

**TOWN OF NORTH HERO, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2017**

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 AUDIT REPORT  
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## Independent Auditor's Report

Selectboard  
Town of North Hero, Vermont  
P.O. Box 38  
North Hero, Vermont 05474

### ***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 North Hero, 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 North Hero, 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 as 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.

### ***Opinion***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Hero, Vermont as of June 30, 2017, and the respective changes in financial position thereof, for the year then ended in conformity with the basis of accounting as described in Note I.

### ***Basis of Accounting***

We draw attention to Note I 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.

### ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information for the General Fund and Highway Fund on Schedules 1 and 2, and the Schedule of Proportionate Share of the Net Pension Liability on Schedule 3 and the Schedule of Contributions on Schedule 4 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.

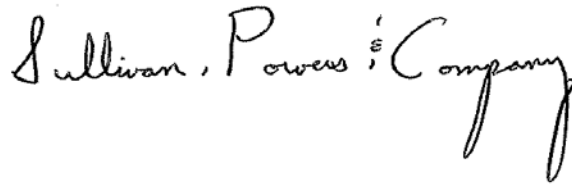
***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Hero, Vermont's basic financial statements. The combining fund financial statements, management's discussion and analysis and budgetary comparison schedule for the Water Fund 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 February 7, 2017 on our consideration of the Town of North Hero, 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 North Hero, Vermont's internal control over financial reporting and compliance.

February 7, 2018  
Montpelier, Vermont  
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned to the right of the typed text.

TOWN OF NORTH HERO, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

As management of the Town of North Hero, Vermont (The Town), we offer readers of the Town's financial statements, this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2017, within the limitations of the modified cash basis of accounting. Please read it in conjunction with the Town's financial statements that accompany this letter.

### **Financial Highlights**

At the end of the current fiscal year, the Town's governmental funds (excluding the Water Fund) reported combined ending fund balances of \$789,424 an increase of \$79,899 over the previous fiscal year.

The General Fund fund balance component had a positive unassigned fund balance of \$161,817 and an assigned fund balance of \$99,339 for a total fund balance of \$261,156, a decrease of \$1,297 from the previous fiscal year. Included in the General Fund assigned balances are \$73,108 for tax stabilization, \$1,323 for Parks & Recreation expenses, \$4,272 for Emergency Management and \$20,636 for Cemetery expenses.

The Highway Fund ended the year with a positive fund balance of \$270,428. This amount is restricted for Highway expenditures only.

### **Using This Annual Report**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Town's modified cash basis of accounting.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements.

The Town's financial statements are comprised of three components:

- 1) government-wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

### ***Government-Wide Financial Statements***

The *government-wide financial statements* are designed to provide readers with a broad overview of the finances of the Town, in a manner similar to a private-sector business, within the limitations of the modified cash basis of accounting. The government-wide financial statements consist of the *statement of net position* and the *statement of activities*.

TOWN OF NORTH HERO, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

The *statement of net position* presents information on all of the Town's modified cash basis assets, deferred outflows and inflows of resources and liabilities, with the difference reported as modified cash basis net position. Over time, increase or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's modified cash basis net position changed during the most recent fiscal year. All changes in the modified cash basis net position are reported as the underlying collection or payment occurs.

Both of the government-wide financial statements detail functions of the Town that are primarily supported by taxes and intergovernmental revenues (*governmental activities*) and water usage fees charged to external parties (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, culture and recreation, cemetery and social service funding. The business-type activities of the Town include water services.

The government-wide financial statements are designed to include not only the Town itself (known as the primary government), but also any legally separate entities for which it is financially accountable (known as component units). The Town has no component units.

The government-wide financial statements can be found in Exhibits A and B of this report.

***Fund financial statements.***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: *governmental funds, proprietary funds and fiduciary funds.*

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year, within the limitations of the modified cash basis of accounting. Such information may be useful in evaluating a government's near-term financing requirements.

The Town maintains six (6) individual governmental funds. Information is presented separately in the governmental fund Statement of Modified Cash Basis Assets, Liabilities and Fund Balances (Exhibit C), in the governmental fund Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balances (Exhibit D), and the Combining Schedules.

The Town adopts an annual appropriated budget for its General Fund and Highway Fund. A budgetary comparison statement has been provided for the General Fund and Highway Fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found in Exhibits C and D of this report.



TOWN OF NORTH HERO, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

**Proprietary funds.** *Proprietary funds* are used to account for activities financed primarily by exchange transactions associated with the principal activity of the fund. The Town maintains one (1) proprietary fund, the Water Fund. Information concerning this fund can be found in Exhibits E and F.

**Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statements because the resources of those funds are not available to support the Town's own programs. The Town maintains one (1) fiduciary fund, the Pelots Bay Restoration Committee Fund. Information concerning this fund can be found in Exhibit G.

***Notes to the financial statements.***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

**Budgetary Highlights**

**General Fund.** Bottom line for FY 2016-2017 was a shortfall in Cash Receipts over Cash Disbursements of \$1,528 (not including the cemetery and emergency management reserves)

Total receipts were \$39,495 under budgeted line items. This was primarily due to property tax and related interest and penalty revenue coming in \$26,002 under budget, current use and other state revenue coming in \$9,331 under budget.

Total disbursements were \$37,967 less than budgeted line items. This was primarily due to office operations (\$12,974), lister, zoning, planning and DRB administration (\$14,429) and public safety (\$15,227) coming in below the anticipated budget. General expenses (\$5,078) were over budget due to the addition of an automatic transfer switch for the school building/emergency facility generator.

The Town budgeted to breakeven. Due to the results as described above, we had a current year operating deficit of \$1,528.

North Hero continued its generous support with \$31,895 distributed to various island organizations and \$69,423 of support to the Town's Water, Library and Cemetery operations.

**Highway Fund.** There was an increase in the highway fund balance of \$37,895 for a total surplus of \$270,428.

Total receipts fell short of the budget by \$2,022 primarily due to fewer labor hours charged back for assistance to water operations.

Total disbursements were under budget by \$39,917. This was primarily due to savings in personnel (\$13,924), town garage (\$5,710) and highway maintenance (\$27,849).

TOWN OF NORTH HERO, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

The surplus will continue to be used for various highway projects as designated by the Selectboard.

**Water Fund.** There was an increase in the water net position of \$138,398 for a total net position of \$602,086, of which \$485,030 is for Water Capital Reserves.

Total receipts exceeded the budget by \$21,128 primarily due to a high number of new customers. The Town collected \$39,000 in ERU fees, thus supplementing its capital reserves.

Total disbursements were under budget by \$46,577 primarily due to water operation expenses (\$38,088) and building (\$6,828) expenses. Water Operation savings were in equipment and distribution line maintenance and plant equipment.

**Reappraisal Fund.** There was an increase in the reappraisal fund balance of \$9,201 for a total fund balance of \$26,859. The fund received \$9,172 from its annual state appropriation for the partial funding of the town wide reappraisal process.

**Library Trustees Fund.** There was an increase in the library trustees fund of \$2,062 for a total fund balance of \$58,222. The fund received a town appropriation of \$34,923.

**North Station Renovation Fund.** There was an increase in the renovation fund of \$6,966 for a total fund balance of \$107,180. The fund received its annual town appropriation of \$10,000 while incurring expenses of \$3,176 for architectural and engineering services.

**Capital Equipment Fund.** There was an increase in the capital equipment fund of \$25,072 for a total fund balance of \$65,579. The fund received its annual \$25,000 of town appropriation.

**Cemetery Fund.** There was an increase in the cemetery fund of \$214 for a total fund balance of \$20,636. The fund received its annual town appropriation of \$9,500. This fund is consolidated with the General Fund to comply with GASB Statement No. 54.

The Town is custodian of funds for the Pelot's Bay Restoration Association. The Town is holding \$18,225 of their funds.

### Capital Assets

The Town spent \$131,013 on paving and resurfacing, \$11,475 on painting and repairs for the Library, \$10,464 for emergency preparedness and \$8,500 on plumbing and electrical improvements at Camp Ingalls.

### Debt

The Town paid \$177,765 from the water fund for existing water bonds, considered part of the town's indebtedness, leaving a bond balance of \$2,105,412.

Although not considered debt, we are in the 3<sup>rd</sup> year of a 5 year operating lease with the North Hero School District at \$39,900 per year.

TOWN OF NORTH HERO, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

**Next Year's Budgets and Rates**

On March 1, 2017 voters approved a fiscal year 2017-18 municipal budget in the amount of \$699,569, a net increase of \$16,440 over the previous year. The general fund budget saw an increase of \$11,547 with an increase in Parks & Recreation of \$6,806 and General expenses of \$14,968 and a decrease in non-tax revenue of \$5,000. The general fund budget saw decreases in Library Maintenance of \$9,450 and office expenses of \$2,500. The highway fund budget was essentially level funded.

Separate article voted appropriations (Fire, Rescue, Sheriff, etc.) of \$154,130 were approved, a net decrease of \$5,956 over the previous year.

The Municipal tax rate increased \$.0033 over the prior year.

The water operations budget increased by \$9,029 primarily due to an increase in building maintenance expense. Water rates did not change.

**Requests for Information**

This financial report is designed to provide a general overview of the Town's financial condition. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Town Treasurer, Town of North Hero, P.O. Box 38, North Hero, Vermont 05474.

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash	\$ 870,512	\$ 0	\$ 870,512
Investments	123,288	485,030	608,318
Internal Balances	<u>(179,220)</u>	<u>179,220</u>	<u>0</u>
Total Assets	<u>814,580</u>	<u>664,250</u>	<u>1,478,830</u>
<b><u>LIABILITIES</u></b>			
Due to Fiduciary Fund	18,225	0	18,225
Prepaid Water Fees	<u>0</u>	<u>62,164</u>	<u>62,164</u>
Total Liabilities	<u>18,225</u>	<u>62,164</u>	<u>80,389</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Prepaid Property Taxes	<u>6,931</u>	<u>0</u>	<u>6,931</u>
Total Deferred Inflows of Resources	<u>6,931</u>	<u>0</u>	<u>6,931</u>
<b><u>NET POSITION</u></b>			
Restricted for:			
Highways and Streets	336,007	0	336,007
Unrestricted	<u>453,417</u>	<u>602,086</u>	<u>1,055,503</u>
Total Net Position	<u>\$ 789,424</u>	<u>\$ 602,086</u>	<u>\$ 1,391,510</u>

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

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

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:						
Primary Government:						
Governmental Activities:						
General Government	\$ 438,490	\$ 47,561	\$ 10,251	\$ (380,678)	\$ 0	\$ (380,678)
Public Safety	100,278	1,336	0	(98,942)	0	(98,942)
Highways and Streets	294,773	0	51,845	(242,928)	0	(242,928)
Culture and Recreation	78,094	6,707	3,070	(68,317)	0	(68,317)
Cemetery	11,151	1,290	545	(9,316)	0	(9,316)
Total Governmental Activities	<u>922,786</u>	<u>56,894</u>	<u>65,711</u>	<u>(800,181)</u>	<u>0</u>	<u>(800,181)</u>
Business-type Activities:						
Water	<u>464,554</u>	<u>574,515</u>	<u>0</u>	<u>0</u>	<u>109,961</u>	<u>109,961</u>
Total Business-type Activities	<u>464,554</u>	<u>574,515</u>	<u>0</u>	<u>0</u>	<u>109,961</u>	<u>109,961</u>
Total Primary Government	<u>\$ 1,387,340</u>	<u>\$ 631,409</u>	<u>\$ 65,711</u>	<u>(800,181)</u>	<u>109,961</u>	<u>(690,220)</u>
General Receipts:						
Property Taxes				827,674	0	827,674
Penalties and Interest on Delinquent Taxes				17,693	0	17,693
General State Grants				57,569	0	57,569
Unrestricted Investment Earnings				2,109	1,937	4,046
Proceeds from Sale of Vehicle				0	1,500	1,500
Other Revenues				35	0	35
Transfers:				<u>(25,000)</u>	<u>25,000</u>	<u>0</u>
Total General Receipts and Transfers				<u>880,080</u>	<u>28,437</u>	<u>908,517</u>
Change in Net Position				79,899	138,398	218,297
Net Position - July 1, 2016				<u>709,525</u>	<u>463,688</u>	<u>1,173,213</u>
Net Position - June 30, 2017				<u>\$ 789,424</u>	<u>\$ 602,086</u>	<u>\$ 1,391,510</u>

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

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

	General Fund	Highway Fund	Non-Major Governmental Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>ASSETS</u>				
Cash	\$ 870,512	\$ 0	\$ 0	\$ 870,512
Investments	93,413	0	29,875	123,288
Due from Other Funds	<u>0</u>	<u>270,428</u>	<u>227,965</u>	<u>498,393</u>
Total Assets	<u>\$ 963,925</u>	<u>\$ 270,428</u>	<u>\$ 257,840</u>	<u>\$ 1,492,193</u>
<u>LIABILITIES</u>				
Due to Other Funds	<u>\$ 695,838</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 695,838</u>
Total Liabilities	<u>695,838</u>	<u>0</u>	<u>0</u>	<u>695,838</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Prepaid Property Taxes	<u>6,931</u>	<u>0</u>	<u>0</u>	<u>6,931</u>
Total Deferred Inflows of Resources	<u>6,931</u>	<u>0</u>	<u>0</u>	<u>6,931</u>
<u>FUND BALANCES</u>				
Restricted	0	270,428	65,579	336,007
Committed	0	0	165,402	165,402
Assigned	99,339	0	26,859	126,198
Unassigned	<u>161,817</u>	<u>0</u>	<u>0</u>	<u>161,817</u>
Total Fund Balances	<u>261,156</u>	<u>270,428</u>	<u>257,840</u>	<u>789,424</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 963,925</u>	<u>\$ 270,428</u>	<u>\$ 257,840</u>	<u>\$ 1,492,193</u>

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

TOWN OF NORTH HERO, 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	Highway Fund	Non-Major Governmental Funds	Total
<b>Cash Receipts:</b>				
Property Taxes	\$ 522,128	\$ 305,546	\$ 0	\$ 827,674
Penalties and Interest on Delinquent Taxes	17,693	0	0	17,693
Intergovernmental	58,648	51,845	9,322	119,815
Charges for Services	16,971	556	0	17,527
Permits, Licenses and Fees	39,923	0	0	39,923
Investment Income	1,417	277	415	2,109
Donations	545	0	2,920	3,465
Other	35	0	0	35
<b>Total Cash Receipts</b>	<b>657,360</b>	<b>358,224</b>	<b>12,657</b>	<b>1,028,241</b>
<b>Cash Disbursements:</b>				
General Government	438,490	0	0	438,490
Public Safety	97,102	0	0	97,102
Highways and Streets	0	164,316	0	164,316
Culture and Recreation	41,991	0	36,103	78,094
Cemetery	11,151	0	0	11,151
Capital Outlay:				
Public Safety	0	0	3,176	3,176
Highways and Streets	0	131,013	0	131,013
<b>Total Cash Disbursements</b>	<b>588,734</b>	<b>295,329</b>	<b>39,279</b>	<b>923,342</b>
<b>Excess/(Deficiency) of Cash Receipts Over Cash Disbursements</b>	<b>68,626</b>	<b>62,895</b>	<b>(26,622)</b>	<b>104,899</b>
<b>Other Financing Sources/(Uses):</b>				
Transfers In	0	0	69,923	69,923
Transfers Out	(69,923)	(25,000)	0	(94,923)
<b>Total Other Financing Sources/(Uses)</b>	<b>(69,923)</b>	<b>(25,000)</b>	<b>69,923</b>	<b>(25,000)</b>
<b>Net Change in Fund Balances</b>	<b>(1,297)</b>	<b>37,895</b>	<b>43,301</b>	<b>79,899</b>
<b>Fund Balances - July 1, 2016</b>	<b>262,453</b>	<b>232,533</b>	<b>214,539</b>	<b>709,525</b>
<b>Fund Balances - June 30, 2017</b>	<b>\$ 261,156</b>	<b>\$ 270,428</b>	<b>\$ 257,840</b>	<b>\$ 789,424</b>

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

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

	Water Fund
<u>ASSETS</u>	
Investments	\$ 485,030
Due from Other Funds	179,220
Total Assets	\$ 664,250
<u>LIABILITIES</u>	
Prepaid Water Fees	62,164
Total Liabilities	62,164
<u>NET POSITION</u>	
Unrestricted	602,086
Total Net Position	602,086
Total Liabilities and Net Position	\$ 664,250

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



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

	<u>Water Fund</u>
Operating Receipts:	
Charges for Services	\$ 532,737
Late Fees	2,002
Miscellaneous	<u>776</u>
Total Operating Receipts	<u>535,515</u>
Operating Disbursements:	
Salaries and Benefits	15,437
Contracted Services	94,698
Utilities	33,872
Repairs and Maintenance	20,959
Machinery and Equipment	10,483
Chemicals	10,944
Dues and Fees	6,855
Insurances	2,096
Materials and Supplies	2,617
Other	<u>1,103</u>
Total Operating Disbursements	<u>199,064</u>
Operating Income	<u>336,451</u>
Non-Operating Receipts/(Disbursements):	
Investment Income	1,937
Proceeds from Sale of Vehicle	1,500
Equivalent Residential Unit (ERU) Fees	39,000
Bond Principal Payments	(177,765)
Bond Interest Payments	<u>(87,725)</u>
Total Non-Operating Receipts/(Disbursements)	<u>(223,053)</u>
Net Income Before Other Financing Sources	<u>113,398</u>
Other Financing Sources:	
Transfers In	<u>25,000</u>
Total Other Financing Sources	<u>25,000</u>
Change in Net Position	138,398
Net Position - July 1, 2016	<u>463,688</u>
Net Position - June 30, 2017	<u>\$ <u>602,086</u></u>

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

TOWN OF NORTH HERO, VERMONT  
 STATEMENT OF FIDUCIARY MODIFIED CASH BASIS NET POSITION  
 FIDUCIARY FUND  
 JUNE 30, 2017

	<u>Agency Fund</u> Pelots Bay Restoration Committee <u>Fund</u>
<u>ASSETS</u>	
Due from Other Funds	\$ <u>18,225</u>
Total Assets	<u>18,225</u>
<u>LIABILITIES</u>	
Due to Others	<u>18,225</u>
Total Liabilities	<u>18,225</u>
<u>NET POSITION</u>	
Total Net Position	\$ <u><u>0</u></u>

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

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

The Town of North Hero, Vermont, (herein the "Town") operates under a Selectboard form of government and provides the following services as authorized by State statutes: public safety, highways and streets, culture and recreation, cemetery, health and social services, water services, public improvements, planning and zoning, 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 North Hero, 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 NORTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

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, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. 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 disbursements and program receipts for each function of the Town's governmental activities and for each segment of the Town's business-type activities. Direct disbursements 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 property taxes, are presented as general receipts.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental 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.

Highway Fund – This fund accounts for the resources of the Highway Department.

The Town reports on the following major enterprise fund:

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

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.

Additionally, the Town reports the following fund type:

Agency Fund – This fund account for resources held by the Town in a purely custodial capacity for other governments, private organizations or individuals.

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

**C. Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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 exceptions to this are that the Town records investments at cost and property taxes and water fees paid in advance as deferred inflows of resources.

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

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.

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

**1. Cash**

Cash balances of 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.

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

**2. Investments**

The Town invests in investments as allowed by State Statute. Investments are reported at cost.

**3. 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.

**4. 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 to/from other funds". All other outstanding balances between funds are reported as "due from/to other funds."

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, "deferred outflows of resources" represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town did not have any items that qualified for reporting in this category.

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

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The General Fund and Highway Fund 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 Emergency Management Fund and Cemetery Fund activity this is included with the General Fund.

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

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

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

Cash:		
Deposits with Financial Institutions		\$ 870,293
Cash on Hand		<u>219</u>
Total Cash		870,512
Investments:		
Certificates of Deposit		<u>608,318</u>
Total Cash and Investments		<u>\$1,478,830</u>

The Town has seven (7) certificates of deposit ranging from of \$1,323 to \$278,408 with interest rates of 0.40%. All certificates of deposit will mature during fiscal year 2018.

**Custodial Credit Risk**

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

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 500,000	\$ 500,000
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	<u>978,611</u>	<u>1,005,492</u>
Total	<u>\$1,478,611</u>	<u>\$1,505,492</u>

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

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$ 870,293
Investments – Certificates of Deposit	<u>608,318</u>
Total	<u>\$1,478,611</u>

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. The Town's certificates of deposit are not subject to interest rate risk disclosure.

**Credit Risk**

Generally, credit risk that is the risk 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's certificates of deposit are not subject to credit risk disclosure.

**Concentration of Credit Risk**

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

**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	\$ 0	\$695,838
Highway Fund	270,428	0
Non-Major Governmental Funds	227,965	0
Water Fund	179,220	0
Agency Fund – Pelots Bay Restoration Committee Fund	<u>18,225</u>	<u>0</u>
Total	<u>\$695,838</u>	<u>\$695,838</u>

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Library Trustees Fund	\$34,923	Appropriation
General Fund	North Station Renovation Fund	10,000	Appropriation
General Fund	Water Fund	25,000	Appropriation
Highway Fund	Capital Equipment Fund	<u>25,000</u>	Appropriation
Total		<u>\$94,923</u>	



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

**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.

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

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

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

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

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

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

Major Funds

Highway Fund:

Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes and State Highway Aid)	<u>\$270,428</u>
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Non-Major Funds

Capital Projects Funds:

Restricted for Highway Equipment Expenditures by Statute (Source of Revenue is Highway Property Taxes)	<u>65,579</u>
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Total Restricted Fund Balances	<u>\$336,007</u>
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TOWN OF NORTH HERO, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2017

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

Non-Major Funds

Special Revenue Fund:	
Committed for Library Trustees Expenses by the Voters	\$ 58,222
Capital Projects Fund:	
Committed for North Station Renovation Expenditures by the Voters	<u>107,180</u>
Total Committed Fund Balances	<u>\$165,402</u>

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

Major Funds

General Fund:	
Assigned for Parks and Recreation Expenses	\$ 1,323
Assigned for Emergency Management Expenses	4,272
Assigned for Cemetery Expenses	20,636
Assigned for Tax Stabilization	<u>73,108</u>
Total General Fund	<u>99,339</u>

Non-Major Funds

Special Revenue Funds:	
Assigned for Reappraisal Expenses	<u>26,859</u>
Total Assigned Fund Balances	<u>\$126,198</u>

**D. Restricted and Designated Net Position**

The restricted net position in the governmental activities includes the restricted fund balances of \$336,007.

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

Water Fund:	
Designated for Water Operations	\$117,056
Designated for Water Capital Expenditures	<u>485,030</u>
Total Water Fund	<u>\$602,086</u>

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

#### **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.

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 0.0491% resulting in a net pension liability of \$63,203. 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 0.0491% was a decrease of 0.0041 from its proportion measured as of June 30, 2015.

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

**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. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

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

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

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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.

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

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

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

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

Member Contributions – Group B – 4.875%.

Employer Contributions – Group B – 5.50%.

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

### **Significant Actuarial Assumptions and Methods**

The actuarial assumptions regarding the incidence of morality, 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.

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

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.

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>
\$104,923	\$63,203	\$28,271

**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 NORTH HERO, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2017

**B. CONTINGENT LIABILITIES**

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**C. PROPERTY TAXES**

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are collected four (4) times per year. During the tax year ended June 30, 2017, taxes became due and payable on August 20, 2016, November 20, 2016, February 20, 2017 and May 20, 2017. The Town assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale. The tax rates for 2017 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.2884	.2884
Veterans	.0004	.0004
Education – Local Share	<u>1.4425</u>	<u>1.5399</u>
Total	<u>1.7313</u>	<u>1.8287</u>

**D. 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 is also a member of the Vermont League of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

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

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

The State of Vermont offers a number of 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 water projects.

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Water System Improvements, Principal Payments of \$20,000 Payable on December 1 Annually, Interest Ranging from 3.86% to 5.00% Payable on June 1 and December 1, Due December, 2022	\$ 170,000	\$ 0	\$ 20,000	\$ 150,000
Bond Payable, Vermont Municipal Bond Bank, Water System Improvements, Principal Payments Ranging from \$95,000 to \$180,000 Payable on November 1 Annually, Interest at 3.09% Payable on May 1 and November 1, Due November, 2026	1,530,000	0	100,000	1,430,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal Payments of \$21,159 Payable on July 1 Annually, 0% Interest, Due July, 2024	169,270	0	21,159	148,111
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal Payments of \$27,222 Payable on July 1 Annually, 0% Interest, Due July, 2025	245,000	0	27,222	217,778



TOWN OF NORTH HERO, 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, Water System Improvements, Principal Payments of \$9,384 Payable on January 1 Annually, 0% Interest, Due January, 2034	\$ <u>168,907</u>	\$ <u>0</u>	\$ <u>9,384</u>	\$ <u>159,523</u>
Total	\$ <u>2,283,177</u>	\$ <u>0</u>	\$ <u>177,765</u>	\$ <u>2,105,412</u>

Maturities are estimated to be as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 187,765	\$ 61,730	\$ 249,495
2019	197,765	54,672	252,437
2020	202,765	46,771	249,536
2021	212,765	(43,483)	169,282
2022	217,765	(68,930)	148,835
2023-2027	1,020,904	(48,396)	972,508
2028-2032	46,917	0	46,917
2033-2034	<u>18,766</u>	<u>0</u>	<u>18,766</u>
Total	\$ <u>2,105,412</u>	\$ <u>2,364</u>	\$ <u>2,107,776</u>

The Town refinanced two (2) bonds with the Vermont Municipal Bond Bank. The savings are being applied to interest payments and will result in a refund of interest when the bonds are paid off.

**F. OPERATING LEASE**

The Town leases space in the Town office to the North Hero School District for \$39,900 per year. The lease expires in fiscal year 2019.

TOWN OF NORTH HERO, VERMONT  
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)
<b>Cash Receipts:</b>			
Current Taxes	\$ 535,323	\$ 522,128	\$ (13,195)
Interest - Late Payment	4,500	2,936	(1,564)
Interest on Delinquent Taxes	12,000	6,284	(5,716)
Delinquent Tax Penalty	14,000	8,473	(5,527)
Current Use	20,500	13,309	(7,191)
State Taxes/PILOT	46,400	44,260	(2,140)
Judicial Fines/Other	3,000	1,336	(1,664)
Equalization Grant Income	0	1,079	1,079
Recordings/Vault	16,500	12,301	(4,199)
Record Restoration	4,000	3,064	(936)
Act 68 Administration Billing	9,000	8,974	(26)
Liquor Licenses	500	485	(15)
Dog Licenses	1,000	1,213	213
Office Income	6,000	6,534	534
Building Applications	8,500	9,765	1,265
Conditional Use Variance	1,750	1,800	50
Zoning Regulations	3,000	2,625	(375)
Site Plan Applications	2,500	800	(1,700)
Parks & Recreation Programs	3,000	6,707	3,707
Interest on Investments	2,500	1,370	(1,130)
Miscellaneous	1,000	35	(965)
	<u>694,973</u>	<u>655,478</u>	<u>(39,495)</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
<b>Salaries:</b>			
Clerk/Treasurer	54,697	56,800	(2,103)
Assistant Clerk/Treasurer	28,496	28,937	(441)
Delinquent Tax Collector	4,000	4,154	(154)
Selectboard Stipend	6,250	6,250	0
Selectboard Clerk	2,750	2,450	300
Health Insurance	16,500	14,974	1,526
FICA/Medicare	7,819	7,106	713
Retirement	9,462	11,262	(1,800)
Unemployment Insurance	1,435	1,232	203
Selectboard Meetings/Travel	200	260	(60)
	<u>131,609</u>	<u>133,425</u>	<u>(1,816)</u>
<b>Total Salaries</b>			

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TOWN OF NORTH HERO, VERMONT  
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)
Listers Office:			
Salaries	\$ 23,000	\$ 21,601	\$ 1,399
911 Coordinator	265	27	238
FICA	1,760	1,641	119
Tax Mapping Contract	2,000	1,750	250
Professional & Other Services	1,900	276	1,624
Legal	200	455	(255)
Computer Expense	1,500	1,608	(108)
Telephone	1,000	904	96
Postage	200	212	(12)
Advertising	200	50	150
Printing/Copy	50	0	50
Meetings/Travel	1,450	2,146	(696)
Supplies	300	125	175
Other	100	0	100
	<u>33,925</u>	<u>30,795</u>	<u>3,130</u>
Total Listers Office			
Auditors:			
Salary	2,100	1,750	350
FICA	161	134	27
Postage	400	301	99
Advertising	50	0	50
Printing/Copy	1,350	1,440	(90)
Meetings/Travel	100	60	40
	<u>4,161</u>	<u>3,685</u>	<u>476</u>
Total Auditors			
Zoning:			
Administrator	6,000	6,000	0
Clerical	2,700	2,630	70
FICA	666	581	85
Legal	1,000	170	830
Computer Expense	500	0	500
Postage	200	150	50
Printing/Copy	60	0	60
Meetings/Travel	300	60	240
Inspection Fees	500	0	500
	<u>11,926</u>	<u>9,591</u>	<u>2,335</u>
Total Zoning			

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TOWN OF NORTH HERO, VERMONT  
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)
<b>Planning Commission:</b>			
Clerk	\$ 300	\$ 0	\$ 300
FICA	25	0	25
Consulting & Technical Writing	500	0	500
Legal	500	0	500
Computer Expense	150	0	150
Postage	150	50	100
Advertising	100	0	100
Meetings/Travel	750	0	750
Supplies	100	0	100
	<u>2,575</u>	<u>50</u>	<u>2,525</u>
<b>Total Planning Commission</b>			
<b>Development Review Board:</b>			
Clerk	1,500	893	607
FICA	123	127	(4)
Legal	2,500	595	1,905
Postage	600	425	175
Advertising	1,000	294	706
Copy/Printing	200	0	200
Meetings/Travel	750	0	750
Supplies	750	0	750
Findings of Fact	3,000	1,650	1,350
	<u>10,423</u>	<u>3,984</u>	<u>6,439</u>
<b>Total Development Review Board</b>			
<b>General Office Operations:</b>			
Record Restoration	3,500	4,288	(788)
Non-legal Services	4,500	4,205	295
Service Contracts	4,500	4,450	50
Janitorial Expenses	4,000	3,132	868
Equipment Repair	700	0	700
Rent	37,800	37,800	0
Improvements	5,000	1,429	3,571
Telephone	3,500	2,819	681
Postage	3,500	2,109	1,391
Advertising & Notices	1,500	120	1,380
Printing/Copying	1,000	414	586
Meetings/Travel	1,100	1,087	13
Supplies	5,000	2,020	2,980
Equipment Repair	4,500	3,232	1,268
Computer/Equipment	5,000	5,021	(21)
	<u>85,100</u>	<u>72,126</u>	<u>12,974</u>
<b>Total General Office Operations</b>			

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TOWN OF NORTH HERO, VERMONT  
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)
<b>Parks and Recreation:</b>			
Salaries	\$ 5,625	\$ 5,450	\$ 175
FICA	430	417	13
Utilities	400	349	51
Water	310	310	0
Maintenance	2,500	1,856	644
Advertising	250	541	(291)
Equipment and Supplies	900	435	465
Programs	5,550	5,467	83
Improvements	10,400	11,728	(1,328)
<b>Total Parks and Recreation</b>	<b>26,365</b>	<b>26,553</b>	<b>(188)</b>
<b>Library Building:</b>			
Water	850	850	0
Electricity	1,300	896	404
Fuel/Propane	2,200	1,290	910
Maintenance/Repairs	12,500	12,402	98
<b>Total Library Building</b>	<b>16,850</b>	<b>15,438</b>	<b>1,412</b>
<b>Public Safety:</b>			
Constable/Animal Control	2,000	1,500	500
Grand Isle Rescue	10,000	10,000	0
NH Fire Department	28,000	28,000	0
Sheriff Department	50,336	50,193	143
Grand Isle Mutual Aid	19,000	4,667	14,333
Public Safety Insurance	2,993	2,742	251
<b>Total Public Safety</b>	<b>112,329</b>	<b>97,102</b>	<b>15,227</b>
<b>Solid Waste:</b>			
Monitoring Lab	1,250	819	431
NWSWD Dues	804	804	0
<b>Total Solid Waste</b>	<b>2,054</b>	<b>1,623</b>	<b>431</b>
<b>Insurances:</b>			
Worker's Compensation	928	1,200	(272)
Bonds for Public Officials	2,623	2,871	(248)
Commercial Insurance	5,434	5,114	320
<b>Total Insurances</b>	<b>8,985</b>	<b>9,185</b>	<b>(200)</b>

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TOWN OF NORTH HERO, VERMONT  
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)
General Expenses:			
Audit	\$ 6,000	\$ 3,610	\$ 2,390
Animal Control & Licensing	850	1,063	(213)
Legal & Professional Services	6,900	4,129	2,771
Computer Service	1,000	363	637
County Tax	86,654	86,654	0
NWRPC Dues	816	816	0
VLCT	1,833	1,833	0
Special Projects	1,000	11,563	(10,563)
Gifts and Awards	1,000	1,100	(100)
Total General Expenses	106,053	111,131	(5,078)
Appropriations:			
American Red Cross	250	250	0
Lake Champlain Islands Economic Development	1,850	1,850	0
Central Vermont Agency on Aging	950	950	0
Champlain Islands Parent Child Center	1,500	1,500	0
Visiting Nurse Association	6,750	6,750	0
Island Arts	1,500	1,500	0
NW Unit Special Investigations	1,000	1,000	0
Voices Against Violence	1,000	1,000	0
ICAR	500	500	0
Center for Independent Living	310	310	0
Franklin County Animal Rescue	300	0	300
Green Up Vermont	50	50	0
Champlain Islands Food Shelf	1,500	1,500	0
NH Historical Society	4,000	4,000	0
VT Trails and Greenway Co.	35	35	0
The Family Center of NWV	600	600	0
VT Division of the Blind	100	100	0
Pelots Bay Restoration Committee	10,000	10,000	0
NH Elementary Facility Use Fee	31,000	31,000	0
Water Appropriation	25,000	25,000	0
Cemetery Appropriation	9,500	9,500	0
Library Appropriation	34,923	34,923	0
North Station Renovation	10,000	10,000	0
Total Appropriations	142,618	142,318	300
Total Cash Disbursements	694,973	657,006	37,967
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	\$ 0	(1,528)	\$ (1,528)

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TOWN OF NORTH HERO, VERMONT  
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)
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Cash Basis of Accounting:			
Emergency Management Fund Investment Income		\$ 17	
Cemetery Fund Transfer In		9,500	
Cemetery Fund Sale of Lots		1,290	
Cemetery Fund Investment Income		30	
Cemetery Fund Donations		545	
Cemetery Expenses		(11,151)	
Net Change in Fund Balance		(1,297)	
Fund Balance - July 1, 2016		262,453	
Fund Balance - June 30, 2017		\$ 261,156	

The reconciling items are due to combining two (2) funds, the Emergency Management Fund and the Cemetery Fund, with the General Fund in order to comply with GASB Statement No. 54.

TOWN OF NORTH HERO, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL  
HIGHWAY FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Cash Receipts:</b>			
Highway Taxes	\$ 305,546	\$ 305,546	\$ 0
Highway Aid	52,200	51,845	(355)
Interest	500	277	(223)
Water Department Labor Charges	2,000	556	(1,444)
	<u>360,246</u>	<u>358,224</u>	<u>(2,022)</u>
<b>Cash Disbursements:</b>			
<b>Public Works Personnel:</b>			
Salaries/Benefits/Retire/Overtime	82,208	70,633	11,575
Labor Highway	2,200	0	2,200
Uniforms	2,000	1,651	349
Mileage	500	0	500
Education/Training	500	0	500
Outside Labor	1,500	2,700	(1,200)
	<u>88,908</u>	<u>74,984</u>	<u>13,924</u>
<b>Garage:</b>			
Water - Town Garage	1,700	1,700	0
Water - Oman Station	850	850	0
Maintenance/Repairs	2,500	3,118	(618)
Construction/Renovations	2,200	477	1,723
Telephone	2,600	2,197	403
Electricity	8,000	2,511	5,489
Fuel/Propane	2,500	3,787	(1,287)
	<u>20,350</u>	<u>14,640</u>	<u>5,710</u>
<b>Town Equipment:</b>			
Plow Parts	1,500	81	1,419
Sander Parts	500	63	437
Lawn Care Equipment	1,000	232	768
Labor Maintenance/Repair Equipment	1,500	1,316	184
Maintenance & Repairs	2,500	151	2,349
Service Truck Repairs	3,500	4,795	(1,295)
Truck Parts	1,500	2,263	(763)
Tires & Repairs	2,500	5,641	(3,141)
Supplies/Tools	2,000	1,878	122
	<u>16,500</u>	<u>16,420</u>	<u>80</u>

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TOWN OF NORTH HERO, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL  
HIGHWAY FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway Maintenance:			
Equipment Hire	\$ 2,000	\$ 0	\$ 2,000
Ditching/Deferred Maintenance	15,000	55	14,945
Diesel/Gas	15,000	4,907	10,093
Salt/Sand	14,000	9,225	4,775
Stone/Rock	3,500	0	3,500
Chloride	200	0	200
Cold Patch	500	455	45
Resurfacing	75,000	78,175	(3,175)
Culverts	2,000	0	2,000
Roadside Mowing	5,000	10,710	(5,710)
Nuisance Animals	500	0	500
Tree Trimming	3,000	6,700	(3,700)
MUTCD Signs	2,500	124	2,376
<b>Total Highway Maintenance</b>	<b>138,200</b>	<b>110,351</b>	<b>27,849</b>
Highway Construction:			
Paving & Construction	47,500	52,838	(5,338)
Stone/Rock	4,000	1,023	2,977
Professional Services	3,500	9,412	(5,912)
<b>Total Highway Construction</b>	<b>55,000</b>	<b>63,273</b>	<b>(8,273)</b>
Highway Insurance:			
Unemployment Insurance	774	678	96
Workman's Compensation	4,757	5,340	(583)
Vehicle Insurance	6,285	5,349	936
Commercial Package	4,472	4,294	178
<b>Total Highway Insurance</b>	<b>16,288</b>	<b>15,661</b>	<b>627</b>
Transfer to Capital Equipment Fund:	25,000	25,000	0
<b>Total Cash Disbursements</b>	<b>360,246</b>	<b>320,329</b>	<b>39,917</b>
Excess of Cash Receipts Over Cash Disbursements	\$ <u>0</u>	37,895	\$ <u>37,895</u>
Fund Balance - July 1, 2016		<u>232,533</u>	
Fund Balance - June 30, 2017		<u>\$ 270,428</u>	

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

	2017	2016	2015
Total Plan Net Pension Liability	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.0491%	0.0532%	0.0520%
Town's Proportionate Share of the Net Pension Liability	\$ 63,203	\$ 41,007	\$ 4,750
Town's Covered Employee Payroll	\$ 161,068	\$ 135,709	\$ 138,326
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	39.2399%	30.2169%	3.4339%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.95%	87.42%	98.32%

**Notes to Schedule**

Benefit Changes: None.

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

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

TOWN OF NORTH HERO, 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)	\$ 8,859	\$ 7,464	\$ 7,435
Contributions in Relation to the Actuarially Determined Contributions	<u>8,859</u>	<u>7,464</u>	<u>7,435</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 161,068	\$ 135,709	\$ 138,326
Contributions as a Percentage of Town's Covered Employee Payroll	5.50%	5.50%	5.375%

**Notes to Schedule**

Valuation Date: June 30, 2016

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

TOWN OF NORTH HERO, 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>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Investments	\$ 29,875	\$ 0	\$ 29,875
Due from Other funds	<u>55,206</u>	<u>172,759</u>	<u>227,965</u>
Total Assets	<u>\$ 85,081</u>	<u>\$ 172,759</u>	<u>\$ 257,840</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:			
Restricted	0	65,579	65,579
Committed	58,222	107,180	165,402
Assigned	<u>26,859</u>	<u>0</u>	<u>26,859</u>
Total Fund Balances	<u>85,081</u>	<u>172,759</u>	<u>257,840</u>
Total Liabilities and Fund Balances	<u>\$ 85,081</u>	<u>\$ 172,759</u>	<u>\$ 257,840</u>

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TOWN OF NORTH HERO, 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
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash Receipts:			
Intergovernmental	\$ 9,322	\$ 0	\$ 9,322
Investment Income	201	214	415
Donations	<u>2,920</u>	<u>0</u>	<u>2,920</u>
Total Cash Receipts	<u>12,443</u>	<u>214</u>	<u>12,657</u>
Cash Disbursements:			
Culture and Recreation	36,103	0	36,103
Capital Outlay:			
Public Safety	<u>0</u>	<u>3,176</u>	<u>3,176</u>
Total Cash Disbursements	<u>36,103</u>	<u>3,176</u>	<u>39,279</u>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>(23,660)</u>	<u>(2,962)</u>	<u>(26,622)</u>
Other Financing Sources:			
Transfers In	<u>34,923</u>	<u>35,000</u>	<u>69,923</u>
Total Other Financing Sources	<u>34,923</u>	<u>35,000</u>	<u>69,923</u>
Net Change in Fund Balances	11,263	32,038	43,301
Fund Balances - July 1, 2016	<u>73,818</u>	<u>140,721</u>	<u>214,539</u>
Fund Balances - June 30, 2017	<u>\$ 85,081</u>	<u>\$ 172,759</u>	<u>\$ 257,840</u>

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

	Reappraisal Fund	Library Trustees Fund	Total
<u>ASSETS</u>			
Investments	\$ 0	\$ 29,875	\$ 29,875
Due from Other Funds	26,859	28,347	55,206
Total Assets	\$ 26,859	\$ 58,222	\$ 85,081
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
Fund Balances:			
Committed	0	58,222	58,222
Assigned	26,859	0	26,859
Total Fund Balances	26,859	58,222	85,081
Total Liabilities and Fund Balances	\$ 26,859	\$ 58,222	\$ 85,081

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TOWN OF NORTH HERO, 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

	Reappraisal Fund	Library Trustees Fund	Total
Cash Receipts:			
Intergovernmental	\$ 9,172	\$ 150	\$ 9,322
Investment Income	29	172	201
Donations	<u>0</u>	<u>2,920</u>	<u>2,920</u>
Total Cash Receipts	<u>9,201</u>	<u>3,242</u>	<u>12,443</u>
Cash Disbursements:			
Culture and Recreation	<u>0</u>	<u>36,103</u>	<u>36,103</u>
Total Cash Disbursements	<u>0</u>	<u>36,103</u>	<u>36,103</u>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>9,201</u>	<u>(32,861)</u>	<u>(23,660)</u>
Other Financing Sources:			
Transfers In	<u>0</u>	<u>34,923</u>	<u>34,923</u>
Total Other Financing Sources	<u>0</u>	<u>34,923</u>	<u>34,923</u>
Net Change in Fund Balances	9,201	2,062	11,263
Fund Balances - July 1, 2016	<u>17,658</u>	<u>56,160</u>	<u>73,818</u>
Fund Balances - June 30, 2017	<u>\$ 26,859</u>	<u>\$ 58,222</u>	<u>\$ 85,081</u>

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

	<u>North Station Renovation Fund</u>	<u>Capital Equipment Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Due from Other Funds	\$ <u>107,180</u>	\$ <u>65,579</u>	\$ <u>172,759</u>
Total Assets	\$ <u><u>107,180</u></u>	\$ <u><u>65,579</u></u>	\$ <u><u>172,759</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balances:			
Restricted	0	65,579	65,579
Committed	<u>107,180</u>	<u>0</u>	<u>107,180</u>
Total Fund Balances	<u>107,180</u>	<u>65,579</u>	<u>172,759</u>
Total Liabilities and Fund Balances	\$ <u><u>107,180</u></u>	\$ <u><u>65,579</u></u>	\$ <u><u>172,759</u></u>

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TOWN OF NORTH HERO, 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

	North Station Renovation Fund	Capital Equipment Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash Receipts:			
Investment Income	\$ <u>142</u>	\$ <u>72</u>	\$ <u>214</u>
Total Cash Receipts	<u>142</u>	<u>72</u>	<u>214</u>
Cash Disbursements:			
Capital Outlay:			
Public Safety	<u>3,176</u>	<u>0</u>	<u>3,176</u>
Total Cash Disbursements	<u>3,176</u>	<u>0</u>	<u>3,176</u>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>(3,034)</u>	<u>72</u>	<u>(2,962)</u>
Other Financing Sources:			
Transfers In	<u>10,000</u>	<u>25,000</u>	<u>35,000</u>
Total Other Financing Sources	<u>10,000</u>	<u>25,000</u>	<u>35,000</u>
Net Change in Fund Balances	6,966	25,072	32,038
Fund Balances - July 1, 2016	<u>100,214</u>	<u>40,507</u>	<u>140,721</u>
Fund Balances - June 30, 2017	<u>\$ <u>107,180</u></u>	<u>\$ <u>65,579</u></u>	<u>\$ <u>172,759</u></u>

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TOWN OF NORTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN MODIFIED CASH BASIS FUND NET POSITION  
BUDGET AND ACTUAL - BUDGETARY BASIS  
WATER FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Cash Receipts:</b>			
Town Allocation	\$ 25,000	\$ 25,000	\$ 0
Water User Fees	515,331	532,737	17,406
Water User Late Fees	500	2,002	1,502
Miscellaneous Fees & Other Income	200	776	576
Interest Income	100	244	144
Proceeds from Sale of Vehicle	0	1,500	1,500
<b>Total Cash Receipts</b>	<b>541,131</b>	<b>562,259</b>	<b>21,128</b>
<b>Cash Disbursements:</b>			
<b>Water Salaries:</b>			
Salaries/Benefits/Retire/Health Ins.	15,465	15,437	28
<b>Total Water Salaries</b>	<b>15,465</b>	<b>15,437</b>	<b>28</b>
<b>Operations:</b>			
Contracted Services	91,700	94,698	(2,998)
Water Testing	6,000	4,233	1,767
Equipment Maintenance	15,000	6,940	8,060
Truck Maintenance & Repair	2,000	0	2,000
Truck Insurance	677	0	677
Distribution Line Maintenance	25,000	9,774	15,226
Public Works Distribution Expense	2,000	556	1,444
Chemicals	13,500	10,944	2,556
Materials	1,500	400	1,100
Electricity	32,000	29,999	2,001
Office Expense	1,500	812	688
Plant Equipment	15,000	9,391	5,609
Office Equipment	1,000	1,092	(92)
Miscellaneous	250	200	50
<b>Total Operations</b>	<b>207,127</b>	<b>169,039</b>	<b>38,088</b>
<b>Buildings and Grounds:</b>			
Engineering	1,500	0	1,500
Utilities	7,000	2,613	4,387
Building Maintenance	5,500	4,245	1,255
Supplies	500	814	(314)
<b>Total Buildings and Grounds</b>	<b>14,500</b>	<b>7,672</b>	<b>6,828</b>

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TOWN OF NORTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN MODIFIED CASH BASIS FUND NET POSITION  
BUDGET AND ACTUAL - BUDGETARY BASIS  
WATER FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
General Expenses:			
Accounting	\$ 300	\$ 178	\$ 122
Legal Fees	500	0	500
Permits & Licenses	2,500	2,199	301
Telephone	1,300	1,260	40
Postage	1,000	591	409
Advertising	500	347	153
Dues	300	245	55
General Insurances	2,149	2,096	53
Total General Expenses	8,549	6,916	1,633
Debt & Capital Funding:			
Water System Capitalization	30,000	30,000	0
Bond Principal Payment	177,765	177,765	0
Bond Interest Payment	87,725	87,725	0
Total Debt & Capital Funding	295,490	295,490	0
Total Cash Disbursements	541,131	494,554	46,577
Excess of Cash Receipts Over Cash Disbursements	\$ 0	67,705	\$ 67,705
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Cash Basis of Accounting:			
Water Reserve Fund - Equivalent Residential Unit (ERU) Fees		39,000	
Water Reserve Fund - Interest Income		1,693	
Water Reserve Fund - Transfer In		30,000	
Change in Modified Cash Basis Net Position - Exhibit F		\$ 138,398	

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

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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 North Hero, Vermont  
P.O. Box 38  
North Hero, Vermont 05474

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 North Hero, 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 North Hero, Vermont's basic financial statements, and have issued our report thereon dated February 7, 2018.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of North Hero, 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 North Hero, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of North Hero, 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 North Hero, 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. 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, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of North Hero, 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".

However, we noted certain other matters that we have reported to the Town of North Hero, Vermont in a separate letter dated February 7, 2018.

### ***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 North Hero, 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 North Hero, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

February 7, 2018  
Montpelier, Vermont  
VT Lic. #92-000180

