather than when the obligation is incurred. The exception to this is that the Town records payroll withholdings payable, tax sale overpayments, escrow liabilities and amounts due to water customers as liabilities.

General capital asset acquisitions are reported as expenditures. Proceeds of general long-term debt are reported as other financing sources.

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

E. Assets, Liabilities 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. 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 government-wide and 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 in governmental fund financial statements 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.

3. Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as "advances from/to other funds". All other outstanding balances between funds are reported as "due from/to other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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 Budget Stabilization Fund and the Town Forest Stewardship Fund that are included with the General Fund as they do not qualify to be reported as separate special revenue funds.

B. Budgeted Deficit

The Town elected to budget cash disbursements in excess of cash receipts by \$146,146 in the General Fund in order to utilize a portion of the prior year's surpluses. This is reflected as a current year's budgeted deficiency of cash receipts over cash disbursements on Schedule 1.

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

III. DETAILED NOTES ON ALL FUNDS

A. Cash

Cash as of June 30, 2017 consist of the following:

| | | |
|--------------------------------------|--|------------------|
| Cash: | | |
| Deposits with Financial Institutions | | <u>\$867,105</u> |
| Total Cash | | <u>\$867,105</u> |

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. brokerdealer) 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 following table shows the custodial credit risk of the Town's deposits.

| | <u>Book Balance</u> | <u>Bank Balance</u> |
|-----------------------------|-------------------------|-------------------------|
| FDIC Insured | \$354,285 | \$354,285 |
| Uninsured, Uncollateralized | <u>512,820</u> | <u>588,734</u> |
| Total | <u>\$867,105</u> | <u>\$943,019</u> |

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

All of the uninsured, uncollateralized cash could be offset by debt at the respective bank.

Interest Rate Risk

Interest rate 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 has no investments subject to interest rate risk disclosure requirements.

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town does not have any policy to limit the exposure to credit risk. The Town has no investments subject to credit risk.

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.

B. Interfund Balances and Activity

Interfund balances as of June 30, 2017 are as follows:

| <u>Fund</u> | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|------------------------------|---------------------------------|-------------------------------|
| General Fund | \$ 94,293 | \$ 0 |
| Town Office Fund | 14,923 | 0 |
| Covered Bridge Repair Fund | 0 | 15,259 |
| 2011 Storm Fund | 0 | 179,872 |
| Sewer Fund | 64,791 | 0 |
| Heavy Equipment Fund | 0 | 3 |
| Water Main Break Fund | 0 | 42,883 |
| Village West Sidewalk Fund | 0 | 31,663 |
| Non-Major Governmental Funds | 161,800 | 16,902 |
| Water Fund | 0 | 49,003 |
| Wait House Fund | <u>0</u> | <u>222</u> |
| Totals | <u>\$335,807</u> | <u>\$335,807</u> |

C. Fund Balances

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

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

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

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. Governments are required to disclose in the notes key information about their stabilization arrangements, including the authority by which they were established, provisions for additions to the stabilization amount, and circumstances under which those amounts may be spent. The Town does not have any stabilization arrangements.

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

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

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

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

Major Funds

Verdmont Grant Fund:

| | |
|--|------------------|
| Restricted for Community Development by Grant Agreement (Source of Revenue is Grant Revenue) | <u>\$104,617</u> |
|--|------------------|

Town Office Fund:

| | |
|---|---------------|
| Restricted for Construction of the Town Office Building by Agreement (Source of Revenue is Grant Revenue) | <u>14,925</u> |
|---|---------------|

Sewer Fund:

| | |
|---|---------------|
| Restricted for Wastewater System Improvements by Agreement (Source of Revenue is Grant Revenue) | <u>64,791</u> |
|---|---------------|

TOWN OF WAITSFIELD, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Non-Major Funds

Special Revenue Funds:

| | |
|--|---------------|
| Restricted for Records Restoration Fund Expenses by Statute (Source of Revenue is Restoration Fees) | \$ 37,243 |
| Restricted for Entrust Conservation Fund Expenses by Donations (Source of Revenue is Donations) | <u>14,160</u> |
| Total Special Revenue Funds | <u>51,403</u> |

Capital Projects Funds:

| | |
|---|---------------|
| Restricted for Bridge Street Storm Water Fund Expenditures by Agreement (Source of Revenue is Grant Revenue) | 7,950 |
| Restricted for Bridge Street Fund Expenditures by Unspent Bond Proceeds (Source of Revenue is Bond Proceeds) | 54,331 |
| Restricted for Route 100 Transportation Path Expenditures by Agreement (Source of Revenue is Grant Revenue) | 28,812 |
| Restricted for Solar Array Fund Expenditures by Agreement (Source of Revenue is Grant Revenue) | <u>613</u> |
| Total Capital Projects Funds | <u>91,706</u> |

Total Non-Major Funds 143,109

Total Restricted Fund Balances \$327,442

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

Major Funds

Heavy Equipment Fund:

| | |
|--|------------------|
| Committed for Heavy Equipment Expenditures by the Voters | <u>\$101,434</u> |
|--|------------------|

Non-Major Funds

Special Revenue Funds:

| | |
|--|---------------|
| Committed for Restroom and Recreation Expenses by the Voters | 82,604 |
| Committed for Agricultural Support by the Voters | <u>10,033</u> |
| Total Special Revenue Funds | <u>92,637</u> |

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

Capital Projects Funds:

| | |
|--|---------------|
| Committed for Fire Department Equipment Expenditures by the Voters | \$ 69,387 |
| Committed for Street Trees Expenditures by the Voters | 5,730 |
| Committed for Equipment Expenditures by the Voters | 18,470 |
| Committed for Fire Department Building & Equipment Expenditures by the Voters | 9,336 |
| Committed for Bridge and Culvert Expenditures by the Voters | <u>29,727</u> |

| | |
|------------------------------|----------------|
| Total Capital Projects Funds | <u>132,650</u> |
|------------------------------|----------------|

| | |
|-----------------------|----------------|
| Total Non-Major Funds | <u>225,287</u> |
|-----------------------|----------------|

| | |
|-------------------------------|------------------|
| Total Committed Fund Balances | <u>\$326,721</u> |
|-------------------------------|------------------|

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

Major Funds

General Fund:

| | |
|---|------------------|
| Assigned for Town Forest Stewardship Expenditures | \$ <u>64,834</u> |
|---|------------------|

Non-Major Funds

Special Revenue Funds:

| | |
|-----------------------------------|---------------|
| Assigned for Reappraisal Expenses | <u>73,972</u> |
|-----------------------------------|---------------|

Capital Projects Funds:

| | |
|---|--------------|
| Assigned for Town Clock Expenditures | 1,902 |
| Assigned for Ancient Road Expenditures | 726 |
| Assigned for Lareau Park Improvement Expenditures | 5,460 |
| Assigned for Energy Projects Expenditures | <u>8,843</u> |

| | |
|------------------------------|---------------|
| Total Capital Projects Funds | <u>16,931</u> |
|------------------------------|---------------|

| | |
|-----------------------|---------------|
| Total Non-Major Funds | <u>90,903</u> |
|-----------------------|---------------|

| | |
|------------------------------|------------------|
| Total Assigned Fund Balances | <u>\$155,737</u> |
|------------------------------|------------------|

The unassigned deficit of \$10,884 in the Covered Bridge Repair Fund will be funded with the collection of debt proceeds and a transfer from the General Fund.

The unassigned deficit of \$179,872 in the 2011 Storm Fund will be funded with the collection of debt proceeds and a transfer from the General Fund.

The unassigned deficit of \$42,883 in the Water Main Break Fund will be funded with a transfer from the General Fund.

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

The unassigned deficit of \$31,663 in the Village West Sidewalk Fund will be funded with the collection of future grant revenue.

The unassigned deficit of \$669 in the Joslin Library Fund will be funded with the collection of future grant revenue.

The unassigned deficit of \$11,521 in the Pocket Park Fund will be funded with the collection of future grant revenue and donations.

D. Restricted and Designated Net Position

The restricted net position in the Governmental Activities consists of the restricted fund balances of \$327,442.

The designated net position of the Town as of June 30, 2017 consists of the following:

| | |
|--------------------------------------|------------------|
| Water Fund: | |
| Designated for Water Operations | \$143,907 |
| Wait House Fund: | |
| Designated for Wait House Operations | <u> 5,605</u> |
| Total Designated Net Position | <u>\$149,512</u> |

IV. OTHER INFORMATION

A. PENSION PLAN

Defined Benefit Plan

Plan Description

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

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

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

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

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

As of June 30, 2016, the measurement date selected by the State of Vermont, VMERS was funded at 80.95% and had a plan fiduciary net position of \$547,015,114 and a total pension liability of \$675,711,281 resulting in a net position liability of \$128,696,167. As of June 30, 2017, the Town's proportionate share of this was 0.1198% resulting in a net pension liability of \$154,190. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. As of June 30, 2016, the Town's proportion of 0.1198% was a decrease of 0.0097 from its proportion measured as of June 30, 2015.

Summary of System Provisions

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

Creditable Service – Service as a member plus purchased service.

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

Service Retirement Allowance:

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

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

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

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

Early Retirement Allowance:

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

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

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

Disability Retirement Allowance:

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

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

Death Benefit:

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

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

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

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

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

Member Contributions – Group B – 4.875%.

Employer Contributions – Group B – 5.50%.

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

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

Significant Actuarial Assumptions and Methods

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

Interest Rate: 7.95% per annum.

Salary increases: 5% per year.

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

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

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

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

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

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

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

Long-term Expected Rate of Return:

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

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

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

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

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

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

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

| <u>1% Decrease (6.95%)</u> | <u>Discount Rate (7.95%)</u> | <u>1% Increase (8.95%)</u> |
|----------------------------|------------------------------|----------------------------|
| \$255,970 | \$154,190 | \$68,969 |

Additional Information

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

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

B. PROPERTY TAXES

The Town is responsible for assessing and collecting its own property taxes as well as education taxes for the State of Vermont. The tax rate is set by the Selectboard based on the voter approved budget, the estimated grand list and the State education property tax liability. Property taxes are due in four equal installments on September 25, November 15, February 15 and May 15. The penalty rate is eight percent (8%) after the September payment. Interest is charged at one percent (1%) per month for the first three months and one and a half percent (1-1/2%) per month for each month thereafter. The tax rates for 2017 were as follows:

| | <u>Residential</u> | <u>Non-Residential</u> |
|-----------------|--------------------|------------------------|
| Town | .3582 | .3582 |
| Local Agreement | .0030 | .0030 |
| Education | <u>1.6141</u> | <u>1.4835</u> |
| Total | <u>1.9753</u> | <u>1.8447</u> |

C. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. 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 must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

The Town has elected to pay actual unemployment claims instead of enrolling in an unemployment insurance program. The Town paid no unemployment claims during fiscal year 2017.

D. LONG-TERM DEBT

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 both general governmental and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

General obligation bonds are direct and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 20 year bonds. Refunding bonds are issued for various terms based on the debt service of the debt refunded.

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

The State of Vermont offers a number of low and no-interest revolving loan programs to utilize for predetermined purposes. The Town has borrowed money from the State of Vermont Special Environmental Revolving Fund for a water project.

The Town has other notes payable to finance various capital projects and purchases through local banks.

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. Leases are reported in governmental activities if the debt is expected to be repaid from general governmental revenue and in the business-type activities if the debt is expected to be repaid from proprietary fund revenue.

Long-term debt outstanding as of June 30, 2017 was as follows:

Governmental Activities:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Note Payable, Community Bank, Irene Flood Assistance, Principal Payments of \$23,039 Plus Interest Payable on March 12 Annually, Interest at 1.87%, Due March, 2018 | \$ 46,077 | \$ 0 | \$ 23,039 | \$ 23,038 |
| Capital Lease Payable, Gorham Leasing Corp., Tractor and Mower, Principal and Interest Payments of \$12,064 Payable on May 15 Annually, Interest at 5%, Due May, 2018 | 22,432 | 0 | 10,942 | 11,490 |
| Bond Payable, Vermont Municipal Bond Bank, Town Office/Solar Array, Principal Payments of \$31,750 Payable on December 1 Annually, Interest Rates Ranging from 0.513% to 3.993% Payable Semi-Annually on May 15 and November 15, Due November, 2034 | 603,250 | 0 | 31,750 | 571,500 |

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Note Payable, People's United Bank, Road Improvements, Principal Payments of \$10,000 Plus Interest Payable on August 18 Annually, Interest at 2.5%, Due August, 2019 | \$ 40,000 | \$ 0 | \$ 10,000 | \$ 30,000 |
| Bond Payable, State of Vermont Special Environmental Revolving Fund, Wastewater Improvements, Principal Payments of 36,484 Payable on May 1 Annually, Interest at 0%, Due May, 2027 | 401,327 | 0 | 36,484 | 364,843 |
| Note Payable, Community Bank, Capital Improvements, Principal Payments of \$17,572 Plus Interest Payable on August 26 Annually, Interest at 2.4%, Due August, 2019 | 70,287 | 0 | 17,572 | 52,715 |
| Note Payable, People's United Bank Refunding of the Town's Deficit, Principal Payments of \$60,000 Plus Interest Payable on June 23 Annually, Interest at 2.5%, Due June, 2020. The Town Made the Two Payments During Fiscal Year 2017 | 300,000 | 0 | 120,000 | 180,000 |
| Bond Payable, People's United Bank, Bridge Street Improvements, Principal Payments of \$26,667 Payable on September 1 Annually, Interest Payments Payable Semi-Annually on February 1 and September 1, Interest at 2.6%, Due September, 2030 | 400,000 | 0 | 26,667 | 373,333 |
| Note Payable, Community Bank, 2016 Paving, Principal Payments of \$48,000 Plus Interest Payable on September 14 Annually, Interest at 1.73%, Due September, 2020 | 240,000 | 0 | 48,000 | 192,000 |
| Note Payable, People's United Bank, SCBA Equipment, Principal Payments of \$9,000 Plus Interest Payable on December 4, Interest at 2.1%, Due December, 2020 | 45,000 | 0 | 9,000 | 36,000 |

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|-------------------|-------------------|---------------------------|
| Bond Payable, State of Vermont Special Environmental Revolving Fund, Wastewater Improvements, Principal Payments of \$28,667 Beginning on August 1, 2019, Interest at 0%, Due August, 2028, Paid in October, 2016 | \$ 210,203 | \$ 0 | \$ 210,203 | \$ 0 |
| Bond Payable, Vermont Municipal Bond Bank, Town Office, Principal Payments of \$12,250 Payable Beginning on November 1 Annually, Interest Rates Ranging from 1.491% to 3.091% Payable Semi-Annually on May 1 and November 1, Due November, 2036 | 0 | 245,000 | 0 | 245,000 |
| Note Payable, Community Bank, Construction of Highway Repairs, Principal Payments of \$18,346 Plus Interest Payable Beginning on July 26 Annually, Interest at 1.73%, Due July, 2021 | <u>0</u> | <u>91,730</u> | <u>0</u> | <u>91,730</u> |
| Total Governmental Activities | <u>\$2,378,576</u> | <u>\$ 336,730</u> | <u>\$ 543,657</u> | <u>\$2,171,649</u> |
| Business-type Activities: | | | | |
| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
| Bond Payable, United States Department of Agriculture, Water System Improvements Semi-Annual Principal and Interest Payments of \$62,360 Payable on March 17 and September 17, Interest at 2.75%, Due September, 2054 | \$2,861,049 | \$ 0 | \$ 46,351 | \$2,814,698 |
| Bond Payable, United States Department of Agriculture, Eagles Water System Improvements, Semi-Annual Principal and Interest Payments of \$4,138 Payable on May 21 and November 21, Interest at 2.75%, Due May, 2054 | <u>194,239</u> | <u>0</u> | <u>2,954</u> | <u>191,285</u> |
| Total Business-type Activities | <u>\$3,055,288</u> | <u>\$ 0</u> | <u>\$ 49,305</u> | <u>\$3,005,983</u> |

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

Maturities are estimated to be as follows:

| Year Ending June 30 | Governmental Activities | | | Business-type Activities | |
|------------------------|-------------------------|-------------------|------------------|--------------------------|---------------------|
| | Principal | Interest | Capital Lease | Principal | Interest |
| 2018 | \$ 293,108 | \$ 45,628 | \$ 12,064 | \$ 50,675 | \$ 82,321 |
| 2019 | 270,069 | 40,327 | 0 | 52,078 | 80,918 |
| 2020 | 270,068 | 35,322 | 0 | 53,520 | 79,476 |
| 2021 | 182,497 | 30,181 | 0 | 55,002 | 77,994 |
| 2022 | 125,497 | 27,088 | 0 | 56,525 | 76,471 |
| 2023-2027 | 535,757 | 104,883 | 0 | 306,986 | 357,994 |
| 2028-3032 | 326,664 | 52,613 | 0 | 351,906 | 313,074 |
| 3033-3037 | 156,499 | 10,220 | 0 | 403,400 | 261,580 |
| 2038-2042 | 0 | 0 | 0 | 461,840 | 202,552 |
| 2043-2047 | 0 | 0 | 0 | 487,795 | 136,812 |
| 2018-2052 | 0 | 0 | 0 | 492,439 | 69,460 |
| 2053-2054 | 0 | 0 | 0 | 233,817 | 9,405 |
| Total | 2,160,159 | 346,262 | 12,064 | 3,005,983 | 1,748,057 |
| Less: Imputed Interest | 0 | 0 | (574) | 0 | 0 |
| Total | \$ 2,160,159 | \$ 346,262 | \$ 11,490 | \$ 3,005,983 | \$ 1,748,057 |

E. SHORT-TERM DEBT

Short-term debt outstanding as of June 30, 2017 was as follows:

Governmental Activities:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|-----------|-----------|-------------------|
| Capital Improvement Refunding Note, People's United Bank, Sidewalk Improvements, \$60,000 Available, Interest at 1.25%, Expired September, 2017 at Which Time it was Refunded | \$ 60,000 | \$ 0 | \$ 0 | \$ 60,000 |
| Line of Credit, People's United Bank, Water Main Break, Authorized up to \$180,000, Paid \$95,000 of Principal and Refinanced in May 2017 for \$85,000, Interest at 1.25%, Expires May, 2018 | 180,000 | 0 | 95,000 | 85,000 |

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Grant Anticipation Note, Community Bank, Wastewater System Improvements, \$559,435 Available, Interest at 1.28%, Due and Paid April, 2017 | \$452,550 | \$106,885 | \$559,435 | \$ 0 |
| Bond Anticipation Note, People's United Bank, Town Office, \$250,000 Available, Interest at 1.19%, Due and Paid August, 2016 | 226,039 | 1,017 | 227,056 | 0 |
| Bond Anticipation Note, People's United Bank, Wastewater System Improvements, \$407,000 Available, Interest at 1.85%, Due December, 2017 | 0 | 407,000 | 0 | 407,000 |
| Current Expense Note, People's United Bank, 2011 Storm Damage, \$125,000 Available, Interest at 1.95%, Due May, 2018 | <u>0</u> | <u>125,000</u> | <u>0</u> | <u>125,000</u> |
| Total Governmental Activities | <u>\$918,589</u> | <u>\$639,902</u> | <u>\$881,491</u> | <u>\$677,000</u> |

F. SUBSEQUENT EVENTS

On July 3, 2017, the Town executed a Tax Anticipation Note in the amount of \$500,000 from People's United Bank, The Town only drew \$65,000. The note was due and paid on September 29, 2017 with interest at 1.85%.

On July 11, 2017, the Town received loan proceeds in the amount of \$74,861 for Wastewater System Improvements from the State of Vermont Special Environmental Revolving Fund. This loan is due in August, 2018 with interest at 0%.

TOWN OF WAITSFIELD, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|--|------------------|------------------|---|
| Cash Receipts: | | | |
| Property Taxes | \$ 1,323,263 | \$ 1,306,006 | \$ (17,257) |
| Delinquent Tax Interest | 10,000 | 20,837 | 10,837 |
| Delinquent Tax Penalties | 15,000 | 14,999 | (1) |
| Act 60 Annual Support | 10,000 | 10,631 | 631 |
| Town Clerk Fees | 30,000 | 23,315 | (6,685) |
| Investment Income | 900 | 1,128 | 228 |
| Liquor Licenses | 3,000 | 4,335 | 1,335 |
| Zoning Fees | 9,000 | 7,843 | (1,157) |
| Highway State Aid | 70,000 | 69,556 | (444) |
| Road Department - Miscellaneous | 750 | 785 | 35 |
| Fire Department Income (Fayston) | 39,213 | 31,540 | (7,673) |
| Traffic Control Income | 5,000 | 5,662 | 662 |
| Dog Fines & Impoundment Fees | 400 | 36 | (364) |
| PILOT | 5,800 | 6,167 | 367 |
| Current Use | 90,000 | 80,122 | (9,878) |
| Waitsfield Elementary School Solar Payment | 12,420 | 11,811 | (609) |
| Solar Array Credits | 10,930 | 8,100 | (2,830) |
| Library Insurance Reimbursement | 1,711 | 0 | (1,711) |
| Wait House Insurance Reimbursement | 2,325 | 1,550 | (775) |
| Miscellaneous | 1,000 | 2,574 | 1,574 |
| Wastewater Loan Repayments - Phase 1 | 18,335 | 0 | (18,335) |
| Wastewater Loan Repayments - Phase 2 | 13,968 | 0 | (13,968) |
| Town of Fayston (Fire Dept. SCBA) | 46,185 | 0 | (46,185) |
| Transfer from Bridge and Culvert Fund | 20,000 | 0 | (20,000) |
| Transfer from Restroom, Recreation & Conservation Fund | 10,000 | 0 | (10,000) |
| Paving Note Proceeds | 117,000 | 91,730 | (25,270) |
| Insurance Proceeds | 0 | 1,832 | 1,832 |
| Miscellaneous Fire Department Income | 0 | 2,460 | 2,460 |
| Water Operating Reimbursement | 0 | 3,045 | 3,045 |
| Total Cash Receipts | 1,866,200 | 1,706,064 | (160,136) |
| Cash Disbursements: | | | |
| Town Meeting: | | | |
| Elections Expense | 5,600 | 1,227 | 4,373 |
| Town Report | 2,200 | 2,214 | (14) |
| Total Town Meeting | 7,800 | 3,441 | 4,359 |
| Legal and Auditing: | | | |
| Legal | 20,000 | 14,891 | 5,109 |
| Auditing | 16,000 | 26,042 | (10,042) |
| Total Legal and Auditing | 36,000 | 40,933 | (4,933) |

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TOWN OF WAITSFIELD, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|---|---------------|---------------|---|
| Town Office Operations: | | | |
| Insurance and Bonds | \$ 16,000 | \$ 17,513 | \$ (1,513) |
| Office Rent | 4,470 | 5,213 | (743) |
| Town Office Repairs and Maintenance | 1,000 | 1,721 | (721) |
| Postage | 4,400 | 4,717 | (317) |
| Supplies | 7,000 | 7,761 | (761) |
| Computer Services | 2,000 | 25 | 1,975 |
| Training | 1,000 | 1,168 | (168) |
| Cleaning | 4,000 | 6,683 | (2,683) |
| Equipment Maintenance & Contracts | 6,865 | 11,886 | (5,021) |
| Telephone | 2,600 | 4,095 | (1,495) |
| Office Equipment | 10,000 | 24,813 | (14,813) |
| Public Notice Expense | 4,000 | 4,516 | (516) |
| Special Services | 0 | 2,293 | (2,293) |
| | <u>63,335</u> | <u>92,404</u> | <u>(29,069)</u> |
| Total Town Office Operations | | | |
| Town Clerk and Treasurer: | | | |
| Clerk/Treasurer & Assistant Salary | 70,000 | 80,132 | (10,132) |
| Ballot Clerks | 1,635 | 410 | 1,225 |
| | <u>71,635</u> | <u>80,542</u> | <u>(8,907)</u> |
| Total Town Clerk and Treasurer | | | |
| Selectboard: | | | |
| Selectboard Reimbursement | 3,250 | 3,250 | 0 |
| Town Website | 1,000 | 683 | 317 |
| Town Administrator | 69,000 | 68,511 | 489 |
| Training | 450 | 209 | 241 |
| Mileage Reimbursement | 220 | 120 | 100 |
| Selectboard Recording Secretary | 2,600 | 3,344 | (744) |
| Communications | 200 | 0 | 200 |
| | <u>76,720</u> | <u>76,117</u> | <u>603</u> |
| Total Selectboard | | | |
| Planning and Zoning: | | | |
| Minute Taker | 500 | 629 | (129) |
| Special Planning Projects | 4,000 | 1,940 | 2,060 |
| Zoning Administrator/Planning Director Salary | 42,000 | 41,279 | 721 |
| Training | 400 | 286 | 114 |
| Computer Equipment Services | 1,000 | 37 | 963 |
| Mileage Reimbursement | 250 | 137 | 113 |
| | <u>48,150</u> | <u>44,308</u> | <u>3,842</u> |
| Total Planning and Zoning | | | |

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TOWN OF WAITSFIELD, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|---------------------------------------|-----------|-----------|---|
| Board of Listers: | | | |
| Assessor Services | \$ 21,000 | \$ 19,090 | \$ 1,910 |
| Computer Equipment Services | 800 | 215 | 585 |
| Training and Meetings | 300 | 0 | 300 |
| Total Board of Listers | 22,100 | 19,305 | 2,795 |
| Collector of Delinquent Taxes: | 15,000 | 14,995 | 5 |
| Conservation Committee: | 2,000 | 2,040 | (40) |
| Highway Department Labor: | 155,000 | 163,396 | (8,396) |
| Equipment Operation and Repairs: | | | |
| Road Department Insurance | 8,304 | 8,248 | 56 |
| Gas, Oil, Grease and Filters | 6,000 | 6,683 | (683) |
| Diesel | 25,000 | 30,136 | (5,136) |
| 2008 Pickup Truck | 2,500 | 8 | 2,492 |
| 2013 International Dump Truck | 3,500 | 2,457 | 1,043 |
| 2010 Low Pro Truck | 3,500 | 5,939 | (2,439) |
| 1997 International Dump Truck | 500 | 1,827 | (1,327) |
| 2009 John Deere Loader | 2,500 | 1,138 | 1,362 |
| 2015 Tandem | 1,500 | 1,585 | (85) |
| 1998 Galion Grader | 3,000 | 4,313 | (1,313) |
| 2008 CAT Backhoe | 5,464 | 4,929 | 535 |
| Roadside Mower | 500 | 223 | 277 |
| Steel Pole Saw/Chainsaw | 300 | 85 | 215 |
| Garage Repairs | 500 | 1,689 | (1,189) |
| Garage Trash Removal | 1,700 | 1,517 | 183 |
| Garage Uniforms | 2,500 | 3,760 | (1,260) |
| Garage Heat | 3,200 | 2,119 | 1,081 |
| Garage Telephone | 1,200 | 1,191 | 9 |
| Garage Electricity | 1,500 | 1,596 | (96) |
| Garage Supplies/Hardware | 3,000 | 2,669 | 331 |
| Garage Miscellaneous | 1,200 | 1,294 | (94) |
| Chipper/Rake | 500 | 526 | (26) |
| Garage Alarm System | 1,000 | 409 | 591 |
| Water Service | 800 | 800 | 0 |
| Plow Blades and Shoes | 6,000 | 4,260 | 1,740 |
| 2016 GMC Pickup Truck | 0 | 1,385 | (1,385) |
| Total Equipment Operation and Repairs | 85,668 | 90,786 | (5,118) |

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TOWN OF WAITSFIELD, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|--------------------------------------|----------------|----------------|---|
| Road Hired Equipment and Labor: | | | |
| Sidewalk Mowing | \$ 1,000 | \$ 850 | \$ 150 |
| Sidewalk Plowing | 28,500 | 28,500 | 0 |
| Other Equipment Rental | 500 | 150 | 350 |
| Grading | 750 | 0 | 750 |
| Total Road Hired Equipment and Labor | <u>30,750</u> | <u>29,500</u> | <u>1,250</u> |
| Road Department Materials: | | | |
| Salt | 30,000 | 45,182 | (15,182) |
| Sand | 36,500 | 39,707 | (3,207) |
| Chloride | 9,000 | 13,441 | (4,441) |
| Crushed Gravel | 17,500 | 17,004 | 496 |
| Stone | 5,000 | 2,338 | 2,662 |
| Culverts | 5,000 | 3,518 | 1,482 |
| Guardrails | 1,000 | 0 | 1,000 |
| Tools | 2,000 | 1,314 | 686 |
| Signs | 1,000 | 2,022 | (1,022) |
| Fabric | 1,000 | 0 | 1,000 |
| Cold Patch, Hay and Seed | 1,500 | 433 | 1,067 |
| Total Road Department Materials | <u>109,500</u> | <u>124,959</u> | <u>(15,459)</u> |
| Road Department Miscellaneous | | | |
| Fayston Winter Agreement | 7,400 | 7,400 | 0 |
| Sidewalk Maintenance and Repairs | 3,000 | 0 | 3,000 |
| Bridge Repairs | 1,000 | 0 | 1,000 |
| Gravel Pit Management | 1,000 | 160 | 840 |
| Pavement Sealing | 6,000 | 0 | 6,000 |
| Line Painting | 750 | 984 | (234) |
| Street Lights | 4,500 | 4,647 | (147) |
| Bridge Lights | 250 | 73 | 177 |
| Radios and Pagers | 500 | 892 | (392) |
| Road Department Training | 250 | 0 | 250 |
| Total Road Department Miscellaneous | <u>24,650</u> | <u>14,156</u> | <u>10,494</u> |
| Employee Benefits: | | | |
| FICA | 25,960 | 22,222 | 3,738 |
| Medicare | 4,880 | 5,197 | (317) |
| Retirement | 18,201 | 19,123 | (922) |
| Unemployment | 730 | 317 | 413 |
| Workers Compensation | 8,684 | 9,431 | (747) |
| Health Insurance | 74,412 | 80,671 | (6,259) |
| Life and Disability Insurance | 2,372 | 1,228 | 1,144 |
| Total Employee Benefits | <u>135,239</u> | <u>138,189</u> | <u>(2,950)</u> |

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TOWN OF WAITSFIELD, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|--|----------------|----------------|---|
| Fire Department: | | | |
| Gas, Oil and Grease | \$ 3,000 | \$ 1,365 | \$ 1,635 |
| Insurance | 9,000 | 9,266 | (266) |
| Telecommunication | 27,000 | 24,334 | 2,666 |
| Electricity | 1,800 | 1,800 | 0 |
| Heat | 5,000 | 3,361 | 1,639 |
| Water | 800 | 800 | 0 |
| Building Repair and Maintenance | 2,000 | 6,262 | (4,262) |
| Alarm | 350 | 0 | 350 |
| Truck Repairs | 5,000 | 4,686 | 314 |
| Equipment Repairs | 3,000 | 1,427 | 1,573 |
| Bottled Gas | 400 | 88 | 312 |
| Training | 3,400 | 2,678 | 722 |
| Hose and Equipment | 3,200 | 3,998 | (798) |
| Gear | 4,500 | 2,931 | 1,569 |
| Prevention | 400 | 0 | 400 |
| Miscellaneous | 500 | 1,070 | (570) |
| Dues | 500 | 250 | 250 |
| Physical Exams | 2,000 | 0 | 2,000 |
| Labor | 22,000 | 16,398 | 5,602 |
| FICA and Medicare | 1,683 | 1,116 | 567 |
| Ladder/Hose Testing | 2,500 | 1,986 | 514 |
| Total Fire Department | 98,033 | 83,816 | 14,217 |
| Public Safety: | | | |
| Sherriff Department Billing | 30,000 | 25,200 | 4,800 |
| Dog Warden Salary and Fees | 800 | 720 | 80 |
| Dog Pound Fees | 150 | 0 | 150 |
| Emergency Management | 500 | 0 | 500 |
| Fire Warden | 250 | 0 | 250 |
| Fire Hydrant Maintenance | 2,000 | 1,500 | 500 |
| Generator Expense | 850 | 644 | 206 |
| Insurance | 2,101 | 1,050 | 1,051 |
| Training | 500 | 0 | 500 |
| Town Health Officer | 250 | 250 | 0 |
| Miscellaneous | 0 | 94 | (94) |
| Total Public Safety | 37,401 | 29,458 | 7,943 |
| Dues and Assessments: | | | |
| Central Vermont Regional Planning | 1,891 | 1,891 | 0 |
| Joslin Memorial Library | 54,722 | 53,980 | 742 |
| Mad River Resource Management Alliance | 10,314 | 10,314 | 0 |
| Mad River Valley Planning District | 41,986 | 41,986 | 0 |
| Mad River Valley Recreation District | 15,000 | 15,000 | 0 |
| Vermont League of Cities and Towns | 2,814 | 2,841 | (27) |
| Washington County Tax | 27,987 | 13,993 | 13,994 |
| Total Dues and Assessments | 154,714 | 140,005 | 14,709 |

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TOWN OF WAITSFIELD, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|--|----------------|----------------|---|
| Special Appropriations: | | | |
| Circle | \$ 350 | \$ 350 | \$ 0 |
| Central Vermont Adult Basic Education | 600 | 600 | 0 |
| Central Vermont Community Action Council | 300 | 300 | 0 |
| Central Vermont Community Land Trust | 1,000 | 1,000 | 0 |
| Central Vermont Council on Aging | 1,400 | 1,400 | 0 |
| Central Vermont Economic Development | 800 | 800 | 0 |
| Central Vermont Home Health & Hospice | 3,450 | 3,450 | 0 |
| Family Center of Washington County | 500 | 500 | 0 |
| Good Beginnings of Central Vermont | 300 | 300 | 0 |
| Green Up Vermont | 100 | 100 | 0 |
| Green Mountain Transit Agency | 923 | 923 | 0 |
| Mad River Valley Health Center | 5,000 | 5,000 | 0 |
| Mad River Valley Seniors | 7,000 | 7,000 | 0 |
| Peoples Health and Wellness | 500 | 500 | 0 |
| Retired Senior Voluntary Program | 300 | 300 | 0 |
| Sexual Assault Crisis Team | 250 | 250 | 0 |
| Center for Independent Living | 620 | 620 | 0 |
| Washington County Youth Service | 750 | 750 | 0 |
| | <u>24,143</u> | <u>24,143</u> | <u>0</u> |
| Total Special Appropriations | | | |
| Miscellaneous: | | | |
| Administration Fees | 150 | 342 | (192) |
| Maintenance of Parks | 13,000 | 10,269 | 2,731 |
| Trail Maintenance | 1,500 | 1,500 | 0 |
| Solar Array Maintenance | 1,000 | 532 | 468 |
| Membership and Dues | 185 | 55 | 130 |
| Community Share WES School Maintenance | 56,000 | 56,000 | 0 |
| Cemetery Veteran's Flags | 100 | 0 | 100 |
| Mad River Valley Television Hearing Coverage | 3,400 | 3,400 | 0 |
| Generator Expense | 0 | 600 | (600) |
| Other | 0 | 1,698 | (1,698) |
| | <u>75,335</u> | <u>74,396</u> | <u>939</u> |
| Total Miscellaneous | | | |
| Fire Dept. SCBA Containment: | <u>7,000</u> | <u>0</u> | <u>7,000</u> |
| Lareau Park Renovation: | <u>10,000</u> | <u>0</u> | <u>10,000</u> |
| Paving: | <u>167,000</u> | <u>131,677</u> | <u>35,323</u> |
| Pine Brook Bridge Re-decking: | <u>20,000</u> | <u>9,936</u> | <u>10,064</u> |

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TOWN OF WAITSFIELD, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|---|---------------------|-------------------|---|
| Debt Service: | | | |
| Town Office/Solar Array Bond | \$ 49,727 | \$ 49,727 | \$ 0 |
| Town Office Bond | 17,262 | 5,169 | 12,093 |
| Bridge Street/Covered Bridge Bond | 37,067 | 36,774 | 293 |
| Roadside Mower | 12,064 | 12,064 | 0 |
| Flood Expenses | 23,900 | 24,042 | (142) |
| Wastewater Loan - RF1- 058 | 36,484 | 36,484 | 0 |
| 2014 Paving Loan | 11,000 | 11,000 | 0 |
| 2015 Paving Loan | 52,152 | 52,141 | 11 |
| Tremblay Road Culvert Loan | 19,259 | 19,263 | (4) |
| Fiscal Year Transition Loan | 63,000 | 128,764 | (65,764) |
| Fire Dept. SCBA Equipment Loan | 9,945 | 9,945 | 0 |
| Sidewalk Line of Credit Interest | 750 | 746 | 4 |
| Water Main Break Line of Credit Interest | 1,563 | 0 | 1,563 |
| | <u>334,173</u> | <u>386,119</u> | <u>(51,946)</u> |
| Contribution to Reserves: | | | |
| Equipment Reserve Fund | 40,000 | 0 | 40,000 |
| Heavy Equipment Reserve Fund | 20,000 | 0 | 20,000 |
| Fire Department Equipment Reserve Fund | 40,000 | 0 | 40,000 |
| Fire Department Building Reserve Fund | 7,500 | 0 | 7,500 |
| Conservation Fund | 10,000 | 0 | 10,000 |
| Transportation Path Fund | 50,000 | 0 | 50,000 |
| Bridge and Culvert Fund | 10,000 | 0 | 10,000 |
| Reappraisal Fund | 10,000 | 0 | 10,000 |
| Covered Bridge Repair Fund | 10,000 | 0 | 10,000 |
| Trees Reserve Fund | 3,500 | 0 | 3,500 |
| | <u>201,000</u> | <u>0</u> | <u>201,000</u> |
| | <u>2,012,346</u> | <u>1,814,621</u> | <u>197,725</u> |
| Excess/(Deficiency) of Cash Receipts | | | |
| Over Cash Disbursements | \$ <u>(146,146)</u> | (108,557) | \$ <u>37,589</u> |
| Adjustments to Reconcile from the Budgetary Basis of Accounting | | | |
| to the Modified Cash Basis of Accounting: | | | |
| Budget Stabilization Fund Investment Income | | 2 | |
| Town Forest Stewardship Fund Investment Income | | 69 | |
| Town Forest Stewardship Fund Income | | <u>20,371</u> | |
| Net Change in Fund Balance | | (88,115) | |
| Fund Balance - July 1, 2016 | | <u>320,313</u> | |
| Fund Balance - June 30, 2017 | | <u>\$ 232,198</u> | |

The reconciling items are due to combining two (2) funds, the Budget Stabilization Fund and the Town Forest Stewardship Fund with the General Fund in order to comply with GASB Statement No. 54

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

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------|---------------|--------------|
| Total Plan Net Pension Liability | \$ 128,696,167 | \$ 77,095,810 | \$ 9,126,613 |
| Town's Proportion of the Net Pension Liability | 0.1198% | 0.1295% | 0.1313% |
| Town's Proportionate Share of the Net Pension Liability | \$ 154,190 | \$ 99,824 | \$ 11,988 |
| Town's Covered Employee Payroll | \$ 347,881 | \$ 331,075 | \$ 336,734 |
| Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll | 44.3226% | 30.1515% | 3.5601% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 80.95% | 87.42% | 98.32% |

Notes to Schedule

Benefit Changes: None.

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

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

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

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------|---------------|---------------|
| Contractually Required Contribution (Actuarially Determined) | \$ 19,133 | \$ 18,209 | \$ 18,099 |
| Contributions in Relation to the Actuarially Determined Contributions | <u>19,133</u> | <u>18,209</u> | <u>18,099</u> |
| Contribution Excess/(Deficiency) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Town's Covered Employee Payroll | \$ 347,881 | \$ 331,075 | \$ 336,734 |
| Contributions as a Percentage of Town's Covered Employee Payroll | 5.500% | 5.500% | 5.375% |

Notes to Schedule

Valuation Date: June 30, 2016

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

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TOWN OF WAITSFIELD, VERMONT
 COMBINING SCHEDULE OF MODIFIED CASH BASIS ASSETS,
 LIABILITIES AND FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

| | Special Revenue Funds | Capital Projects Funds | Total |
|--|-----------------------------|------------------------------|------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 150,055 | \$ 152,156 | \$ 302,211 |
| Due from Other Funds | 69,244 | 92,556 | 161,800 |
| Total Assets | \$ 219,299 | \$ 244,712 | \$ 464,011 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Due to Other Funds | \$ 1,956 | \$ 14,946 | \$ 16,902 |
| Total Liabilities | 1,956 | 14,946 | 16,902 |
| Fund Balances: | | | |
| Restricted | 51,403 | 91,706 | 143,109 |
| Committed | 92,637 | 132,650 | 225,287 |
| Assigned | 73,972 | 16,931 | 90,903 |
| Unassigned/(Deficit) | (669) | (11,521) | (12,190) |
| Total Fund Balances | 217,343 | 229,766 | 447,109 |
| Total Liabilities and and Fund Balances | \$ 219,299 | \$ 244,712 | \$ 464,011 |

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TOWN OF WAITSFIELD, VERMONT
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
 CHANGES IN MODIFIED CASH BASIS FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

| | Special Revenue Funds | Capital Projects Funds | Total |
|---------------------------------|-----------------------------|------------------------------|-------------------|
| Cash Receipts: | | | |
| Intergovernmental | \$ 22,522 | \$ 142,640 | \$ 165,162 |
| Permits, Licenses and Fees | 3,702 | 0 | 3,702 |
| Investment Income | 213 | 285 | 498 |
| Donations | 0 | 2,075 | 2,075 |
| Other | 8,990 | 0 | 8,990 |
| | <u>35,427</u> | <u>145,000</u> | <u>180,427</u> |
| Total Cash Receipts | | | |
| Cash Disbursements: | | | |
| General Government | 1,500 | 0 | 1,500 |
| Culture and Recreation | 23,612 | 0 | 23,612 |
| Capital Outlay: | | | |
| General Government | 0 | 436 | 436 |
| Public Safety | 0 | 8,035 | 8,035 |
| Highways and Streets | 0 | 50,300 | 50,300 |
| Culture and Recreation | 0 | 97,074 | 97,074 |
| | <u>25,112</u> | <u>155,845</u> | <u>180,957</u> |
| Total Cash Disbursements | | | |
| Net Change in Fund Balances | 10,315 | (10,845) | (530) |
| Fund Balances - July 1, 2016 | <u>207,028</u> | <u>240,611</u> | <u>447,639</u> |
| Fund Balances - June 30, 2017 | <u>\$ 217,343</u> | <u>\$ 229,766</u> | <u>\$ 447,109</u> |

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TOWN OF WAITSFIELD, VERMONT
 COMBINING SCHEDULE OF MODIFIED CASH BASIS ASSETS, LIABILITIES AND FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

| | Records Restoration Fund | Reappraisal Fund | Restroom, Recreation & Conservation Fund | Entrust Conservation Fund | Agricultural Support Fund | Joslin Library Fund | Total |
|---|--------------------------------|---------------------|---|---------------------------------|---------------------------------|---------------------------|-------------------|
| <u>ASSETS</u> | | | | | | | |
| Cash | \$ 0 | \$ 41,972 | \$ 83,891 | \$ 14,160 | \$ 10,032 | \$ 0 | \$ 150,055 |
| Due from Other Funds | <u>37,243</u> | <u>32,000</u> | <u>0</u> | <u>0</u> | <u>1</u> | <u>0</u> | <u>69,244</u> |
| Total Assets | <u>\$ 37,243</u> | <u>\$ 73,972</u> | <u>\$ 83,891</u> | <u>\$ 14,160</u> | <u>\$ 10,033</u> | <u>\$ 0</u> | <u>\$ 219,299</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | | |
| Liabilities: | | | | | | | |
| Due to Other Funds | \$ <u>0</u> | \$ <u>0</u> | \$ <u>1,287</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>669</u> | \$ <u>1,956</u> |
| Total Liabilities | <u>0</u> | <u>0</u> | <u>1,287</u> | <u>0</u> | <u>0</u> | <u>669</u> | <u>1,956</u> |
| Fund Balances: | | | | | | | |
| Restricted | 37,243 | 0 | 0 | 14,160 | 0 | 0 | 51,403 |
| Committed | 0 | 0 | 82,604 | 0 | 10,033 | 0 | 92,637 |
| Assigned | 0 | 73,972 | 0 | 0 | 0 | 0 | 73,972 |
| Unassigned/(Deficit) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(669)</u> | <u>(669)</u> |
| Total Fund Balances | <u>37,243</u> | <u>73,972</u> | <u>82,604</u> | <u>14,160</u> | <u>10,033</u> | <u>(669)</u> | <u>217,343</u> |
| Total Liabilities and Fund Balances | <u>\$ 37,243</u> | <u>\$ 73,972</u> | <u>\$ 83,891</u> | <u>\$ 14,160</u> | <u>\$ 10,033</u> | <u>\$ 0</u> | <u>\$ 219,299</u> |

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TOWN OF WAITSFIELD, VERMONT
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

| | Records Restoration Fund | Reappraisal Fund | Restroom, Recreation & Conservation Fund | Entrust Conservation Fund | Agricultural Support Fund | Joslin Library Fund | Total |
|-------------------------------|--------------------------------|---------------------|---|---------------------------------|---------------------------------|---------------------------|-------------------|
| Cash Receipts: | | | | | | | |
| Intergovernmental | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 22,522 | \$ 22,522 |
| Permits, Licenses and Fees | 3,702 | 0 | 0 | 0 | 0 | 0 | 3,702 |
| Investment Income | 0 | 77 | 100 | 23 | 13 | 0 | 213 |
| Other | <u>7,000</u> | <u>0</u> | <u>0</u> | <u>1,990</u> | <u>0</u> | <u>0</u> | <u>8,990</u> |
| Total Cash Receipts | <u>10,702</u> | <u>77</u> | <u>100</u> | <u>2,013</u> | <u>13</u> | <u>22,522</u> | <u>35,427</u> |
| Cash Disbursements: | | | | | | | |
| General Government | 0 | 1,500 | 0 | 0 | 0 | 0 | 1,500 |
| Culture and Recreation | <u>0</u> | <u>0</u> | <u>421</u> | <u>0</u> | <u>0</u> | <u>23,191</u> | <u>23,612</u> |
| Total Cash Disbursements | <u>0</u> | <u>1,500</u> | <u>421</u> | <u>0</u> | <u>0</u> | <u>23,191</u> | <u>25,112</u> |
| Net Change in Fund Balances | 10,702 | (1,423) | (321) | 2,013 | 13 | (669) | 10,315 |
| Fund Balances - July 1, 2016 | <u>26,541</u> | <u>75,395</u> | <u>82,925</u> | <u>12,147</u> | <u>10,020</u> | <u>0</u> | <u>207,028</u> |
| Fund Balances - June 30, 2017 | <u>\$ 37,243</u> | <u>\$ 73,972</u> | <u>\$ 82,604</u> | <u>\$ 14,160</u> | <u>\$ 10,033</u> | <u>\$ (669)</u> | <u>\$ 217,343</u> |

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TOWN OF WAITSFIELD, VERMONT
COMBINING SCHEDULE OF MODIFIED CASH BASIS ASSETS, LIABILITIES AND FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

| | Fire Department Equipment Fund | Belden Fund | Ancient Road Fund | Lareau Park Improvement Fund | Street Trees Fund | Equipment Fund | Fire Department Building & Equipment Fund | Bridge & Culvert Fund |
|--|--------------------------------------|-----------------|----------------------|------------------------------------|----------------------|-------------------|--|-----------------------------|
| <u>ASSETS</u> | | | | | | | | |
| Cash | \$ 69,387 | \$ 1,895 | \$ 0 | \$ 5,092 | \$ 5,730 | \$ 18,455 | \$ 10,302 | \$ 1,181 |
| Due from Other Funds | <u>0</u> | <u>7</u> | <u>726</u> | <u>368</u> | <u>0</u> | <u>15</u> | <u>0</u> | <u>28,546</u> |
| Total Assets | <u>\$ 69,387</u> | <u>\$ 1,902</u> | <u>\$ 726</u> | <u>\$ 5,460</u> | <u>\$ 5,730</u> | <u>\$ 18,470</u> | <u>\$ 10,302</u> | <u>\$ 29,727</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | | | |
| Liabilities: | | | | | | | | |
| Due to Other Funds | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>966</u> | \$ <u>0</u> |
| Total Liabilities | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>966</u> | <u>0</u> |
| Fund Balances/(Deficits): | | | | | | | | |
| Restricted | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Committed | 69,387 | 0 | 0 | 0 | 5,730 | 18,470 | 9,336 | 29,727 |
| Assigned | 0 | 1,902 | 726 | 5,460 | 0 | 0 | 0 | 0 |
| Unassigned/(Deficit) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Fund Balances/ (Deficits) | <u>69,387</u> | <u>1,902</u> | <u>726</u> | <u>5,460</u> | <u>5,730</u> | <u>18,470</u> | <u>9,336</u> | <u>29,727</u> |
| Total Liabilities and Fund Balances | <u>\$ 69,387</u> | <u>\$ 1,902</u> | <u>\$ 726</u> | <u>\$ 5,460</u> | <u>\$ 5,730</u> | <u>\$ 18,470</u> | <u>\$ 10,302</u> | <u>\$ 29,727</u> |

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TOWN OF WAITSFIELD, VERMONT
COMBINING SCHEDULE OF MODIFIED CASH BASIS ASSETS, LIABILITIES AND FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

| | Energy Projects Fund | Bridge Street Storm Water Fund | Bridge Street Enhancement Fund | Pocket Park Fund | Bridge Street Fund | Route 100 Transportation Path Fund | Solar Array Fund | Total |
|--|----------------------------|---|--------------------------------------|------------------------|-----------------------|---|---------------------|-------------------|
| <u>ASSETS</u> | | | | | | | | |
| Cash | \$ 10,062 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 30,052 | \$ 0 | \$ 152,156 |
| Due from Other Funds | <u>0</u> | <u>7,950</u> | <u>0</u> | <u>0</u> | <u>54,331</u> | <u>0</u> | <u>613</u> | <u>92,556</u> |
| Total Assets | <u>\$ 10,062</u> | <u>\$ 7,950</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 54,331</u> | <u>\$ 30,052</u> | <u>\$ 613</u> | <u>\$ 244,712</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | | | |
| Liabilities: | | | | | | | | |
| Due to Other Funds | \$ <u>1,219</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>11,521</u> | \$ <u>0</u> | \$ <u>1,240</u> | \$ <u>0</u> | \$ <u>14,946</u> |
| Total Liabilities | <u>1,219</u> | <u>0</u> | <u>0</u> | <u>11,521</u> | <u>0</u> | <u>1,240</u> | <u>0</u> | <u>14,946</u> |
| Fund Balances/(Deficits): | | | | | | | | |
| Restricted | 0 | 7,950 | 0 | 0 | 54,331 | 28,812 | 613 | 91,706 |
| Committed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 132,650 |
| Assigned | 8,843 | 0 | 0 | 0 | 0 | 0 | 0 | 16,931 |
| Unassigned/(Deficit) | <u>0</u> | <u>0</u> | <u>0</u> | <u>(11,521)</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(11,521)</u> |
| Total Fund Balances/ (Deficits) | <u>8,843</u> | <u>7,950</u> | <u>0</u> | <u>(11,521)</u> | <u>54,331</u> | <u>28,812</u> | <u>613</u> | <u>229,766</u> |
| Total Liabilities and Fund Balances | <u>\$ 10,062</u> | <u>\$ 7,950</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 54,331</u> | <u>\$ 30,052</u> | <u>\$ 613</u> | <u>\$ 244,712</u> |

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TOWN OF WAITSFIELD, VERMONT
COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Fire Department Equipment Fund | Belden Fund | Ancient Road Fund | Lareau Park Improvement Fund | Street Trees Fund | Equipment Fund | Fire Department Building & Equipment Fund | Bridge & Culvert Fund |
|---|--------------------------------------|-----------------|----------------------|------------------------------------|----------------------|-------------------|--|-----------------------------|
| Cash Receipts: | | | | | | | | |
| Intergovernmental | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 1,360 | \$ 0 | \$ 4,017 | \$ 0 |
| Investment Income | 48 | 2 | 0 | 7 | 14 | 30 | 25 | 104 |
| Donations | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Cash Receipts | <u>48</u> | <u>2</u> | <u>0</u> | <u>7</u> | <u>1,374</u> | <u>30</u> | <u>4,042</u> | <u>104</u> |
| Cash Disbursements: | | | | | | | | |
| Capital Outlay: | | | | | | | | |
| General Government | 0 | 0 | 0 | 0 | 436 | 0 | 0 | 0 |
| Public Safety | 8,035 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Highways and Streets | 0 | 0 | 0 | 0 | 0 | 28,765 | 0 | 4,500 |
| Culture and Recreation | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Cash Disbursements | <u>8,035</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>436</u> | <u>28,765</u> | <u>0</u> | <u>4,500</u> |
| Net Change in Fund Balances | (7,987) | 2 | 0 | 7 | 938 | (28,735) | 4,042 | (4,396) |
| Fund Balances/(Deficits) - July 1, 2016 | <u>77,374</u> | <u>1,900</u> | <u>726</u> | <u>5,453</u> | <u>4,792</u> | <u>47,205</u> | <u>5,294</u> | <u>34,123</u> |
| Fund Balances/(Deficits) - June 30, 2017 | <u>\$ 69,387</u> | <u>\$ 1,902</u> | <u>\$ 726</u> | <u>\$ 5,460</u> | <u>\$ 5,730</u> | <u>\$ 18,470</u> | <u>\$ 9,336</u> | <u>\$ 29,727</u> |

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TOWN OF WAITSFIELD, VERMONT
COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Energy Projects Fund | Bridge Street Storm Water Fund | Bridge Street Enhancement Fund | Pocket Park Fund | Bridge Street Fund | Route 100 Transportation Path Fund | Solar Array Fund | Total |
|---|----------------------------|---|--------------------------------------|------------------------|-----------------------|---|---------------------|-------------------|
| Cash Receipts: | | | | | | | | |
| Intergovernmental | \$ 0 | \$ 0 | \$ 0 | \$ 87,813 | \$ 0 | \$ 49,450 | \$ 0 | \$ 142,640 |
| Investment Income | 15 | 0 | 0 | 0 | 0 | 40 | 0 | 285 |
| Donations | <u>0</u> | <u>0</u> | <u>2,075</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>2,075</u> |
| Total Cash Receipts | <u>15</u> | <u>0</u> | <u>2,075</u> | <u>87,813</u> | <u>0</u> | <u>49,490</u> | <u>0</u> | <u>145,000</u> |
| Cash Disbursements: | | | | | | | | |
| Capital Outlay: | | | | | | | | |
| General Government | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 436 |
| Public Safety | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,035 |
| Highways and Streets | 0 | 0 | 9,607 | 0 | 5,590 | 1,838 | 0 | 50,300 |
| Culture and Recreation | <u>0</u> | <u>0</u> | <u>0</u> | <u>97,074</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>97,074</u> |
| Total Cash Disbursements | <u>0</u> | <u>0</u> | <u>9,607</u> | <u>97,074</u> | <u>5,590</u> | <u>1,838</u> | <u>0</u> | <u>155,845</u> |
| Net Change in Fund Balances | 15 | 0 | (7,532) | (9,261) | (5,590) | 47,652 | 0 | (10,845) |
| Fund Balances/(Deficits) - July 1, 2016 | <u>8,828</u> | <u>7,950</u> | <u>7,532</u> | <u>(2,260)</u> | <u>59,921</u> | <u>(18,840)</u> | <u>613</u> | <u>240,611</u> |
| Fund Balances/(Deficits) - June 30, 2017 | <u>\$ 8,843</u> | <u>\$ 7,950</u> | <u>\$ 0</u> | <u>\$ (11,521)</u> | <u>\$ 54,331</u> | <u>\$ 28,812</u> | <u>\$ 613</u> | <u>\$ 229,766</u> |

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
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Fred Duplessis, CPA
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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 Waitsfield, Vermont
4144 Main Street
Waitsfield, Vermont 05673

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Waitsfield, Vermont as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Waitsfield, Vermont's basic financial statements and have issued our report thereon dated January 10, 2018. The report on the governmental activities is adverse because of the omission of the Cemetery Commission Fund.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2017-01 and 2017-02 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Waitsfield, 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 Waitsfield, Vermont in a separate letter dated January 10, 2018.

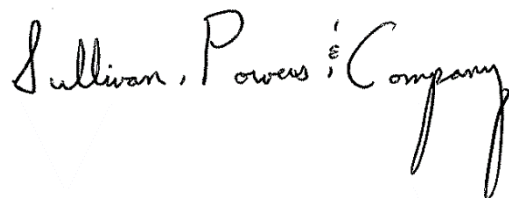
Town of Waitsfield, Vermont's Response to the Deficiency in Internal Control

The Town of Waitsfield, Vermont's response to the deficiency in internal control identified in our audit is included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Town of Waitsfield, 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 Waitsfield, 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 Waitsfield, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

January 10, 2018
Montpelier, Vermont
VT Lic. #92-000180



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

Deficiencies in Internal Control:

Material Weaknesses:

None Noted.

Significant Deficiencies:

2017-01 Authorization of General Journal Entries

Criteria:

Internal controls should be in place that requires appropriate officials to authorize and review all adjustments to the books of original entry.

Condition:

The Town does not have a policy in place to require authorization or review of adjustments to the books of original entry.

Cause:

Unknown.

Effect:

This deficiency in the internal control structure could allow other working control policies to be circumvented.

Recommendation:

We recommend that the Town enact a policy that requires appropriate officials to authorize and review all general journal entries so as not to circumvent the original approval process.

2017-02 Spreadsheet Review

Criteria:

Internal controls should be in place that requires a qualified individual to review and approve all critical spreadsheets.

Condition:

The Town does not have a policy in place to require review or approval of critical spreadsheets.

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

Cause:

Unknown.

Effect:

This deficiency in the internal control structure could allow the spreadsheets that are used by the Town to contain errors.

Recommendation:

We recommend that the Town have a qualified individual review all critical spreadsheets and that the review be documented.



TOWN OF WAITSFIELD

MEMORANDUM

TO: Sullivan Powers & Company, P.C.

FROM: Sandra Gallup, Town Treasurer
Trevor Lashua, Town Administrator

DATE: January 10, 2018

SUBJECT: Management Response to FY2017 Schedule of Finds and Deficiencies in Internal Controls

Management has reviewed the findings and recommendations associated with Sullivan & Powers' audit of the Town of Waitsfield's FY2017 financial systems and offers the following responses:

2017-01 Authorization of General Journal Entries

Beginning in FY18 the Town has both a policy and practice of obtaining appropriate official's review and authorization for all adjustments to the books off original entry.

2017-02 Spreadsheet Review

Beginning in FY18 the Town has both a policy and practice of having critical spreadsheets reviewed and approved by qualified individuals. Examples of critical spreadsheets are; budget spreadsheets, debt spreadsheets, federal/state grant spreadsheets and employee time records.

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January 10, 2018

Selectboard
Town of Waitsfield, Vermont
4144 Main Street
Waitsfield, Vermont 05673

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Waitsfield, Vermont as of and for the year ended June 30, 2017, and have issued our report dated January 10, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and “Government Auditing Standards”, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 30, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and “Government Auditing Standards”

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Town of Waitsfield, Vermont. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the Town of Waitsfield, Vermont’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Waitsfield, Vermont are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

Management has not included the Cemetery Commission Fund, which is a permanent fund, in the Town of Waitsfield, Vermont's financial statements. Modified cash basis accounting principles require the Cemetery Commission Fund to be presented as a major governmental fund and financial information about the Cemetery Commission Fund to be part of the governmental activities, thus increasing that activity's assets, liabilities, revenues, and expenditures/expenses, and changes in its fund balance/net position. The amount by which this departure would affect the assets, liabilities, fund balance/net position, revenues, and expenditures/expenses of the governmental activities and the omitted major fund has not been determined.

The report on the financial statements is adverse because of the omission of the Cemetery Commission Fund.

We noted no other transactions entered into by the Town of Waitsfield, Vermont during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 10, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town of Waitsfield's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention as the Town of Waitsfield, Vermont's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

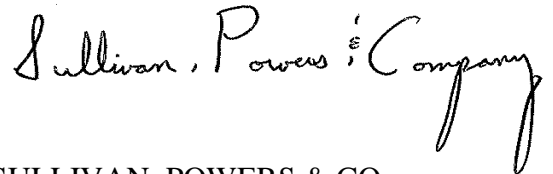
We applied certain limited procedures to the Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balance – Budget and Actual – Budgetary Basis – General Fund, Schedule of Proportionate Share of the Net Pension Liability – VMERS Defined Benefit Plan and the Schedule of Contributions – VMERS Defined Benefit Plan which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the combining fund financial statements which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Selectboard and management of the Town of Waitsfield, Vermont and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,



SULLIVAN, POWERS & CO.
Certified Public Accountants

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January 10, 2018

Selectboard
Town of Waitsfield, Vermont
4144 Main Street
Waitsfield, Vermont 05673

We have audited the financial statements of the Town of Waitsfield, Vermont as of and for the year ended June 30, 2017 and have issued our report thereon dated January 10, 2018. 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 of material misstatement.

In planning and performing our audit, we considered the Town of Waitsfield, Vermont's internal control over financial reporting as a basis for designing 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 Waitsfield, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Waitsfield, 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 discussed as follows, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider items 2017-01 and 2017-02 described in the accompanying Schedule of Deficiencies in Internal Control and Other Recommendations to be significant deficiencies.

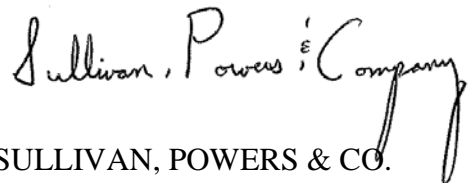
We have also noted other matters during our audit as indicated in the accompanying Schedule of Deficiencies in Internal Control and Other Recommendations that are opportunities for strengthening internal control and operating efficiency. We have discussed the recommendations with the staff during the course of fieldwork and some of the recommendations may have already been implemented.

The Town of Waitsfield, Vermont's response to the deficiency in internal control identified in our audit is included with the accompanying Schedule of Deficiencies in Internal Control and Other Recommendations. The Town of Waitsfield, 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.

This communication is intended solely for the information and use of management, the Selectboard, and others within the Town of Waitsfield, Vermont, and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to take this opportunity to thank the staff of the Town of Waitsfield for their assistance and cooperativeness throughout our audit. It has been a pleasure working with you.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

SULLIVAN, POWERS & CO.
Certified Public Accountants

TOWN OF WAITSFIELD, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL
CONTROL AND OTHER RECOMMENDATIONS
JUNE 30, 2017

Deficiencies in Internal Control:

Material Weaknesses:

None Noted.

Significant Deficiencies:

2017-01 Authorization of General Journal Entries

Criteria:

Internal controls should be in place that requires appropriate officials to authorize and review all adjustments to the books of original entry.

Condition:

The Town does not have a policy in place to require authorization or review of adjustments to the books of original entry.

Cause:

Unknown.

Effect:

This deficiency in the internal control structure could allow other working control policies to be circumvented.

Recommendation:

We recommend that the Town enact a policy that requires appropriate officials to authorize and review all general journal entries so as not to circumvent the original approval process.

2017-02 Spreadsheet Review

Criteria:

Internal controls should be in place that requires a qualified individual to review and approve all critical spreadsheets.

Condition:

The Town does not have a policy in place to require review or approval of critical spreadsheets.

TOWN OF WAITSFIELD, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL
CONTROL AND OTHER RECOMMENDATIONS
JUNE 30, 2017

Cause:

Unknown.

Effect:

This deficiency in the internal control structure could allow the spreadsheets that are used by the Town to contain errors.

Recommendation:

We recommend that the Town have a qualified individual review all critical spreadsheets and that the review be documented.

Other Recommendations:

Investment and Banking Policy

The Town does not have a formal investment and banking policy. This policy is extremely important in establishing and maintaining cash management in accordance with Selectboard directives. This policy should include general guidance for the Treasurer in the areas of bank selection, types of investments and policies for minimizing the risk of losses.

We recommend that the Selectboard and the Treasurer work together to establish guidelines for the Treasurer in the areas of cash management and investing.

Fraud Risk Assessment

The Town has not performed a fraud risk assessment. A fraud risk assessment is important because it identifies the Town's vulnerabilities to fraudulent activities and whether those vulnerabilities could result in material misstatement of the financial statements. The fraud risk assessment would also identify processes, controls, and other procedures used to mitigate the identified fraud risks.

We recommend the Town perform a fraud risk assessment to reduce the possibility of fraudulent activities.

Documentation of Internal Control System

A solid understanding of internal control is essential. An organization must continually assess their internal control systems to ensure accurate financial reporting and compliance with laws and regulations. As part of this process, management should formally document its control systems.

This should provide management with an understanding of the systems related to financial reporting, and the controls over relevant assertions related to all significant accounts, disclosures in the financial statements, antifraud programs and controls over selection and application of accounting policies.

TOWN OF WAITSFIELD, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL
CONTROL AND OTHER RECOMMENDATIONS
JUNE 30, 2017

We recommend that the Town document its internal control process. This should break out the internal control process into the following five areas.

1. Control Environment – Sets the tone of an organization and is the foundation for all other components.
2. Risk Assessment – The identification and analysis of relevant risks to achieve its objectives forming a basis for how risks should be managed.
3. Control Activities – The policies and procedures that help ensure management directives are carried out.
4. Information and Communication – The identification, capture and exchange of information in a form and timeframe that enables people to carry out their responsibilities.
5. Monitoring – The process that assesses the quality of internal control performance over time.

Fraud Policy

The Town does not have a fraud policy in place. A fraud policy outlines the Town's position on fraudulent activities and dishonest conduct and sets out procedures for employees to report suspected fraud or misconduct to the appropriate personnel within the Town. This policy should further outline the responsibilities of different positions within the Town in regards to reporting and investigating these claims. It should also discuss the actions that will be taken to investigate the claim and the protection that will be afforded to the person making the claim against retaliation from the accused.

We recommend that the Town implement a fraud policy.

Cemetery Commission Fund

It is our understanding that the Cemetery Commission Fund is a fund of the Town. If this is true, all assets should be under the control of the Treasurer. Also, expenditures would have to be approved by the Trustees through the warrant process and all checks would be signed by the Treasurer. Currently, these funds have accounts that are not under the control of the Town Treasurer.

We recommend that the Town verify that the Cemetery Commission Fund is a part of the Town and, if so, that the Town should record all the assets and activity of the Cemetery Commission Fund, that the Town Treasurer should have control of the cash accounts and that all expenditures should be approved by the Trustees.

TOWN OF WAITSFIELD, VERMONT
SCHEDULE OF DEFICIENCIES IN INTERNAL
CONTROL AND OTHER RECOMMENDATIONS
JUNE 30, 2017

Incomplete Accounting System

Each fund is a separate accounting entity and should employ a general ledger to summarize operating activity during the year and record corresponding increases or decreases in the individual asset and liability account balances. The general ledger is a primary control device in any double entry accounting system. If properly and regularly maintained, the account balances will facilitate prompt and complete financial reporting at the end of any operating period. The individual accounts, particularly the asset and liability accounts, will provide control for reconciliation with other data from internal or external sources. The Cemetery Commission Fund is currently not under general ledger control.

We recommend that the Town maintain this fund in their general ledger separately and implement reconciliation procedures for all key accounts on a regular basis.