

**TOWN OF BETHEL, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2016**

TOWN OF BETHEL, VERMONT  
 AUDIT REPORT  
 TABLE OF CONTENTS  
 JUNE 30, 2016

|  |            | <u>Page #</u> |
|--|------------|---------------|
| Independent Auditor's Report   |            | 1-3           |
| Basic Financial Statements:  |            |               |
| Statement of Net Position  | Exhibit A  | 4             |
| Statement of Activities  | Exhibit B  | 5             |
| Governmental Funds:  |            |               |
| Balance Sheet  | Exhibit C  | 6             |
| Statement of Revenues, Expenditures and<br>Changes in Fund Balances  | Exhibit D  | 7             |
| Reconciliation of the Statement of Revenues,<br>Expenditures and Changes in Fund Balances<br>of Governmental Funds to the Statement<br>of Activities | Exhibit E  | 8             |
| Proprietary Funds:   |            |               |
| Statement of Fund Net Position   | Exhibit F  | 9             |
| Statement of Revenues, Expenses and Changes<br>in Fund Net Position  | Exhibit G  | 10            |
| Statement of Cash Flows  | Exhibit H  | 11            |
| Notes to the Financial Statements  |            | 12-41         |
| Required Supplementary Information:  |            |               |
| Statement of Revenues, Expenditures and Changes<br>in Fund Balance - Budget and Actual - Budgetary<br>Basis - General Fund                           | Schedule 1 | 42-50         |

TOWN OF BETHEL, VERMONT  
 AUDIT REPORT  
 TABLE OF CONTENTS  
 JUNE 30, 2016

|  |            | <u>Page #</u> |
|--|------------|---------------|
| Schedule of Proportionate Share of the Net Pension Liability - VSERS Defined Benefit Plan  | Schedule 2 | 51            |
| Schedule of Contributions - VSERS Defined Benefit Plan   | Schedule 3 | 52            |
| <br>Other Information:   |            |               |
| Combining Balance Sheet - Non-Major Governmental Funds   | Schedule 4 | 53            |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds   | Schedule 5 | 54            |
| Combining Balance Sheet - Non-Major Special Revenue Funds  | Schedule 6 | 55            |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Special Revenue Funds  | Schedule 7 | 56            |
| Combining Balance Sheet - Non-Major Capital Projects Funds   | Schedule 8 | 57            |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Capital Projects Funds   | Schedule 9 | 58            |
| 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" |            | 59-60         |
| Schedule of Findings and Deficiencies in Internal Control  |            | 61-63         |

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## Independent Auditor's Report

Board of Selectmen  
Town of Bethel, Vermont  
134 South Main Street  
Bethel, Vermont 05032

### ***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 Bethel, Vermont as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Bethel, Vermont's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinions***

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 Bethel, Vermont, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Correction of Errors***

As described in Note III.B. to the financial statements, a certain error resulting in an understatement of capital assets was corrected by management during the current year. Our opinion is not modified with respect to this matter.

***Required Supplementary Information***

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

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

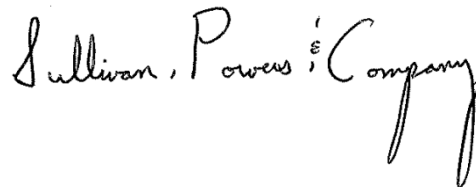
***Other Information***

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

***Other Reporting Required by "Government Auditing Standards"***

In accordance with "Government Auditing Standards", we have also issued our report dated March 2, 2017 on our consideration of the Town of Bethel, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Bethel, Vermont's internal control over financial reporting and compliance.

March 2, 2017  
Montpelier, Vermont  
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized initial 'S' and a long, sweeping tail on the 'y'.

TOWN OF BETHEL, VERMONT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

|  | Governmental<br>Activities | Business-type<br>Activities | Total                |
|--|----------------------------|-----------------------------|----------------------|
| <u>ASSETS</u>  |                            |                             |                      |
| Cash   | \$ 908,533                 | \$ 0                        | \$ 908,533           |
| Investments  | 338,561                    | 12,420                      | 350,981              |
| HRA Escrow   | 2,625                      | 0                           | 2,625                |
| Receivables (Net of Allowance for Uncollectibles)                              | 504,128                    | 103,391                     | 607,519              |
| Loan Receivable  | 6,190                      | 0                           | 6,190                |
| Due from Bethel/Royalton Solid Waste Management Facility                       | 9,097                      | 0                           | 9,097                |
| Due from the State of Vermont - Pension Credit                                 | 42,036                     | 0                           | 42,036               |
| Internal Balances  | 448,416                    | (448,416)                   | 0                    |
| Prepaid Expenses   | 70,269                     | 0                           | 70,269               |
| Capital Assets:  |                            |                             |                      |
| Land   | 326,708                    | 7,100                       | 333,808              |
| Construction in Progress   | 552,396                    | 0                           | 552,396              |
| Other Capital Assets, (Net of<br>Accumulated Depreciation)                     | 15,316,948                 | 2,896,619                   | 18,213,567           |
| Total Assets   | <u>18,525,907</u>          | <u>2,571,114</u>            | <u>21,097,021</u>    |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u>  |                            |                             |                      |
| Deferred Outflows of Resources Related to the<br>Town's Participation in VSERS | <u>215,058</u>             | <u>54,251</u>               | <u>269,309</u>       |
| Total Deferred Outflows of Resources   | <u>215,058</u>             | <u>54,251</u>               | <u>269,309</u>       |
| <u>LIABILITIES</u>   |                            |                             |                      |
| Accounts Payable   | 264,613                    | 0                           | 264,613              |
| Accrued Payroll and Benefits Payable   | 433                        | 0                           | 433                  |
| Unearned Revenue   | 120,227                    | 0                           | 120,227              |
| Due to Taxpayers   | 3,041                      | 0                           | 3,041                |
| Short-term Note Payable  | 1,725,445                  | 0                           | 1,725,445            |
| Accrued Interest Payable   | 19,206                     | 5,416                       | 24,622               |
| Noncurrent Liabilities:  |                            |                             |                      |
| Due within One Year  | 151,333                    | 62,768                      | 214,101              |
| Due in More than One Year  | 1,484,831                  | 715,110                     | 2,199,941            |
| Total Liabilities  | <u>3,769,129</u>           | <u>783,294</u>              | <u>4,552,423</u>     |
| <u>DEFERRED INFLOWS OF RESOURCES</u>   |                            |                             |                      |
| Prepaid Property Taxes   | 19,886                     | 0                           | 19,886               |
| Deferred Inflows of Resources Related to the<br>Town's Participation in VSERS  | <u>82,615</u>              | <u>19,951</u>               | <u>102,566</u>       |
| Total Deferred Inflows of Resources  | <u>102,501</u>             | <u>19,951</u>               | <u>122,452</u>       |
| <u>NET POSITION</u>  |                            |                             |                      |
| Net Investment in Capital Assets   | 15,057,789                 | 2,122,765                   | 17,180,554           |
| Restricted:  |                            |                             |                      |
| Trustee of Public Funds  | 322,180                    | 0                           | 322,180              |
| Revolving Loans  | 382,684                    | 0                           | 382,684              |
| Other  | 30,941                     | 0                           | 30,941               |
| Unrestricted/(Deficit)   | <u>(924,259)</u>           | <u>(300,645)</u>            | <u>(1,224,904)</u>   |
| Total Net Position   | <u>\$ 14,869,335</u>       | <u>\$ 1,822,120</u>         | <u>\$ 16,691,455</u> |

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

TOWN OF BETHEL, VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

|   | Program Revenues    |                         |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                             |                      |
|---|---------------------|-------------------------|--|--|--|-----------------------------|----------------------|
|   | Expenses            | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-type<br>Activities | Total                |
| Functions/Programs:                         |                     |                         |  |  |  |                             |                      |
| Primary Government:                         |                     |                         |  |  |  |                             |                      |
| Governmental Activities:                    |                     |                         |  |  |  |                             |                      |
| General Government                          | \$ 497,859          | \$ 37,719               | \$ 36,393                                | \$ 9,438                               | \$ (414,309)   | \$ 0                        | \$ (414,309)         |
| Public Safety                               | 263,515             | 943                     | 12,913                                   | 21,497                                 | (228,162)  | 0                           | (228,162)            |
| Public Works                                | 966,138             | 550                     | 136,460                                  | 27,461                                 | (801,667)  | 0                           | (801,667)            |
| Culture and Recreation                      | 104,879             | 9,566                   | 3,445                                    | 455,204                                | 363,336  | 0                           | 363,336              |
| Cemetery                                    | 35,377              | 225                     | 0  | 0                                      | (35,152)   | 0                           | (35,152)             |
| Community Development                       | 0                   | 4,111                   | 0  | 0                                      | 4,111  | 0                           | 4,111                |
| Sanitation                                  | 18,798              | 0                       | 0  | 0                                      | (18,798)   | 0                           | (18,798)             |
| Interest on Long-term Debt                  | 86,184              | 0                       | 0  | 0                                      | (86,184)   | 0                           | (86,184)             |
| <b>Total Governmental Activities</b>        | <b>1,972,750</b>    | <b>53,114</b>           | <b>189,211</b>                           | <b>513,600</b>                         | <b>(1,216,825)</b>                                   | <b>0</b>                    | <b>(1,216,825)</b>   |
| Business-type Activities:                   |                     |                         |  |  |  |                             |                      |
| Water                                       | 170,509             | 186,775                 | 0  | 0                                      | 0  | 16,266                      | 16,266               |
| Sewer                                       | 299,674             | 215,181                 | 0  | 0                                      | 0  | (84,493)                    | (84,493)             |
| <b>Total Business-type Activities</b>       | <b>470,183</b>      | <b>401,956</b>          | <b>0</b>                                 | <b>0</b>                               | <b>0</b>   | <b>(68,227)</b>             | <b>(68,227)</b>      |
| <b>Total Primary Government</b>             | <b>\$ 2,442,933</b> | <b>\$ 455,070</b>       | <b>\$ 189,211</b>                        | <b>\$ 513,600</b>                      | <b>(1,216,825)</b>                                   | <b>(68,227)</b>             | <b>(1,285,052)</b>   |
| General Revenues:                           |                     |                         |  |  |  |                             |                      |
| Property Taxes                              |                     |                         |  |  | 1,602,503  | 0                           | 1,602,503            |
| Penalties and Interest on Delinquent Taxes  |                     |                         |  |  | 43,441   | 0                           | 43,441               |
| General State Grants                        |                     |                         |  |  | 107,891  | 0                           | 107,891              |
| Unrestricted Investment Earnings            |                     |                         |  |  | 6,347  | 44                          | 6,391                |
| Other Revenues                              |                     |                         |  |  | 11,553   | 0                           | 11,553               |
| Transfers In/(Out):                         |                     |                         |  |  | (7,872)  | 7,872                       | 0                    |
| <b>Total General Revenues and Transfers</b> |                     |                         |  |  | <b>1,763,863</b>                                     | <b>7,916</b>                | <b>1,771,779</b>     |
| Change in Net Position                      |                     |                         |  |  | 547,038  | (60,311)                    | 486,727              |
| Net Position - July 1, 2015, As Restated    |                     |                         |  |  | 14,322,297   | 1,882,431                   | 16,204,728           |
| Net Position - June 30, 2016                |                     |                         |  |  | <b>\$ 14,869,335</b>                                 | <b>\$ 1,822,120</b>         | <b>\$ 16,691,455</b> |

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



TOWN OF BETHEL, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

|   | General Fund        | FEMA Fund         | Trustees of Public Funds | Revolving Loan Fund | AOT Enhancement Grant Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|--------------------------|---------------------|----------------------------|------------------------------|--------------------------|
| <b>ASSETS</b>   |                     |                   |                          |                     |                            |                              |                          |
| Cash  | \$ 358,681          | \$ 228,418        | \$ 7,361                 | \$ 104,766          | \$ 0                       | \$ 209,307                   | \$ 908,533               |
| Investments   | 0                   | 0                 | 314,819                  | 0                   | 0                          | 23,742                       | 338,561                  |
| HRA Escrow  | 2,625               | 0                 | 0                        | 0                   | 0                          | 0                            | 2,625                    |
| Receivables (Net of Allowance for Uncollectibles)                                   | 504,128             | 0                 | 0                        | 0                   | 0                          | 0                            | 504,128                  |
| Loan Receivable   | 0                   | 0                 | 0                        | 6,190               | 0                          | 0                            | 6,190                    |
| Due from Bethel/Royalton Solid Waste Management Facility                            | 9,097               | 0                 | 0                        | 0                   | 0                          | 0                            | 9,097                    |
| Due from Other Funds  | 409,469             | 0                 | 0                        | 65,000              | 0                          | 3,451                        | 477,920                  |
| Advances to Other Funds   | 0                   | 0                 | 0                        | 206,728             | 0                          | 0                            | 206,728                  |
| Due from the State of Vermont - Pension Credit                                      | 42,036              | 0                 | 0                        | 0                   | 0                          | 0                            | 42,036                   |
| Prepaid Expenses  | 70,269              | 0                 | 0                        | 0                   | 0                          | 0                            | 70,269                   |
| <b>Total Assets</b>   | <b>\$ 1,396,305</b> | <b>\$ 228,418</b> | <b>\$ 322,180</b>        | <b>\$ 382,684</b>   | <b>\$ 0</b>                | <b>\$ 236,500</b>            | <b>\$ 2,566,087</b>      |
| <b>LIABILITIES</b>  |                     |                   |                          |                     |                            |                              |                          |
| Accounts Payable  | \$ 264,613          | \$ 0              | \$ 0                     | \$ 0                | \$ 0                       | \$ 0                         | \$ 264,613               |
| Accrued Payroll and Benefits Payable  | 433                 | 0                 | 0                        | 0                   | 0                          | 0                            | 433                      |
| Due to Other Funds  | 0                   | 108,191           | 0                        | 0                   | 0                          | 56,498                       | 164,689                  |
| Unearned Revenue  | 0                   | 120,227           | 0                        | 0                   | 0                          | 0                            | 120,227                  |
| Due to Taxpayers  | 3,041               | 0                 | 0                        | 0                   | 0                          | 0                            | 3,041                    |
| Advances from Other Funds   | 71,543              | 0                 | 0                        | 0                   | 0                          | 0                            | 71,543                   |
| Short-term Note Payable   | 1,725,445           | 0                 | 0                        | 0                   | 0                          | 0                            | 1,725,445                |
| <b>Total Liabilities</b>  | <b>2,065,075</b>    | <b>228,418</b>    | <b>0</b>                 | <b>0</b>            | <b>0</b>                   | <b>56,498</b>                | <b>2,349,991</b>         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                     |                   |                          |                     |                            |                              |                          |
| Prepaid Property Taxes  | 19,886              | 0                 | 0                        | 0                   | 0                          | 0                            | 19,886                   |
| Unavailable Property Taxes, Penalties and Interest                                  | 225,000             | 0                 | 0                        | 0                   | 0                          | 0                            | 225,000                  |
| Unavailable Grants  | 237,605             | 0                 | 0                        | 0                   | 0                          | 0                            | 237,605                  |
| Unavailable Loans Receivable  | 0                   | 0                 | 0                        | 6,190               | 0                          | 0                            | 6,190                    |
| <b>Total Deferred Inflows of Resources</b>  | <b>482,491</b>      | <b>0</b>          | <b>0</b>                 | <b>6,190</b>        | <b>0</b>                   | <b>0</b>                     | <b>488,681</b>           |
| <b>FUND BALANCES/(DEFICIT)</b>  |                     |                   |                          |                     |                            |                              |                          |
| Nonspendable  | 112,305             | 0                 | 315,038                  | 206,728             | 0                          | 200                          | 634,271                  |
| Restricted  | 0                   | 0                 | 7,142                    | 169,766             | 0                          | 33,299                       | 210,207                  |
| Committed   | 0                   | 0                 | 0                        | 0                   | 0                          | 18,983                       | 18,983                   |
| Assigned  | 0                   | 0                 | 0                        | 0                   | 0                          | 127,520                      | 127,520                  |
| Unassigned/(Deficit)  | (1,263,566)         | 0                 | 0                        | 0                   | 0                          | 0                            | (1,263,566)              |
| <b>Total Fund Balances/(Deficit)</b>  | <b>(1,151,261)</b>  | <b>0</b>          | <b>322,180</b>           | <b>376,494</b>      | <b>0</b>                   | <b>180,002</b>               | <b>(272,585)</b>         |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balances/(Deficit)</b> | <b>\$ 1,396,305</b> | <b>\$ 228,418</b> | <b>\$ 322,180</b>        | <b>\$ 382,684</b>   | <b>\$ 0</b>                | <b>\$ 236,500</b>            |                          |

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

|   |                      |
|---|----------------------|
| Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.   | 16,196,052           |
| Other Assets are not Available to Pay for Current-Period Expenditures and, Therefore, are Deferred in the Funds.  | 468,795              |
| Long-term and Accrued Liabilities, Including Bonds Payable and the Net Pension Liability, are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds. | (1,655,370)          |
| Deferred Outflows and Inflows of Resources related to the Town's Participation in VSERS are applicable to Future Periods and, Therefore, are not reported in the Funds.               | 132,443              |
| <b>Net Position of Governmental Activities</b>  | <b>\$ 14,869,335</b> |

TOWN OF BETHEL, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

|  | General<br>Fund  | FEMA<br>Fund   | Trustees of<br>Public Funds<br>Fund | Revolving<br>Loan<br>Fund | AOT<br>Enhancement<br>Grant<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------|----------------|-------------------------------------|---------------------------|-------------------------------------|------------------------------------|--------------------------------|
| <b>Revenues:</b>                                     |                  |                |                                     |                           |                                     |                                    |                                |
| Property Taxes                                       | \$ 1,615,163     | \$ 0           | \$ 0                                | \$ 0                      | \$ 0                                | \$ 0                               | \$ 1,615,163                   |
| Penalties and Interest on Delinquent Taxes           | 43,441           | 0              | 0                                   | 0                         | 0                                   | 0                                  | 43,441                         |
| Intergovernmental                                    | 291,402          | 452,544        | 0                                   | 0                         | 0                                   | 59,669                             | 803,615                        |
| Charges for Services                                 | 41,525           | 0              | 0                                   | 0                         | 0                                   | 4,648                              | 46,173                         |
| Permits, Licenses and Fees                           | 41,530           | 0              | 0                                   | 0                         | 0                                   | 0                                  | 41,530                         |
| Loan Repayments                                      | 0                | 0              | 0                                   | 11,750                    | 0                                   | 0                                  | 11,750                         |
| Loan Interest Income                                 | 0                | 0              | 0                                   | 4,111                     | 0                                   | 0                                  | 4,111                          |
| Investment Income                                    | 555              | 0              | 5,616                               | 17                        | 12                                  | 147                                | 6,347                          |
| Donations  | 0                | 0              | 0                                   | 0                         | 0                                   | 5,600                              | 5,600                          |
| Other  | 11,553           | 0              | 0                                   | 0                         | 0                                   | 0                                  | 11,553                         |
| <b>Total Revenues</b>                                | <b>2,045,169</b> | <b>452,544</b> | <b>5,616</b>                        | <b>15,878</b>             | <b>12</b>                           | <b>70,064</b>                      | <b>2,589,283</b>               |
| <b>Expenditures:</b>                                 |                  |                |                                     |                           |                                     |                                    |                                |
| General Government                                   | 481,513          | 0              | 5,112                               | 0                         | 0                                   | 0                                  | 486,625                        |
| Public Safety  | 196,231          | 0              | 0                                   | 0                         | 0                                   | 0                                  | 196,231                        |
| Public Works   | 569,040          | 0              | 0                                   | 0                         | 0                                   | 236                                | 569,276                        |
| Culture and Recreation                               | 97,999           | 0              | 0                                   | 0                         | 0                                   | 6,256                              | 104,255                        |
| Cemetery   | 35,377           | 0              | 0                                   | 0                         | 0                                   | 0                                  | 35,377                         |
| Sanitation   | 18,798           | 0              | 0                                   | 0                         | 0                                   | 0                                  | 18,798                         |
| Capital Outlay:                                      |                  |                |                                     |                           |                                     |                                    |                                |
| General Government                                   | 7,282            | 0              | 0                                   | 0                         | 0                                   | 0                                  | 7,282                          |
| Public Safety  | 10,299           | 0              | 0                                   | 0                         | 0                                   | 22,232                             | 32,531                         |
| Public Works   | 171,888          | 27,461         | 0                                   | 0                         | 0                                   | 0                                  | 199,349                        |
| Culture and Recreation                               | 100              | 425,083        | 0                                   | 0                         | 0                                   | 60,000                             | 485,183                        |
| Debt Service:  |                  |                |                                     |                           |                                     |                                    |                                |
| Principal  | 93,900           | 0              | 0                                   | 0                         | 0                                   | 169,229                            | 263,129                        |
| Interest   | 62,538           | 0              | 0                                   | 0                         | 0                                   | 8,905                              | 71,443                         |
| <b>Total Expenditures</b>                            | <b>1,744,965</b> | <b>452,544</b> | <b>5,112</b>                        | <b>0</b>                  | <b>0</b>                            | <b>266,858</b>                     | <b>2,469,479</b>               |
| Excess/(Deficiency) of Revenues<br>Over Expenditures | 300,204          | 0              | 504                                 | 15,878                    | 12                                  | (196,794)                          | 119,804                        |
| <b>Other Financing Sources/(Uses):</b>               |                  |                |                                     |                           |                                     |                                    |                                |
| Transfers In   | 28,743           | 0              | 0                                   | 0                         | 0                                   | 171,500                            | 200,243                        |
| Transfers Out  | (179,372)        | 0              | (1,562)                             | 0                         | (27,181)                            | 0                                  | (208,115)                      |
| <b>Total Other Financing<br/>Sources/(Uses)</b>      | <b>(150,629)</b> | <b>0</b>       | <b>(1,562)</b>                      | <b>0</b>                  | <b>(27,181)</b>                     | <b>171,500</b>                     | <b>(7,872)</b>                 |
| <b>Net Change in Fund Balances</b>                   | <b>149,575</b>   | <b>0</b>       | <b>(1,058)</b>                      | <b>15,878</b>             | <b>(27,169)</b>                     | <b>(25,294)</b>                    | <b>111,932</b>                 |
| Fund Balances/(Deficit) - July 1, 2015               | (1,300,836)      | 0              | 323,238                             | 360,616                   | 27,169                              | 205,296                            | (384,517)                      |
| Fund Balances/(Deficit) - June 30, 2016              | \$ (1,151,261)   | \$ 0           | \$ 322,180                          | \$ 376,494                | \$ 0                                | \$ 180,002                         | \$ (272,585)                   |

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

TOWN OF BETHEL, VERMONT  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2016

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

|  |    |                       |
|--|----|-----------------------|
| Net change in fund balances - total governmental funds (Exhibit D)   | \$ | 111,932               |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$724,345) is allocated over their estimated useful lives and reported as depreciation expense (\$509,241). This is the amount by which capital outlays exceeded depreciation in the current period.   |    | 215,104               |
| The effect of donations of capital assets is to increase net position. Land improvements were donated by the planning commission to hazard mitigation buyout properties.   |    | 9,438                 |
| The issuance of long-term debt (\$0) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$263,129) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. |    | 263,129               |
| The issuance of loans receivable (\$0) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$11,750) provides current financial resources to governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of loans receivable.  |    | (11,750)              |
| Governmental funds report employer pension contributions as expenditures (\$39,239). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$48,644) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.   |    | (9,405)               |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |    | (20,611)              |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.  |    | <u>(10,799)</u>       |
| Change in net position of governmental activities (Exhibit B)  | \$ | <u><u>547,038</u></u> |

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

TOWN OF BETHEL, VERMONT  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016

|  | Water<br>Fund | Sewer<br>Fund | Total        |
|--|---------------|---------------|--------------|
| <u>ASSETS</u>  |               |               |              |
| Current Assets:  |               |               |              |
| Investments  | \$ 0          | \$ 12,420     | \$ 12,420    |
| Receivables (Net of Allowance for Uncollectible)                               | 42,113        | 34,060        | 76,173       |
| Unbilled Receivables   | 1,600         | 1,600         | 3,200        |
| Due from Other Governments   | 5,563         | 18,455        | 24,018       |
| Total Current Assets   | 49,276        | 66,535        | 115,811      |
| Noncurrent Assets:   |               |               |              |
| Capital Assets:  |               |               |              |
| Land   | 0             | 7,100         | 7,100        |
| Water and Sewer Systems  | 2,180,633     | 2,987,767     | 5,168,400    |
| Less: Accumulated Depreciation   | (853,099)     | (1,418,682)   | (2,271,781)  |
| Total Noncurrent Assets  | 1,327,534     | 1,576,185     | 2,903,719    |
| Total Assets   | 1,376,810     | 1,642,720     | 3,019,530    |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u>  |               |               |              |
| Deferred Outflows of Resources Related to the<br>Town's Participation in VSERS |               |               |              |
|  | 6,804         | 47,447        | 54,251       |
| Total Deferred Outflows of Resources   | 6,804         | 47,447        | 54,251       |
| <u>LIABILITIES</u>   |               |               |              |
| Current Liabilities:   |               |               |              |
| Due to Other Funds   | 140,166       | 173,065       | 313,231      |
| Accrued Interest Payable   | 5,416         | 0             | 5,416        |
| Notes Payable - Current Portion  | 0             | 7,997         | 7,997        |
| General Obligation Bonds Payable - Current Portion                             | 54,771        | 0             | 54,771       |
| Total Current Liabilities  | 200,353       | 181,062       | 381,415      |
| Noncurrent Liabilities:  |               |               |              |
| Advances from Other Funds  | 90,687        | 44,498        | 135,185      |
| Compensated Absences Payable   | 2,762         | 26,388        | 29,150       |
| Net Pension Liability  | 11,720        | 91,239        | 102,959      |
| Notes Payable - Noncurrent Portion   | 0             | 47,985        | 47,985       |
| General Obligation Bonds Payable - Noncurrent Portion                          | 535,016       | 0             | 535,016      |
| Total Noncurrent Liabilities   | 640,185       | 210,110       | 850,295      |
| Total Liabilities  | 840,538       | 391,172       | 1,231,710    |
| <u>DEFERRED INFLOWS OF RESOURCES</u>   |               |               |              |
| Deferred Inflows of Resources Related to the<br>Town's Participation in VSERS  |               |               |              |
|  | 1,644         | 18,307        | 19,951       |
| Total Deferred Inflows of Resources  | 1,644         | 18,307        | 19,951       |
| <u>NET POSITION</u>  |               |               |              |
| Net Investment in Capital Assets   | 647,060       | 1,475,705     | 2,122,765    |
| Unrestricted/(Deficit)   | (105,628)     | (195,017)     | (300,645)    |
| Total Net Position   | \$ 541,432    | \$ 1,280,688  | \$ 1,822,120 |

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

TOWN OF BETHEL, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

|   | Water<br>Fund     | Sewer<br>Fund       | Total               |
|---|-------------------|---------------------|---------------------|
|   | <u>          </u> | <u>          </u>   | <u>          </u>   |
| Operating Revenues:                     |                   |                     |                     |
| Charges for Services                    | \$ 179,063        | \$ 207,955          | \$ 387,018          |
| Other                                   | <u>7,712</u>      | <u>7,226</u>        | <u>14,938</u>       |
| Total Operating Revenues                | <u>186,775</u>    | <u>215,181</u>      | <u>401,956</u>      |
| Operating Expenses:                     |                   |                     |                     |
| Payroll and Benefits                    | 32,684            | 134,531             | 167,215             |
| Administrative Services                 | 13,000            | 10,700              | 23,700              |
| Training and Certification              | 0                 | 3,535               | 3,535               |
| Supplies                                | 424               | 1,843               | 2,267               |
| Utilities                               | 23,190            | 22,779              | 45,969              |
| Repairs and Maintenance                 | 12,187            | 13,228              | 25,415              |
| Chemicals                               | 543               | 2,279               | 2,822               |
| Permits and Testing                     | 4,690             | 0                   | 4,690               |
| Sludge Disposal                         | 0                 | 13,625              | 13,625              |
| Depreciation                            | 40,719            | 61,737              | 102,456             |
| Provision for Bad Debts                 | 9,203             | 12,180              | 21,383              |
| Other Operating Expenses                | <u>14,009</u>     | <u>20,069</u>       | <u>34,078</u>       |
| Total Operating Expenses                | <u>150,649</u>    | <u>296,506</u>      | <u>447,155</u>      |
| Operating Income/(Loss)                 | <u>36,126</u>     | <u>(81,325)</u>     | <u>(45,199)</u>     |
| Non-Operating Revenues/(Expenses):      |                   |                     |                     |
| Investment Income                       | 0                 | 44                  | 44                  |
| Interest Expense                        | <u>(19,860)</u>   | <u>(3,168)</u>      | <u>(23,028)</u>     |
| Total Non-Operating Revenues/(Expenses) | <u>(19,860)</u>   | <u>(3,124)</u>      | <u>(22,984)</u>     |
| Other Financing Sources:                |                   |                     |                     |
| Transfers In                            | <u>0</u>          | <u>7,872</u>        | <u>7,872</u>        |
| Total Other Financing Sources           | <u>0</u>          | <u>7,872</u>        | <u>7,872</u>        |
| Change in Net Position                  | 16,266            | (76,577)            | (60,311)            |
| Net Position - July 1, 2015             | <u>525,166</u>    | <u>1,357,265</u>    | <u>1,882,431</u>    |
| Net Position - June 30, 2016            | <u>\$ 541,432</u> | <u>\$ 1,280,688</u> | <u>\$ 1,822,120</u> |

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

TOWN OF BETHEL, VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

|  | Water<br>Fund     | Sewer<br>Fund     | Total             |
|--|-------------------|-------------------|-------------------|
|  | <u>          </u> | <u>          </u> | <u>          </u> |
| Cash Flows From Operating Activities:  |                   |                   |                   |
| Receipts from Customers and Users  | \$ 202,337        | \$ 221,605        | \$ 423,942        |
| Payments for Goods and Services  | (55,043)          | (77,358)          | (132,401)         |
| Payments for Interfund Services  | (13,000)          | (10,700)          | (23,700)          |
| Payments for Wages and Benefits  | <u>(32,970)</u>   | <u>(124,164)</u>  | <u>(157,134)</u>  |
| Net Cash Provided by Operating Activities  | <u>101,324</u>    | <u>9,383</u>      | <u>110,707</u>    |
| Cash Flows From Noncapital Financing Activities:   |                   |                   |                   |
| Increase/(Decrease) in Due to Other Funds  | <u>(5,618)</u>    | <u>764</u>        | <u>(4,854)</u>    |
| Net Cash Provided/(Used) by Noncapital<br>Financing Activities   | <u>(5,618)</u>    | <u>764</u>        | <u>(4,854)</u>    |
| Cash Flows From Capital and Related Financing Activities:  |                   |                   |                   |
| Transfer from General Fund for Debt  | 0                 | 7,872             | 7,872             |
| Principal Paid on General Obligation Bonds Payable   | (53,176)          | 0                 | (53,176)          |
| Principal Paid on Notes Payable  | 0                 | (7,998)           | (7,998)           |
| Interest Paid on Long-term Debt  | (20,417)          | (3,168)           | (23,585)          |
| Decrease In Advance from Other Fund  | <u>(22,113)</u>   | <u>(6,853)</u>    | <u>(28,966)</u>   |
| Net Cash Provided/(Used) by Capital and<br>Related Financing Activities                                  | <u>(95,706)</u>   | <u>(10,147)</u>   | <u>(105,853)</u>  |
| Cash Flows From Investing Activities:  |                   |                   |                   |
| Receipt of Interest  | 0                 | 44                | 44                |
| Net Increase in Investments  | <u>0</u>          | <u>(44)</u>       | <u>(44)</u>       |
| Net Cash Provided by Investing Activities  | <u>0</u>          | <u>0</u>          | <u>0</u>          |
| Net Increase in Cash   | 0                 | 0                 | 0                 |
| Cash - July 1, 2015  | <u>0</u>          | <u>0</u>          | <u>0</u>          |
| Cash - June 30, 2016   | <u>\$ 0</u>       | <u>\$ 0</u>       | <u>\$ 0</u>       |
| Adjustments to Reconcile Operating Income/(Loss) to Net Cash<br>Provided/(Used) by Operating Activities: |                   |                   |                   |
| Operating Income/(Loss)  | \$ 36,126         | \$ (81,325)       | \$ (45,199)       |
| Depreciation   | 40,719            | 61,737            | 102,456           |
| (Increase)/Decrease in Receivables   | 24,765            | 18,604            | 43,369            |
| (Increase)/Decrease in Deferred Outflows of Resources<br>Related to the Town's Participation in VSERS    | (5,831)           | (37,898)          | (43,729)          |
| Increase/(Decrease) in Accrued Payroll and Benefits Payable  | (121)             | (635)             | (756)             |
| Increase/(Decrease) in Compensated Absences Payable  | (484)             | 8,929             | 8,445             |
| Increase/(Decrease) in Net Pension Liability   | 6,930             | 45,041            | 51,971            |
| Increase/(Decrease) in Deferred Inflows of Resources<br>Related to the Town's Participation in VSERS     | <u>(780)</u>      | <u>(5,070)</u>    | <u>(5,850)</u>    |
| Net Cash Provided by Operating Activities  | <u>\$ 101,324</u> | <u>\$ 9,383</u>   | <u>\$ 110,707</u> |

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

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

The Town of Bethel, Vermont, (herein the "Town") operates under a Manager/Board of Selectmen form of government and provides the following services as authorized by State statutes: public safety, highways and streets, health and social services, community/economic development, culture and recreation, public improvements, planning and zoning, water, sewer and general administrative services.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **A. The Financial Reporting Entity**

This report includes all of the activity of the Town of Bethel, 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.

The Town participates in a joint venture, the Bethel/Royalton Solid Waste Management Facility (the Facility). The Facility is governed by a Board comprised of three (3) members appointed by the Town of Bethel and three (3) members appointed by the Town of Royalton. The Selectboards of the Towns may jointly issue such notes or other obligations as they may deem necessary for Facility capital expenses and operating expenses. The apportionment between the Towns of the costs of repayment of such notes and obligations shall be in accordance with such agreements as negotiated by the Selectboards at the time the notes and obligations are incurred. If the contract is terminated, the Selectboards shall prepare and adopt, prior to the end of the then-current term, a plan of dissolution which shall specify the means by which assets of the Facility shall be liquidated and specify the nature and amount of any liabilities or obligations to be assumed and paid by each Town and/or specify the amount of monies due from each Town, if necessary, to extinguish the liabilities of the Facility. There is no explicit measurable equity interest in the agreement so, therefore, the Town's share of the Facility's equity is not reported in the Town's financial statements. The Facility issues separate audited financial statements.

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**B. Basis of Presentation**

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

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

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 taxes, intergovernmental revenues, 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. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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 governmental funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental funds:

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

FEMA Fund – This fund accounts for the FEMA related activity of the Town.

Trustees of Public Funds Fund – This fund accounts for the Trustees of Public Funds monies.



TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

Revolving Loan Fund – This fund accounts for the Town’s Revolving Loan Fund which provides loans to area businesses.

AOT Enhancement Grant Fund – This fund accounts for the capital expenditures related to the AOT Enhancement Grant.

The Town reports on the following major enterprise funds:

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

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

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

### **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. This means that all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., total net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

### **D. Basis of Accounting**

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

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

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

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

#### **E. Use of Estimates**

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

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

##### **1. Cash**

Cash balances of most Town funds are deposited with and invested by the Town Treasurer. The Town considers all short-term investments of thirty (30) days or less to be cash equivalents.

Excess cash of individual funds are shown as due from other funds and excess withdrawals are shown as due to other funds.

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**2. Investments**

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

**3. Receivables**

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

**4. Internal Balances**

Activity between funds that are representative of lending/borrowing 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”.

**5. Pensions**

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

**6. Inventories and Prepaid Expenses**

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

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

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

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

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

TOWN OF BETHEL, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

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

**8. Capital Assets**

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets’ lives are not capitalized. Infrastructure assets are reported starting with fiscal year ended June 30, 2004. The Town has elected to not report major general infrastructure assets retroactively.

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

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

|                                     | Capitalization<br>Threshold | Estimated<br>Service Life |
|-------------------------------------|-----------------------------|---------------------------|
| Land                                | \$ 1,000                    | Not Depreciated           |
| Land Improvements                   | \$ 5,000                    | 20-50 Years               |
| Buildings and Building Improvements | \$ 5,000                    | 50 Years                  |
| Machinery and Equipment             | \$ 1,000                    | 5-25 Years                |
| Infrastructure                      | \$ 5,000                    | 15-50 Years               |
| Water and Sewer Systems             | \$ 5,000                    | 20-75 Years               |

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are incurred.

**9. Compensated Absences**

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

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**10. Long-term Liabilities**

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

**11. Fund Equity**

Fund equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in the 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 of governmental funds are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Board of Selectmen's intended use of the resources); and unassigned.

**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND  
AND GOVERNMENT-WIDE STATEMENTS**

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, whereas government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as other financing sources, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report proceeds of long-term debt as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

TOWN OF BETHEL, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

Pension-related differences arise because governmental funds report the current year's required employer contributions as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources. In addition the accrual for the Town's proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The budget is approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget amendments during the year. The budget presented herein is for the Town's "General Fund" only and does not include the Cemeteries Fund and the Town Clerk Fund activity that is included with the General Fund.

**B. Restatement of Net Position**

The net position of the Governmental Activities was restated as follows:

|  |    |                          |
|--|----|--------------------------|
| Net Position - June 30, 2015, As Originally Reported | \$ | 14,286,388               |
| Understatement of Capital Assets                     |    | <u>35,909</u>            |
| Net Position - June 30, 2015, As Restated            | \$ | <u><u>14,322,297</u></u> |

The correction of the Governmental Activities was the result of an understatement of capital assets. The effect of this correction on the Governmental Activities Statement of Net Position is to increase assets and net position by \$35,909. The effect on the 2015 Statement of Activities has not been determined.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

The Town's cash and investments as of June 30, 2016 consisted of the following:

|                                      |    |                           |
|--------------------------------------|----|---------------------------|
| Cash:                                |    |                           |
| Deposits with Financial Institutions | \$ | <u>908,533</u>            |
| Investments:                         |    |                           |
| Certificates of Deposit              |    | 199,591                   |
| Common Stock                         |    | 32,357                    |
| Mutual Funds – Equities              |    | <u>119,033</u>            |
| Total Investments                    |    | <u>350,981</u>            |
| Total Cash and Investments           |    | <u><u>\$1,259,514</u></u> |

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

The Town has six (6) certificates of deposit at Northfield Savings Bank ranging from \$1,302 to \$53,218 with interest rates ranging from 0.40% to 1.09%. All certificates of deposit at Northfield Savings Bank will mature by fiscal year 2017. The Town has six (6) certificates of deposit at Mascoma Savings Bank ranging from \$662 to \$23,742 with interest rates ranging from 0.35% to 1.74%. All certificates of deposit at Mascoma Savings Bank will mature by fiscal year 2017.

**Custodial Credit Risk**

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

|              | <u>Book<br/>Balance</u> | <u>Bank<br/>Balance</u> |
|--------------|-------------------------|-------------------------|
| FDIC Insured | <u>\$1,108,124</u>      | <u>\$1,189,060</u>      |

The difference between the book and 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 | \$ 908,533         |
| Investments – Certificates of Deposit       | <u>199,591</u>     |
| Total                                       | <u>\$1,108,124</u> |

**Interest Rate Risk**

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

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**Credit Risk**

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

**Concentration of Credit Risk**

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town's certificates of deposit and mutual funds are exempt from concentration of credit risk analysis. There are no other investments in any one issuer that represent more than 5% of total investments.

**B. Receivables**

Receivables as of June 30, 2016, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

|                                   | Governmental<br>Activities | Business-type<br>Activities | Total             |
|-----------------------------------|----------------------------|-----------------------------|-------------------|
| Delinquent Taxes Receivable       | \$ 201,746                 | \$ 0                        | \$ 201,746        |
| Penalties and Interest Receivable | 43,486                     | 0                           | 43,486            |
| Grants Receivable                 | 244,316                    | 24,018                      | 268,334           |
| Accounts Receivable               | 14,580                     | 0                           | 14,580            |
| Billed Services                   | 0                          | 106,173                     | 106,173           |
| Unbilled Services                 | 0                          | 3,200                       | 3,200             |
| Allowance for Doubtful Accounts   | 0                          | (30,000)                    | (30,000)          |
| Total                             | \$ <u>504,128</u>          | \$ <u>103,391</u>           | \$ <u>607,519</u> |

In addition, the Town has a credit balance of \$42,036 with the State of Vermont Employees' Retirement System. This credit is being utilized at \$21,018 per year through June 30, 2018.

**C. Loan Receivable**

The loan receivable as of June 30, 2016 consists of a community development loan as follows:

Loans Receivable, 1 Small Business Loan, Monthly  
Principal and Interest Payments Required, Interest at  
5%, Monthly Due Dates, Secured by Business Assets  
and Second Mortgages

\$6,190



TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

An analysis of the change in loans receivable is as follows:

| <u>Balance</u><br><u>July 1, 2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u><br><u>June 30, 2016</u> |
|---------------------------------------|------------------|------------------|--|
| <u>\$61,468</u>                       | <u>\$ 0</u>      | <u>\$55,278</u>  | <u>\$6,190</u>                         |

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2016 was as follows:

|  | <u>Beginning</u><br><u>Balance</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Ending</u><br><u>Balance</u> |
|--|------------------------------------|---------------------|------------------|---------------------------------|
| <b>Governmental Activities</b>               |                                    |                     |                  |                                 |
| Capital Assets, Not Being Depreciated:       |                                    |                     |                  |                                 |
| Land   | \$ 326,708                         | \$ 0                | \$ 0             | \$ 326,708                      |
| Construction in Progress                     | 49,753                             | 502,643             | 0                | 552,396                         |
| Total Capital Assets, Not Being Depreciated  | <u>376,461</u>                     | <u>502,643</u>      | <u>0</u>         | <u>879,104</u>                  |
| Capital Assets, Being Depreciated:           |                                    |                     |                  |                                 |
| Land Improvements                            | 197,597                            | 16,721              | 0                | 214,318                         |
| Buildings and Building Improvements          | 1,792,410                          | 10,000              | 0                | 1,802,410                       |
| Machinery and Equipment                      | 1,826,569                          | 32,531              | 0                | 1,859,100                       |
| Infrastructure                               | 14,327,037                         | 171,888             | 0                | 14,498,925                      |
| Totals                                       | <u>18,143,613</u>                  | <u>231,140</u>      | <u>0</u>         | <u>18,374,753</u>               |
| Less Accumulated Depreciation for:           |                                    |                     |                  |                                 |
| Land Improvements                            | 67,841                             | 35,697              | 0                | 103,538                         |
| Buildings and Building Improvements          | 324,529                            | 3,769               | 0                | 328,298                         |
| Machinery and Equipment                      | 562,504                            | 130,294             | 0                | 692,798                         |
| Infrastructure                               | 1,593,690                          | 339,481             | 0                | 1,933,171                       |
| Totals                                       | <u>2,548,564</u>                   | <u>509,241</u>      | <u>0</u>         | <u>3,057,805</u>                |
| Total Capital Assets, Being Depreciated      | <u>15,595,049</u>                  | <u>(278,101)</u>    | <u>0</u>         | <u>15,316,948</u>               |
| Governmental Activities Capital Assets, Net  | <u>\$ 15,971,510</u>               | <u>\$ 224,542</u>   | <u>\$ 0</u>      | <u>\$ 16,196,052</u>            |
| <br>   |                                    |                     |                  |                                 |
|  | <u>Beginning</u><br><u>Balance</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Ending</u><br><u>Balance</u> |
| <b>Business-type Activities</b>              |                                    |                     |                  |                                 |
| Capital Assets, Not Being Depreciated:       |                                    |                     |                  |                                 |
| Land   | \$ 7,100                           | \$ 0                | \$ 0             | \$ 7,100                        |
| Total Capital Assets, Not Being Depreciated  | <u>7,100</u>                       | <u>0</u>            | <u>0</u>         | <u>7,100</u>                    |
| Capital Assets, Being Depreciated:           |                                    |                     |                  |                                 |
| Water System                                 | 2,180,633                          | 0                   | 0                | 2,180,633                       |
| Sewer System                                 | 2,987,767                          | 0                   | 0                | 2,987,767                       |
| Totals                                       | <u>5,168,400</u>                   | <u>0</u>            | <u>0</u>         | <u>5,168,400</u>                |
| Less Accumulated Depreciation for:           |                                    |                     |                  |                                 |
| Water System                                 | 812,380                            | 40,720              | 0                | 853,100                         |
| Sewer System                                 | 1,356,945                          | 61,736              | 0                | 1,418,681                       |
| Totals                                       | <u>2,169,325</u>                   | <u>102,456</u>      | <u>0</u>         | <u>2,271,781</u>                |
| Total Capital Assets, Being Depreciated      | <u>2,999,075</u>                   | <u>(102,456)</u>    | <u>0</u>         | <u>2,896,619</u>                |
| Business-type Activities Capital Assets, Net | <u>\$ 3,006,175</u>                | <u>\$ (102,456)</u> | <u>\$ 0</u>      | <u>\$ 2,903,719</u>             |

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

Depreciation was charged as follows:

| Governmental Activities:                                    |                       | Business-type Activities:                                    |                       |
|---|-----------------------|--|-----------------------|
| General Government  | \$ 47,108             | Water  | \$ 40,719             |
| Public Safety   | 67,284                | Sewer  | <u>61,737</u>         |
| Public Works  | 394,225               |  |                       |
| Culture and Recreation                                      | <u>624</u>            |  |                       |
| <br>Total Depreciation Expense -<br>Governmental Activities | <br><u>\$ 509,241</u> | <br>Total Depreciation Expense -<br>Business-type Activities | <br><u>\$ 102,456</u> |

**E. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2016 are as follows:

| Fund                         | Due from<br>Other Funds | Due to<br>Other Funds |
|------------------------------|-------------------------|-----------------------|
| General Fund                 | \$ 409,469              | \$ 0                  |
| FEMA Fund                    | 0                       | 108,191               |
| Revolving Loan Fund          | 65,000                  | 0                     |
| Non-Major Governmental Funds | 3,451                   | 56,498                |
| Water Fund                   | 0                       | 140,166               |
| Sewer Fund                   | <u>0</u>                | <u>173,065</u>        |
| <br>Total                    | <br><u>\$ 477,920</u>   | <br><u>\$ 477,920</u> |

The composition of advances from/to other funds as of June 30, 2016 are as follows:

| Fund                | Advances to<br>Other Funds | Advances from<br>Other Funds |
|---------------------|----------------------------|------------------------------|
| General Fund        | \$ 0                       | \$ 71,543                    |
| Revolving Loan Fund | 206,728                    | 0                            |
| Water Fund          | 0                          | 90,687                       |
| Sewer Fund          | <u>0</u>                   | <u>44,498</u>                |
| <br>Total           | <br><u>\$ 206,728</u>      | <br><u>\$ 206,728</u>        |

The advances from/to other funds will be repaid as follows:

|  |           |
|--|-----------|
| Advance to General Fund from the Revolving Loan Fund<br>for the Fire Station Construction, Due September, 2017 | \$ 71,543 |
| Advance to Water Fund from the Revolving Loan Fund<br>for Water Line Replacement, Due September, 2017          | 90,687    |

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

Advance to Sewer Fund from the Revolving Loan Fund  
for Wastewater Overruns, Due September, 2017 \$ 44,498

Total Advances from/to Other Funds \$206,728

Interfund transfers during the year ended June 30, 2016 were as follows:

| <u>Transfer From</u>          | <u>Transfer To</u>           | <u>Amount</u>     | <u>Purpose</u>       |
|-------------------------------|------------------------------|-------------------|----------------------|
| General Fund                  | Cemeteries Fund              | \$ 17,500 *       | Annual Appropriation |
| General Fund                  | Highway Equipment Trust Fund | 110,000           | Annual Appropriation |
| General Fund                  | Fire Equipment Fund          | 46,500            | Fund Debt Payments   |
| General Fund                  | Recreation Reserve Fund      | 15,000            | Annual Appropriation |
| General Fund                  | Sewer Fund                   | 7,872             | Fund Debt Service    |
| Trustees of Public Funds Fund | Cemeteries Fund              | 1,514 *           | Bequest Payments     |
| Trustees of Public Funds Fund | General Fund                 | 48                | Bequest Payments     |
| AOT Enhancement Grant Fund    | General Fund                 | <u>27,181</u>     | Close Fund           |
| Total                         |                              | <u>\$ 225,615</u> |                      |

\* The transfer from the General Fund to the Cemeteries Fund is netted within the General Fund as the fund is consolidated within the General Fund to comply with GASB Statement No. 54. The transfer from the Trustees of Public Funds Fund to the Cemeteries Fund is included with the General Fund.

**F. Deferred Outflows of Resources**

Deferred outflows of resources in the Governmental Activities consists of \$2,492 from the difference between the expected and actual experience, \$38,978 from changes in assumptions, \$83,751 from the difference between the projected and actual investment earnings, \$50,598 from changes in the proportion and the effect of certain Town contributions on the Town's net pension liability related to the Town's participation in the Vermont State Employee's Retirement System (VSERS) and \$39,239 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Governmental Activities is \$215,058.

Deferred outflows of resources in the Business-type Activities consists of \$628 from the difference between the expected and actual experience, \$9,819 from changes in assumptions, \$21,083 from the difference between the projected and actual investment earnings, \$12,745 from changes in the proportion and the effect of certain Town contributions on the Town's net pension liability related to the Town's participation in the Vermont State Employee's Retirement System (VSERS) and \$9,976 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Business-type Activities is \$54,251.

Deferred outflows of resources in the Water Fund consists of \$78 from the difference between the expected and actual experience, \$1,213 from changes in assumptions, \$2,609 from the difference between the projected and actual investment earnings, \$1,574 from changes in the proportion and the effect of certain Town contributions on the Town's net pension liability related to the Town's participation in the Vermont State Employee's Retirement System (VSERS) and \$1,330 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Water Fund is \$6,804.

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

Deferred outflows of resources in the Sewer Fund consists of \$550 from the difference between the expected and actual experience, \$8,606 from changes in assumptions, \$18,474 from the difference between the projected and actual investment earnings, \$11,171 from changes in the proportion and the effect of certain Town contributions on the Town's net pension liability related to the Town's participation in the Vermont State Employee's Retirement System (VSERS) and \$8,646 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Sewer Fund is \$47,447.

**G. Unearned Revenue**

Unearned revenue in the FEMA Fund consists of \$120,227 of grant revenue received in advance.

**H. Deferred Inflows of Resources**

Deferred inflows of resources in the Governmental Activities consists of \$19,886 of prepaid property taxes, \$40,393 resulting from the difference between the projected and actual investment earnings and \$42,222 from changes in the proportion and the effect of certain Town contributions on the Town's net pension liability related to the Town's participation in the Vermont State Employee's Retirement System (VSERS). Total deferred inflows of resources in the Governmental Activities is \$102,501.

Deferred inflows of resources in the Business-type Activities consists of \$9,755 resulting from the difference between the projected and actual investment earnings and \$10,196 from changes in the proportion and the effect of certain Town contributions on the Town's net pension liability related to the Town's participation in the Vermont State Employee's Retirement System (VSERS). Total deferred inflows of resources in the Business-type Activities is \$19,951.

Deferred inflows of resources in the General Fund consists of \$225,000 of delinquent property taxes, penalties and interest on those taxes and \$237,605 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$19,886 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$482,491.

Deferred inflows of resources in the Revolving Loan Fund consists of \$6,190 of a loan receivable not collected within sixty (60) days after year-end as this would not be available to liquidate current liabilities.

Deferred inflows of resources in the Water Fund consists of \$804 resulting from the difference between the projected and actual investment earnings and \$840 from changes in the proportion and the effect of certain Town contributions on the Town's net pension liability related to the Town's participation in the Vermont State Employee's Retirement System (VSERS). Total deferred inflows of resources in the Water Fund is \$1,644.

Deferred inflows of resources in the Sewer Fund consists of \$8,951 resulting from the difference between the projected and actual investment earnings and \$9,356 from changes in the proportion and the effect of certain Town contributions on the Town's net pension liability related to the Town's participation in the Vermont State Employee's Retirement System (VSERS). Total deferred inflows of resources in the Sewer Fund is \$18,307.

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**I. Short-term Debt**

The Town had a tax anticipation note and a flood recovery note with Mascoma Savings Bank. The terms and activity are as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Tax Anticipation Note, Mascoma Savings Bank, Interest at 2.25%, Due December 31, 2016 and Paid June 17, 2016 | \$ 0                         | \$168,000        | \$168,000        | \$ 0                      |
| Note Payable, Mascoma Savings Bank, Flood Recovery, Interest at 1.0%, Due November 27, 2016                  | <u>1,725,445</u>             | <u>0</u>         | <u>0</u>         | <u>1,725,445</u>          |
| Total Short-term Debt  | <u>\$1,725,445</u>           | <u>\$168,000</u> | <u>\$168,000</u> | <u>\$1,725,445</u>        |

**J. Long-term Liabilities**

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 obligations 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.

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

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

The United States Department of Agriculture (USDA) offers a number of low interest loan programs for various purposes. The Town has borrowed money from the USDA, in the form of a bond, for Town Hall construction.

The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries. The accrual for the Town's share of the net pension liability is recorded in the government-wide financial statements and proprietary fund financial statements.

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

It is the policy of the Town to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements.

Long-term liabilities outstanding as of June 30, 2016 were as follows:

Governmental Activities:

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Note Payable, Mascoma Savings Bank,<br>Pumper & Tanker Trucks, Principal<br>and Interest Payments of \$33,550<br>Payable on March 31 Annually,<br>Interest at 2.75%, Due March, 2020  | \$ 154,678                   | \$ 0             | \$ 29,282        | \$ 125,396                |
| Bond Payable, Vermont Municipal Bond<br>Bank, Church Street Bridge, Principal<br>Payments Ranging from \$15,000 to<br>\$20,000 Payable on December 1 Annually,<br>Interest Rates Ranging from 1.9% to<br>4.65%, Due November, 2028  | 230,000                      | 0                | 20,000           | 210,000                   |
| Bond Payable, Vermont Municipal Bond<br>Bank, Sewer Treatment Facility, Principal<br>Payments Ranging from \$25,000 to<br>\$35,000 Payable on December 1 Annually,<br>Interest Rates Ranging from 3.525% to<br>5.375%, Due November, 2018   | 130,000                      | 0                | 30,000           | 100,000                   |
| Bond Payable, USDA, Town Hall<br>Reconstruction, Principal Payments of<br>\$43,900 Payable on December 20<br>Annually, Interest at 3.75% Payable on<br>June 20 and December 20, Due<br>December, 2030. 3% of Interest Paid<br>is Refundable to the Town Under the<br>Build America Bond Program | 702,100                      | 0                | 43,900           | 658,200                   |
| Note Payable, Mascoma Savings Bank,<br>Two 2013 Tandem Trucks, Principal<br>and Interest Payments of \$78,400 Payable<br>on November 15 Annually, Interest<br>at 2.25%, Due and Paid November, 2015   | 76,614                       | 0                | 76,614           | 0                         |

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

|   |                              |                  |                   |                           |
|---|------------------------------|------------------|-------------------|---------------------------|
| Note Payable, Mascoma Savings Bank,<br>Sidewalk Plow, Ranger and Truck,<br>Principal Payment of \$63,333 Plus<br>Interest Payable on March 10, 2016,<br>Principal Payment of \$27,333 Plus<br>Interest Payable on March 10, 2017,<br>Principal Payment of \$17,334 Plus<br>Interest Payable on March 10, 2018,<br>Interest at 2.5%, Due March, 2018 | \$ <u>108,000</u>            | \$ <u>0</u>      | \$ <u>63,333</u>  | \$ <u>44,667</u>          |
| Total Governmental Activities   | \$ <u>1,401,392</u>          | \$ <u>0</u>      | \$ <u>263,129</u> | \$ <u>1,138,263</u>       |
| Business-type Activities:   |                              |                  |                   |                           |
|   | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Deletions</u>  | <u>Ending<br/>Balance</u> |
| Water Bond Payable, State of Vermont<br>Special Environmental Revolving Fund,<br>Capital Improvements, Principal and<br>Interest Payments of \$42,218 Payable<br>on July 1 Annually, Interest at 3.0%<br>Due July, 2022   | \$263,031                    | \$ 0             | \$34,327          | \$228,704                 |
| Water Bond Payable, State of Vermont<br>Special Environmental Revolving Fund,<br>2009 Water Main Replacement, Principal<br>and Interest Payments of \$30,247 Payable<br>on January 1 Annually, Interest at 3.0%<br>Due November, 2030   | 379,932                      | 0                | 18,849            | 361,083                   |
| Sewer Note Payable, Mascoma Savings<br>Bank, Treatment System Operations,<br>Principal Payments of \$7,998 Payable<br>on June 30 Annually, Interest of 3.35%,<br>Due June, 2023   | <u>63,980</u>                | <u>0</u>         | <u>7,998</u>      | <u>55,982</u>             |
| Total Business-type Activities  | \$ <u>706,943</u>            | \$ <u>0</u>      | \$ <u>61,174</u>  | \$ <u>645,769</u>         |

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

Changes in long-term liabilities during the year were as follows:

|                                  | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|----------------------------------|------------------------------|-------------------|-------------------|---------------------------|--------------------------------|
| <b>Governmental Activities</b>   |                              |                   |                   |                           |                                |
| General Obligation Bonds Payable | \$ 1,062,100                 | \$ 0              | \$ 93,900         | \$ 968,200                | \$ 93,900                      |
| Notes Payable                    | 339,292                      | 0                 | 169,229           | 170,063                   | 57,433                         |
| Compensated Absences Payable     | 88,678                       | 0                 | 3,942             | 84,736                    | 0                              |
| Net Pension Liability            | <u>208,747</u>               | <u>204,418</u>    | <u>0</u>          | <u>413,165</u>            | <u>0</u>                       |
| Total Governmental Activities    |                              |                   |                   |                           |                                |
| Long-term Liabilities            | <u>\$ 1,698,817</u>          | <u>\$ 204,418</u> | <u>\$ 267,071</u> | <u>\$ 1,636,164</u>       | <u>\$ 151,333</u>              |
| <b>Business-type Activities</b>  |                              |                   |                   |                           |                                |
| General Obligation Bonds Payable | \$ 642,963                   | \$ 0              | \$ 53,176         | \$ 589,787                | \$ 54,771                      |
| Notes Payable                    | 63,980                       | 0                 | 7,998             | 55,982                    | 7,997                          |
| Compensated Absences Payable     | 20,705                       | 8,445             | 0                 | 29,150                    | 0                              |
| Net Pension Liability            | <u>50,988</u>                | <u>51,971</u>     | <u>0</u>          | <u>102,959</u>            | <u>0</u>                       |
| Total Business-type Activities   |                              |                   |                   |                           |                                |
| Long-term Liabilities            | <u>\$ 778,636</u>            | <u>\$ 60,416</u>  | <u>\$ 61,174</u>  | <u>\$ 777,878</u>         | <u>\$ 62,768</u>               |

Compensated absences and required contributions to the pension plans are paid by the applicable fund where the employee is charged.

The change in the net pension liability is allocated to the function where the employee is charged.

Debt service requirements to maturity are as follows:

| <u>Year Ending<br/>June 30</u> | <u>Governmental Activities</u> |                   | <u>Business-type Activities</u> |                   |
|--------------------------------|--------------------------------|-------------------|---------------------------------|-------------------|
|                                | <u>Principal</u>               | <u>Interest</u>   | <u>Principal</u>                | <u>Interest</u>   |
| 2017                           | \$ 151,333                     | \$ 41,571         | \$ 62,768                       | \$ 19,569         |
| 2018                           | 147,161                        | 35,914            | 64,414                          | 17,658            |
| 2019                           | 130,678                        | 30,314            | 66,104                          | 15,697            |
| 2020                           | 91,491                         | 26,147            | 67,848                          | 13,687            |
| 2021                           | 58,900                         | 22,975            | 69,643                          | 11,623            |
| 2022-2026                      | 294,500                        | 80,413            | 176,472                         | 33,780            |
| 2027-2031                      | <u>264,200</u>                 | <u>23,654</u>     | <u>138,520</u>                  | <u>12,714</u>     |
| Total                          | <u>\$ 1,138,263</u>            | <u>\$ 260,988</u> | <u>\$ 645,769</u>               | <u>\$ 124,728</u> |

**K. 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.



TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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 Board of Selectmen'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 nonspendable as follows:

Major Funds

General Fund:

|                               |               |
|-------------------------------|---------------|
| Nonspendable Prepaid Expenses | \$ 70,269     |
| Nonspendable Pension Credit   | <u>42,036</u> |

|                    |                |
|--------------------|----------------|
| Total General Fund | <u>112,305</u> |
|--------------------|----------------|

Trustees of Public Funds Fund:

|  |                |
|--|----------------|
| Nonspendable Trustees of Public Funds Fund Principal | <u>315,038</u> |
|--|----------------|

Revolving Loan Fund:

|                         |                |
|-------------------------|----------------|
| Advances to Other Funds | <u>206,728</u> |
|-------------------------|----------------|

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

Non-Major Funds

|   |    |                  |
|---|----|------------------|
| Permanent Fund:                               |    |                  |
| Nonspendable Edmund’s Memorial Fund Principal | \$ | <u>200</u>       |
| Total Nonspendable Fund Balances              |    | <u>\$634,271</u> |

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

Major Funds

|  |    |                |
|--|----|----------------|
| Trustees of Public Funds Fund:   |    |                |
| Restricted for Trustees of Public Funds by Bequests<br>Spendable Portion (Source of Revenue is Bequests) | \$ | <u>7,142</u>   |
| Revolving Loan Fund:   |    |                |
| Restricted for Revolving Loan Expenses by Grant<br>Agreement (Source of Revenue is Grant Revenue)        |    | <u>169,766</u> |

Non-Major Funds

|   |  |                  |
|---|--|------------------|
| Special Revenue Funds:  |  |                  |
| Restricted for Forward Festival Expenses by Donations<br>(Source of Revenue is Donations)             |  | 2,921            |
| Restricted for Town Records Preservation Expenses by<br>Statute (Source of Revenue is Recording Fees) |  | 26,972           |
| Restricted for Emergency Shelter Expenses by Donations<br>(Source of Revenue is Donations)            |  | <u>714</u>       |
| Total Special Revenue Funds   |  | <u>30,607</u>    |
| Capital Projects Funds:   |  |                  |
| Restricted for Highway Expenditures by Statute<br>(Source of Revenue is Highway Property Taxes)       |  | <u>2,558</u>     |
| Permanent Fund:   |  |                  |
| Restricted for Edmund’s Memorial by Bequest –<br>Expendable Portion                                   |  | <u>134</u>       |
| Total Non-Major Funds   |  | <u>33,299</u>    |
| Total Restricted Fund Balances  |  | <u>\$210,207</u> |

TOWN OF BETHEL, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

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

Non-Major Funds

Capital Projects Funds:

|   |              |
|---|--------------|
| Committed for Fire Equipment Expenditures by the Voters       | \$ 1,817     |
| Committed for Town Hall Renovation Expenditures by the Voters | 13,210       |
| Committed for Recreation Expenditures by the Voters           | <u>3,956</u> |

|                               |                 |
|-------------------------------|-----------------|
| Total Committed Fund Balances | <u>\$18,983</u> |
|-------------------------------|-----------------|

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

Non-Major Funds

Special Revenue Funds:

|   |              |
|---|--------------|
| Assigned for Reappraisal Expenditures           | \$117,644    |
| Assigned for Council on the Arts Expenditures   | 3,668        |
| Assigned for Bandshell Maintenance Expenditures | 2,674        |
| Assigned for Leasehold Expenditures             | <u>3,534</u> |

|                              |                  |
|------------------------------|------------------|
| Total Assigned Fund Balances | <u>\$127,520</u> |
|------------------------------|------------------|

The deficit in the General Fund of \$1,263,566 will be funded by the collection of the deferred grant receivables, the issuance of long-term debt and future tax revenues.

**L. Restricted and Designated Net Position**

The restricted net position of the Town as of June 30, 2016 consisted of the following:

Governmental Activities:

|  |            |
|--|------------|
| Restricted for Trustees of Public Funds by Bequests          | \$322,180  |
| Restricted for Revolving Loan Fund by Grant Agreement        | 382,684    |
| Restricted for Forward Festival Expenses by Donations        | 2,921      |
| Restricted for Town Records Preservation Expenses by Statute | 26,972     |
| Restricted for Emergency Shelter Expenses by Donations       | 714        |
| Restricted for Edmund's Memorial by Bequest                  | <u>334</u> |

|                               |                  |
|-------------------------------|------------------|
| Total Governmental Activities | <u>\$735,805</u> |
|-------------------------------|------------------|

The unrestricted deficit in the Water Fund of \$105,628 will be funded in future years with additional revenues.

The unrestricted deficit in the Sewer Fund of \$195,017 will be funded in future years with additional revenues.

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**V. OTHER INFORMATION**

**A. PENSION PLANS**

**Defined Benefit Plan**

**Plan Description**

The Vermont State Retirement System (VSRS) (3 V.S.A. Chapter 16) is substantially a single-employer defined benefit pension plan which covers substantially all general State employees and State Police, except employees hired in a temporary capacity. Membership in the system is a condition of employment. All eligible employees of the Town are Group F members.

Management of the plan is vested in the VSRS Retirement Board, which consists of an appointee of the governor; state treasurer; commissioner of human resources; commissioner of finance and management; three members of the Vermont State Employees' Association who are active members of the system (each chosen by such association in accordance with its articles of association) and one retired state employee who is a beneficiary of the system (to be elected by the Vermont Retired State Employees' Association).

Membership of the Vermont State Retirement System is made up of the following:

- General employees who did not join the non-contributory system on July 1, 1981 (Group A);
- State police, law enforcement positions, and airport firefighters (Group C);
- Judges (Group D);
- Terminated vested members of the non-contributory system (Group E); and
- All other general employees (Group F).

At June 30, 2016, VSRS membership consisted of the following:

| <b>Vermont State Retirement System</b>  | <b>Total</b>  | <b>Group A</b> | <b>Group C</b> | <b>Group D</b> | <b>Group F</b> |
|---|---------------|----------------|----------------|----------------|----------------|
| Total Active Members  | 8,436         | 4              | 450            | 52             | 7,930          |
| Retirees and beneficiaries currently receiving benefits                       | 6,542         | 192            | 416            | 62             | 5,872          |
| Terminated employees entitled to benefits but not yet receiving them (vested) | 728           | 4              | 27             | 1              | 696            |
| Inactive members  | 1,012         | 0              | 33             | 1              | 978            |
| Total Members   | <u>16,718</u> | <u>200</u>     | <u>926</u>     | <u>116</u>     | <u>15,476</u>  |

**TOWN OF BETHEL, VERMONT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**Benefits Provided**

Details of the pension benefits provided by the retirement plan are as follows:

| Vermont State Retirement System  | Group A  | Group C   | Group D  | Group F Hired Before 7/1/08   | Group F Hired After 7/1/08  |
|----------------------------------|--|---|--|---|---|
| Benefit Formula                  | 1.67% X AFC X creditable service   | 2.5% X AFC X creditable service up to 20 years  | 3.33% X AFC X creditable service (after 12 years in Group D)   | 1.25% X AFC X service prior to 12/31/90 + 1.67% X AFC X service after 1/1/91  | Same  |
| Maximum Benefit Payable          | 100% of AFC  | 50% of AFC  | 100% of Final Salary   | 50% of AFC  | 60% of AFC  |
| Average Final Compensation (AFC) | Highest 3 consecutive years, including unused annual leave payoff  | Highest 2 consecutive years, including unused annual leave payoff   | Final salary at retirement   | Highest 3 consecutive years, excluding unused annual leave payoff   | Same  |
| Normal Retirement (no reduction) | Age 65 with 5 years of service or 62 with 20 years of service  | Age 55 (mandatory) with 5 years of service  | Age 62 with 5 years of service   | Age 62 or with 30 years of service  | Age 65 or a combination of age & service credit that equals 87  |
| Early Retirement Eligibility     | Age 55 with 5 years of service or 30 years of service (any age)  | Age 50 with 20 years of service   | Age 55 with 5 years of service or 30 years of service (any age)  | Age 55 with 5 years of service  | Same  |
| Early Retirement Reduction       | Actuarially reduced benefit if under 30 years of service   | No reduction  | 3% per year from age 62  | No reduction if 30 years of service; otherwise, 6% per year preceding age 62  | No reduction if age 65 with 5 years service, or if combination of age and service equal to 87; otherwise, monthly reduction preceding age 65 based on years of service: 35+ years - 1/8th of 1%; 30-34 years - 1/4th of 1%; 25-29 years - 1/3rd of 1%; 20-24 years - 5/12th of 1%; less than 20 years - 5/9th of 1% |
| Post-Retirement COLA             | Full CPI, from a minimum of 1% up to a maximum of 5%, after 12 months of retirement  | Full CPI, from a minimum of 1% up to a maximum of 5%, after 12 months of retirement   | Full CPI, from a minimum of 1% up to a maximum of 5%, after 12 months of retirement  | For members retiring on or after 7/1/2008, 100% of a fiscal year CPI increase. For members who retired before 7/1/2008, 50% of a fiscal year CPI increase. Annual COLA adjustments have a minimum of 1% and a maximum of 5% | Annual COLA adjustments are 100% of a fiscal year CPI increase, with a minimum of 1% and a maximum of 5%  |
| Disability Benefit               | Unreduced, accrued benefit with minimum of 25% of AFC  | Unreduced, accrued benefit with minimum of 25% of AFC, with children's benefit of 10% of AFC to maximum of three concurrently | Unreduced, accrued benefit with minimum of 25% of AFC  | Unreduced, accrued benefit with minimum of 25% of AFC   | Same  |
| Death-in-Service Benefit         | Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently | 70% of accrued benefit with no actuarial reduction applied, plus children's benefit   | Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently | Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently  | Same  |

Benefit terms are established or amended in accordance with 3 V.S.A. Chapter 16.

**Contributions**

Title 3 VSA Chapter 16 of Vermont Statutes grant the authority to the retirement board to review annually the amount of contribution recommended by the actuary of the retirement system as necessary to achieve and preserve the financial integrity of the fund, and submit this recommendation to the Governor and both houses of the legislature. Employee contributions are established in Chapter 16. Contribution rates for the fiscal year ended June 30, 2016, for the various groups are as follows:

TOWN OF BETHEL, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

| Vermont State Retirement System | Group A                 | Group C                 | Group D                 | Group F Hired Before 7/1/08 | Group F Hired After 7/1/08 |
|---------------------------------|-------------------------|-------------------------|-------------------------|-----------------------------|----------------------------|
| Employee Contributions          | 6.40% of gross payroll  | 8.28% of gross payroll  | 6.40% of gross payroll  | 6.40% of gross payroll      | Same                       |
| Employer Contributions          | 10.27% of gross payroll | 10.27% of gross payroll | 10.27% of gross payroll | 10.27% of gross payroll     | Same                       |

**Financial Reporting of Net Pension Liability and Pension Expense by the Employer as required by GASB Statement No. 68**

This section includes the information that is required by GASB Statement No. 68. It reports information regarding the calculation of the net pension liability, including changes during the measurement period in both total pension liability and plan net position; balances in the various components of deferred pension outflows of resources and deferred pension inflows of resources and the amounts to be recognized in pension expense in future periods; and the calculation of pension expense.

The Town is an independent municipal entity of the State of Vermont, and information is presented in this section for the Town's proportionate share of the various components of the plan. The proportionate share was determined by dividing the Town's Employer Contribution by the total Employer Contributions by all of the State's funds and component units and other municipal entities. The Town's proportionate share of the collective net pension liability was .1264% on the measurement date.

**Reporting Date, Measurement Date, and Valuation Date**

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the Town's reporting date (June 30, 2016) and for the Town's reporting period (the year ended June 30, 2015). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of June 30, 2016, the State has chosen to use the end of the prior fiscal year (June 30, 2015) as the measurement date, and the year ended June 30, 2015 as the measurement period.

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2014, to the measurement date of June 30, 2015.

**Net Pension Liabilities**

The net pension liability (NPL) is measured as the portion of the actuarial present value of projected benefit payments that is attributable to past periods of employee service, net of the pension plan's fiduciary net position. The changes in the components for the measurement period are as follows:

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

|   | <b>Net Pension<br/>Liability</b> |
|---|----------------------------------|
| <b>Balance - June 30, 2014</b>                    | <b>\$ 342,208</b>                |
| <b>Changes for the year:</b>                      |                                  |
| Service cost                                      | 52,798                           |
| Interest  | 207,728                          |
| Difference between expected and actual experience | 5,028                            |
| Change in proportional share                      | 102,097                          |
| Changes in assumptions                            | 78,650                           |
| Contributions - employer                          | (70,607)                         |
| Contributions - employee                          | (42,070)                         |
| Net investment income                             | 10,721                           |
| Administrative expenses                           | 2,348                            |
| Other changes                                     | (224)                            |
|   | <b>346,469</b>                   |
| <b>Net changes</b>                                | <b>346,469</b>                   |
| <b>Balance - June 30, 2015</b>                    | <b>\$ 688,677</b>                |

\$172,553 of the net pension liability is recorded in the Bethel/Royalton Solid Waste Management Facility's financial statements.

The following presents the net pension liability, calculated using the discount rate of 7.95%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.95%) or 1-percentage point higher (8.95%) than the current rate:

|                                    |    |           |
|------------------------------------|----|-----------|
| One-percent decrease               |    |           |
| Discount rate                      |    | 6.95%     |
| Net pension liability              | \$ | 1,014,270 |
|                                    |    |           |
| Net pension liability, as reported |    |           |
| Discount rate                      |    | 7.95%     |
| Net pension liability              | \$ | 688,677   |
|                                    |    |           |
| One-percent increase               |    |           |
| Discount rate                      |    | 8.95%     |
| Net pension liability (asset)      | \$ | 414,537   |

**Deferred Pension Outflows of Resources and Deferred Pension Inflows of Resources**

Most changes in the net pension liability are included in pension expense during the year of change. Changes resulting from current-period service cost, interest on the total pension liability, and changes in benefit terms are required to be included in pension expense immediately. Similarly, projected earnings on the pension plan's investments are also required to be included in the determination of pension expense immediately.

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs, (2) differences between expected and actual experience and (3) changes in proportion and the effect of certain employee contributions on the employer's net pension liability are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), beginning with the current period. This treatment arises from the concept that pensions arise from an exchange between employer and employee of salaries and benefits for employee service each period and that these transactions and related pension measurements are viewed in the context of ongoing, career-long employment relationships.

The effect on the net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. This treatment arises from the concept that these changes result from the use of estimates, where probabilities of events range from zero to 100 percent, while actual events either occur or do not occur. Therefore, differences between some estimates and actual experience will occur with every measurement that incorporates future events.

Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources.

As of June 30, 2016, the Town reported the following deferred pension outflows of resources and deferred pension inflows of resources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Difference between expected and actual experience  | \$ 4,190                                  | \$ 0                                     |
| Changes in assumptions   | 65,542                                    | 0  |
| Difference between projected and actual investment earnings  | 140,810                                   | 65,594                                   |
| Changes in proportion and the effect of certain employer contributions on the employer's net pension liability | 85,081                                    | 68,563                                   |
| Town's required employer contributions made subsequent to the measurement date                                 | <u>66,507</u>                             | <u>0</u>                                 |
|  | <u>\$ 362,130</u>                         | <u>\$ 134,157</u>                        |



TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

\$92,821 of the deferred outflows of resources and \$31,591 of the deferred inflows of resources are recorded in the Bethel/Royalton Solid Waste Management Facility's financial statements.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended<br>June 30 |    |                |
|-----------------------|----|----------------|
| 2017                  | \$ | 93,665         |
| 2018                  |    | 27,158         |
| 2019                  |    | 27,159         |
| 2020                  |    | 49,026         |
| 2021                  |    | <u>30,965</u>  |
| Total                 | \$ | <u>227,973</u> |

**Pension Expense**

As discussed previously, most changes in the net pension liability are included in pension expense in the year of change, including changes resulting from current-period service cost, interest on the total pension liability, changes in benefit terms, and projected earnings on the pension plan's investments. Other changes in net pension liability are recorded as deferred pension outflows of resources and deferred pension inflows of resources, and included in pension expense on a systematic and rational manner over current and future periods.

Pension expense for the year ended June 30, 2016, is as follows:

| <b>Pension Expense</b>  |  |                  |
|---|--|------------------|
| Service cost  |  | \$ 52,798        |
| Interest on total pension liability                                   |  | 207,728          |
| Employee contributions  |  | (42,070)         |
| Plan administrative costs and other changes                           |  | 2,124            |
| Projected earnings on plan investments                                |  | (165,291)        |
| Recognition (amortization) of deferred pension outflows of resources: |  |                  |
| Difference between expected and actual experience                     |  | 838              |
| Change in assumptions   |  | 13,108           |
| Difference between projected and actual investment earnings           |  | 35,202           |
| Changes in proportional share of contributions                        |  | 17,016           |
| Recognition (amortization) of deferred pension inflows of resources:  |  |                  |
| Difference between expected and actual experience                     |  | (21,865)         |
| Changes in proportional share of contributions                        |  | <u>(17,141)</u>  |
| <b>Pension expense</b>  |  | <u>\$ 82,447</u> |

\$21,416 of the pension expense relates to the Bethel/Royalton Solid Waste Facility.

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

The following is a summary of System participants as of June 30, 2015, the measurement date:

|   |        |
|---|--------|
| Active employees                                |        |
| Vested  | 5,465  |
| Non-vested                                      | 2,981  |
| Total active employees                          | 8,446  |
|   |        |
| Retirees and beneficiaries of deceased retirees |        |
| currently receiving benefits                    | 6,204  |
| Terminated employees entitled to benefits       |        |
| but not yet receiving them (vested)             | 735    |
| Inactive members                                | 891    |
| Total participants                              | 16,276 |

**Actuarial Methods and Assumptions**

Methods and assumptions used to determine the annual pension cost and net pension obligation are based on a valuation date of June 30, 2016, including no changes to the assumptions from the June 30, 2015 valuation.

|  | <b>VSRS</b>  |
|--|--|
| Valuation date   | 6/30/2014  |
| Inflation assumptions  | 3.00% - 3.25%  |
| Investment rate of return  | 7.95%  |
| Projected salary increases   | Group C: 4.67% - 7.79%;<br>Groups A, D & F: 4.5% - 7.79%                   |
| Cost of living adjustments   | Groups A, C & D: 3%<br>Group F: 1.5% and Group F retiring after 7/1/09: 3% |
| <b>Post Retirement Adjustments</b>   |  |
| Allowances in payment for at least one year adjusted for cost of living based on CPI but not in excess of percentage indicated                                 | Groups A, C, D - 5%  |
| Allowances in payment for at least one year increased on January 1 by one-half of the percentage increase in the CPI but not in excess of percentage indicated | Group F - 5%   |
| Assumed annual rate of cost-of-living increases  | For those eligible for increases of 100% of CPI change - 3%                |
|  | For those eligible for increases of 50% of CPI change - 1.5%               |

TOWN OF BETHEL, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

**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. 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 self-insures itself for unemployment coverage. The Town must pay the Vermont Department of Employment and Training for any paid claims. Unemployment claims for the year ended June 30, 2016 were \$100.

**D. 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 collected four (4) times per year. During the tax year ended June 30, 2016, taxes were due and payable on August 15, 2015, November 15, 2015, February 15, 2016 and May 16, 2016. 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 2016 were as follows:

|           | <u>Residential</u> | <u>Non-Residential</u> |
|-----------|--------------------|------------------------|
| Town      | .8310              | .8310                  |
| Education | <u>1.5499</u>      | <u>1.3718</u>          |
| Total     | <u>2.3809</u>      | <u>2.2028</u>          |

**E. LEASES**

In September, 2010, the Town of Bethel entered into a lease agreement with the Bethel Historical Society for a portion of the first floor of the Town Hall at 318 Main Street for ten (10) years with payments due monthly. The rent is currently \$200 per month; however, the pricing is reviewed semi-annually and can be adjusted by the Selectboard by the Department of Labor Consumer Price Index, Northeast Region. Lease revenue in 2016 from the Bethel Historical Society is \$2,400.

TOWN OF BETHEL, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

Future minimum lease payments are as follows:

|      |                |
|------|----------------|
| 2017 | \$2,400        |
| 2018 | 2,400          |
| 2019 | 2,400          |
| 2020 | <u>400</u>     |
|      | <u>\$7,600</u> |

In September, 2010, the Town of Bethel entered into a lease agreement with the Vermont Telecommunications Authority (VTA) to lease land at the Town Garage at 443 Sand Hill Road to VTA for telecommunications equipment to be constructed. The initial lease terms are for ten (10) years, with four (4) successive five (5) year renewal terms, with payments due monthly. During the year the lease was transferred from VTA to the State of Vermont Department of Public Service. The lease will renew automatically unless the State of Vermont Department of Public Service declines the option. The initial payments for years one (1) through ten (10) are \$200, and \$300 per month during successive years. During any month that the State of Vermont Department of Public Service has more than two wireless cellular service providers on the tower, they will pay \$500 per month in years one (1) through ten (10), and \$600 per month during successive years. The commencement of the first lease term was January 1, 2011. Lease revenue in 2016 is \$2,600.

Future minimum lease payments are as follows:

|      |                 |
|------|-----------------|
| 2017 | \$ 2,400        |
| 2018 | 2,400           |
| 2019 | 2,400           |
| 2020 | <u>3,600</u>    |
|      | <u>\$10,800</u> |

#### **F. SUBSEQUENT EVENTS**

On July 11, 2016, the Town approved the financing of a backhoe with Mascoma Savings Bank in the amount of \$125,000.

On October 24, 2016, the Town approved renewing the bond anticipation note for the Solid Waste Facility. This note will be paid by the Facility.

On November 14, 2016, the Town approved taking out a tax anticipation note in the amount of \$250,000.

On November 14, 2016, the Town approved renewing the flood recovery note payable for two (2) years.

On November 14, 2016, the Town approved two leases to purchase an excavator and a bucket loader for the Solid Waste Facility. These leases will be paid by the Facility.

On December 12, 2016, the Town approved a lease for the purchase of a fire truck.

TOWN OF BETHEL, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

|   | Budget         | Actual         | Variance<br>Favorable/<br>(Unfavorable) |
|---|----------------|----------------|---|
| Revenues:                                     |                |                |   |
| Local Revenues:                               |                |                |   |
| Dog Tax                                       | \$ 1,400       | \$ 1,405       | \$ 5                                    |
| Local Licenses                                | 650            | 1,009          | 359                                     |
| Town Clerk Fees                               | 18,000         | 18,742         | 742                                     |
| Historic Preservation Fees                    | 0              | 1,558          | 1,558                                   |
| Recreation Area Fees                          | 8,000          | 4,918          | (3,082)                                 |
| Zoning Application Fees                       | 850            | 989            | 139                                     |
| Zoning Regulations                            | 50             | 0              | (50)                                    |
| Overweight Permit Fees                        | 500            | 550            | 50                                      |
| Trustees of Public Funds                      | 100            | 48             | (52)                                    |
| Subdivision Permit Fees                       | 50             | 0              | (50)                                    |
| Town Hall Rental Fees                         | 7,500          | 5,627          | (1,873)                                 |
| Fund Transfers                                | 27,000         | 27,181         | 181                                     |
| Total Local Revenues                          | <u>64,100</u>  | <u>62,027</u>  | <u>(2,073)</u>                          |
| Miscellaneous Local Revenues:                 |                |                |   |
| Miscellaneous Local Revenue                   | 100            | 0              | (100)                                   |
| Insurance Claims                              | 0              | 4,474          | 4,474                                   |
| Other   | 100            | 5,656          | 5,556                                   |
| Total Miscellaneous Local Revenues            | <u>200</u>     | <u>10,130</u>  | <u>9,930</u>                            |
| State and Federal Revenues:                   |                |                |   |
| Highways - Class I                            | 10,000         | 9,994          | (6)                                     |
| Highways - Class II                           | 49,000         | 49,025         | 25                                      |
| Highways - Class III                          | 85,000         | 85,392         | 392                                     |
| State Owned Lands                             | 2,500          | 2,777          | 277                                     |
| Traffic Tickets                               | 200            | 943            | 743                                     |
| Other   | 0              | 1,423          | 1,423                                   |
| Municipal Planning Grant                      | 0              | 11,400         | 11,400                                  |
| Homeland Security Grant                       | 0              | 10,002         | 10,002                                  |
| Tower Lease                                   | 2,400          | 2,600          | 200                                     |
| PACIF Grant                                   | 5,000          | 0              | (5,000)                                 |
| Dry Hydrant Grant                             | 0              | 2,911          | 2,911                                   |
| Total State and Federal Revenues              | <u>154,100</u> | <u>176,467</u> | <u>22,367</u>                           |
| Miscellaneous:                                |                |                |   |
| Solid Waste Administrative Reimbursement      | 15,000         | 15,000         | 0                                       |
| Sewer Department Administrative Reimbursement | 10,700         | 10,700         | 0                                       |
| Water Department Administrative Reimbursement | 13,000         | 13,000         | 0                                       |
| Railroad Revenue Sharing                      | 1,000          | 3,490          | 2,490                                   |
| Total Miscellaneous                           | <u>39,700</u>  | <u>42,190</u>  | <u>2,490</u>                            |

TOWN OF BETHEL, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

|                                     | Budget           | Actual           | Variance<br>Favorable/<br>(Unfavorable) |
|-------------------------------------|------------------|------------------|---|
| <b>Interest Earnings:</b>           |                  |                  |   |
| Checking Account Interest           | \$ 0             | \$ 6             | \$ 6                                    |
| Sweep Account Interest              | 0                | 549              | 549                                     |
| USDA Interest Grant                 | 8,928            | 8,520            | (408)                                   |
| <b>Total Interest Earnings</b>      | <b>8,928</b>     | <b>9,075</b>     | <b>147</b>                              |
| <b>Taxes - Property:</b>            |                  |                  |   |
| Property Taxes                      | 1,633,443        | 1,636,633        | 3,190                                   |
| Land-Use                            | 100,000          | 107,891          | 7,891                                   |
| Delinquent Tax Penalty              | 11,500           | 13,000           | 1,500                                   |
| Delinquent Tax Interest             | 15,000           | 30,441           | 15,441                                  |
| Education Billing Fee               | 0                | 5,789            | 5,789                                   |
| <b>Total Taxes - Property</b>       | <b>1,759,943</b> | <b>1,793,754</b> | <b>33,811</b>                           |
| <b>Total Revenues</b>               | <b>2,026,971</b> | <b>2,093,643</b> | <b>66,672</b>                           |
| <b>Expenditures:</b>                |                  |                  |   |
| <b>Public Works:</b>                |                  |                  |   |
| <b>Public Works Personnel:</b>      |                  |                  |   |
| Wages                               | 191,000          | 179,018          | 11,982                                  |
| Social Security                     | 11,840           | 11,644           | 196                                     |
| Medicare                            | 2,770            | 2,734            | 36                                      |
| Retirement                          | 20,400           | 19,907           | 493                                     |
| Health Insurance                    | 55,000           | 50,389           | 4,611                                   |
| Workers' Compensation               | 21,000           | 19,692           | 1,308                                   |
| Dental Insurance                    | 3,355            | 2,632            | 723                                     |
| Mileage Reimbursement               | 0                | 4,668            | (4,668)                                 |
| <b>Total Public Works Personnel</b> | <b>305,365</b>   | <b>290,684</b>   | <b>14,681</b>                           |
| <b>Town Owned Equipment:</b>        |                  |                  |   |
| 2015 Ventrac Sidewalk Plow          | 0                | 871              | (871)                                   |
| 2007 John Deere Grader              | 7,000            | 5,162            | 1,838                                   |
| Insurance - Building and Equipment  | 12,000           | 12,271           | (271)                                   |
| 2015 F550                           | 1,000            | 3,442            | (2,442)                                 |
| 2010 International                  | 4,500            | 7,104            | (2,604)                                 |
| Chipper                             | 500              | 56               | 444                                     |
| 2009 Kubota Tractor                 | 2,500            | 147              | 2,353                                   |
| 2013 Freightliner (3683)            | 3,000            | 6,765            | (3,765)                                 |
| 2013 Freightliner (3684)            | 3,000            | 7,989            | (4,989)                                 |
| 2009 Kumatsu Loader                 | 2,500            | 784              | 1,716                                   |
| Case 980 Super M Backhoe            | 2,500            | 5,496            | (2,996)                                 |
| One-Way Plow                        | 2,000            | 443              | 1,557                                   |
| Sanders and Spreaders               | 1,000            | 0                | 1,000                                   |

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TOWN OF BETHEL, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

|                                    | Budget         | Actual         | Variance<br>Favorable/<br>(Unfavorable) |
|------------------------------------|----------------|----------------|---|
| Town Owned Equipment/(Cont'd):     |                |                |   |
| Chain Saw                          | \$ 500         | \$ 174         | \$ 326                                  |
| Welder                             | 650            | 887            | (237)                                   |
| Sand Screen                        | 100            | 0              | 100                                     |
| Rake                               | 100            | 0              | 100                                     |
| Repairs - Vehicles                 | 2,500          | 2,092          | 408                                     |
| Snow Blower and Mower              | 100            | 0              | 100                                     |
| Pressure Washer                    | 100            | 103            | (3)                                     |
| Permits                            | 150            | 50             | 100                                     |
| Garage                             | 7,500          | 9,511          | (2,011)                                 |
| Electricity                        | 3,200          | 2,839          | 361                                     |
| Telephone                          | 1,000          | 2,196          | (1,196)                                 |
| Uniforms                           | 6,500          | 10,059         | (3,559)                                 |
| Other                              | 500            | 143            | 357                                     |
| Gas, Oil and Grease                | 9,000          | 6,155          | 2,845                                   |
| Diesel                             | 72,000         | 21,776         | 50,224                                  |
| Underground Tank                   | 500            | 475            | 25                                      |
| Communications System              | 500            | 369            | 131                                     |
|                                    | <u>146,400</u> | <u>107,359</u> | <u>39,041</u>                           |
| Total Town Owned Equipment         |                |                |   |
| Hired Services and Equipment:      |                |                |   |
| Roadside Mowing                    | 8,000          | 7,480          | 520                                     |
| Sweeping                           | 2,500          | 990            | 1,510                                   |
| Rental Equipment                   | 5,000          | 3,000          | 2,000                                   |
| Hired Services and Equipment       | 4,000          | 1,400          | 2,600                                   |
| Engineering Services               | 0              | 5,500          | (5,500)                                 |
|                                    | <u>19,500</u>  | <u>18,370</u>  | <u>1,130</u>                            |
| Total Hired Services and Equipment |                |                |   |
| Materials:                         |                |                |   |
| Salt                               | 62,000         | 48,366         | 13,634                                  |
| Chloride                           | 18,000         | 24,244         | (6,244)                                 |
| Gravel                             | 20,000         | 41,357         | (21,357)                                |
| Sand                               | 25,000         | 18,577         | 6,423                                   |
| Bridge Material                    | 2,500          | 504            | 1,996                                   |
| Culverts                           | 10,000         | 11,174         | (1,174)                                 |
| Patching Material                  | 5,000          | 1,958          | 3,042                                   |
| Tools                              | 1,000          | 948            | 52                                      |
| Signs                              | 2,000          | 2,169          | (169)                                   |
| Snow Fence                         | 100            | 0              | 100                                     |
| Salt Boxes                         | 100            | 0              | 100                                     |
| Highway Rehabilitation             | 150,000        | 171,888        | (21,888)                                |
| Other                              | 100            | 0              | 100                                     |
|                                    | <u>295,800</u> | <u>321,185</u> | <u>(25,385)</u>                         |
| Total Materials                    |                |                |   |

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TOWN OF BETHEL, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

|                               | Budget   | Actual  | Variance<br>Favorable/<br>(Unfavorable) |
|-------------------------------|----------|---------|---|
| Other Public Works:           |          |         |   |
| Storm Water Catch Basins      | \$ 4,000 | \$ 0    | \$ 4,000                                |
| Cemeteries                    | 23,000   | 32,731  | (9,731)                                 |
| Church Street Bridge          | 29,350   | 29,332  | 18                                      |
| Sidewalk Improvement          | 1,000    | 0       | 1,000                                   |
| Parking - Pedestrian Safety   | 3,000    | 2,554   | 446                                     |
| Other                         | 100      | 876     | (776)                                   |
| Highway Equipment Trust       | 110,000  | 110,000 | 0                                       |
| Total Other Public Works      | 170,450  | 175,493 | (5,043)                                 |
| 2011 Irene Flood Interest:    | 10,000   | 20,524  | (10,524)                                |
| Total Public Works            | 947,515  | 933,615 | 13,900                                  |
| Fire Department:              |          |         |   |
| Wages                         | 16,000   | 15,037  | 963                                     |
| Social Security               | 992      | 1,020   | (28)                                    |
| Medicare                      | 232      | 239     | (7)                                     |
| Workers' Compensation         | 3,000    | 3,285   | (285)                                   |
| Insurance on Equipment        | 7,150    | 7,551   | (401)                                   |
| 2012 Kenworth T300            | 1,500    | 0       | 1,500                                   |
| 1973 Dodge - Forestry         | 500      | 109     | 391                                     |
| 2001 Freightliner             | 2,000    | 1,767   | 233                                     |
| 2000 First Response Truck     | 4,000    | 1,620   | 2,380                                   |
| 1986 Kenworth L700            | 2,000    | 82      | 1,918                                   |
| 2014 Polaris Ranger           | 0        | 98      | (98)                                    |
| Gas, Oil and Lubricants       | 2,000    | 1,869   | 131                                     |
| Electricity                   | 1,600    | 2,122   | (522)                                   |
| Telephone                     | 2,000    | 2,009   | (9)                                     |
| Heat                          | 7,000    | 2,867   | 4,133                                   |
| Communications                | 3,000    | 2,583   | 417                                     |
| Supplies                      | 4,000    | 4,187   | (187)                                   |
| Safety and Equipment Supplies | 7,000    | 9,250   | (2,250)                                 |
| Facility Maintenance          | 3,000    | 3,252   | (252)                                   |
| Other                         | 100      | 0       | 100                                     |
| Training                      | 1,500    | 413     | 1,087                                   |
| Fire Equipment Fund           | 46,500   | 46,500  | 0                                       |
| Dry Hydrant Grant             | 0        | 1,760   | (1,760)                                 |
| Total Fire Department         | 115,074  | 107,620 | 7,454                                   |

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TOWN OF BETHEL, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

|                                    | Budget        | Actual        | Variance<br>Favorable/<br>(Unfavorable) |
|------------------------------------|---------------|---------------|---|
| <b>Police Department:</b>          |               |               |   |
| Wages                              | \$ 3,500      | \$ 2,298      | \$ 1,202                                |
| Social Security                    | 220           | 142           | 78                                      |
| Medicare                           | 50            | 33            | 17                                      |
| Workers' Compensation              | 200           | 153           | 47                                      |
| Insurance on Equipment             | 790           | 795           | (5)                                     |
| Professional Liability             | 2,300         | 2,632         | (332)                                   |
| Cruiser                            | 2,000         | 2,221         | (221)                                   |
| Telephone                          | 100           | 0             | 100                                     |
| Mileage                            | 300           | 71            | 229                                     |
| Contract Services                  | 5,000         | 4,996         | 4                                       |
| Communications Grant               | 0             | 10,299        | (10,299)                                |
| Other                              | 100           | 10            | 90                                      |
| <b>Total Police Department</b>     | <b>14,560</b> | <b>23,650</b> | <b>(9,090)</b>                          |
| <b>Recreation Department:</b>      |               |               |   |
| Wages                              | 35,000        | 26,976        | 8,024                                   |
| Social Security                    | 2,170         | 1,860         | 310                                     |
| Medicare                           | 510           | 430           | 80                                      |
| Workers' Compensation              | 2,250         | 3,218         | (968)                                   |
| Insurance - Building and Equipment | 740           | 740           | 0                                       |
| Mowing                             | 2,500         | 1,015         | 1,485                                   |
| Electricity                        | 2,500         | 2,834         | (334)                                   |
| Telephone                          | 500           | 533           | (33)                                    |
| Improvements                       | 500           | 187           | 313                                     |
| Repairs and Maintenance            | 5,000         | 3,080         | 1,920                                   |
| Recreation Reserve Fund            | 15,000        | 15,000        | 0                                       |
| Programming and Activities         | 1,200         | 800           | 400                                     |
| Supplies                           | 4,500         | 3,960         | 540                                     |
| Chlorine                           | 4,000         | 1,766         | 2,234                                   |
| American Red Cross                 | 750           | 985           | (235)                                   |
| Playground Equipment               | 100           | 0             | 100                                     |
| Other                              | 100           | 419           | (319)                                   |
| <b>Total Recreation Department</b> | <b>77,320</b> | <b>63,803</b> | <b>13,517</b>                           |
| <b>Parks and Public Places:</b>    |               |               |   |
| Wages                              | 1,800         | 3,470         | (1,670)                                 |
| Social Security                    | 115           | 244           | (129)                                   |
| Medicare                           | 25            | 57            | (32)                                    |
| Workers' Compensation              | 750           | 1,072         | (322)                                   |
| Insurance                          | 2,500         | 2,472         | 28                                      |
| Mowing                             | 4,000         | 4,437         | (437)                                   |
| Street Lights                      | 29,000        | 20,859        | 8,141                                   |
| Electricity - Common               | 1,000         | 865           | 135                                     |

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TOWN OF BETHEL, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

|  | Budget         | Actual         | Variance<br>Favorable/<br>(Unfavorable) |
|--|----------------|----------------|---|
| <b>Parks and Public Places/(Cont'd):</b> |                |                |   |
| Electricity - Peavine Park               | \$ 200         | \$ 205         | \$ (5)                                  |
| Electricity - Parking Lot                | 100            | 222            | (122)                                   |
| Maintenance - Common                     | 500            | 781            | (281)                                   |
| Maintenance - Fort Fortitude             | 100            | 0              | 100                                     |
| Maintenance - Peavine Park               | 1,000          | 690            | 310                                     |
| Maintenance - Parking Lot                | 200            | 0              | 200                                     |
| Parks Beautification                     | 500            | 546            | (46)                                    |
| Flags and Poles                          | 12,500         | 10,889         | 1,611                                   |
| Streetscape Program                      | 1,500          | 1,500          | 0                                       |
| Other                                    | 500            | 887            | (387)                                   |
|  | <u>56,290</u>  | <u>49,196</u>  | <u>7,094</u>                            |
| <b>Total Parks and Public Places</b>     |                |                |   |
| <b>Municipal Offices:</b>                |                |                |   |
| Wages                                    | 105,000        | 98,937         | 6,063                                   |
| Salary - Town Clerk                      | 32,760         | 33,002         | (242)                                   |
| Social Security                          | 8,542          | 8,399          | 143                                     |
| Medicare                                 | 1,998          | 1,964          | 34                                      |
| Retirement                               | 14,714         | 14,248         | 466                                     |
| Health Insurance                         | 33,000         | 28,137         | 4,863                                   |
| Workers' Compensation                    | 1,400          | 2,973          | (1,573)                                 |
| Dental Insurance                         | 4,125          | 3,054          | 1,071                                   |
| Insurance - Building                     | 4,380          | 4,583          | (203)                                   |
| Bond Insurance                           | 6,460          | 7,582          | (1,122)                                 |
| Electricity                              | 2,000          | 1,770          | 230                                     |
| Telephone                                | 2,500          | 1,971          | 529                                     |
| Heat                                     | 6,500          | 2,281          | 4,219                                   |
| Maintenance - Building                   | 4,000          | 3,460          | 540                                     |
| Maintenance - Copier                     | 1,500          | 544            | 956                                     |
| Maintenance - Computer                   | 3,000          | 927            | 2,073                                   |
| Maintenance - Equipment                  | 1,000          | 0              | 1,000                                   |
| Computer Equipment                       | 1,000          | 0              | 1,000                                   |
| Office Furniture                         | 0              | 400            | (400)                                   |
| Lease - Photocopier                      | 1,300          | 1,119          | 181                                     |
| Supplies                                 | 8,000          | 6,427          | 1,573                                   |
| Supplies - Copier                        | 1,000          | 474            | 526                                     |
| Supplies - Computer                      | 2,500          | 1,879          | 621                                     |
| Computer Support Services                | 2,200          | 1,298          | 902                                     |
| Water and Sewer                          | 820            | 983            | (163)                                   |
| Bank Fees                                | 550            | 2,437          | (1,887)                                 |
| Other                                    | 200            | 227            | (27)                                    |
| Accessibility Modifications              | 4,000          | 2,500          | 1,500                                   |
|  | <u>254,449</u> | <u>231,576</u> | <u>22,873</u>                           |
| <b>Total Municipal Offices</b>           |                |                |   |

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TOWN OF BETHEL, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

|                          | Budget        | Actual        | Variance<br>Favorable/<br>(Unfavorable) |
|--------------------------|---------------|---------------|---|
| <b>Town Hall:</b>        |               |               |   |
| Wages                    | \$ 2,500      | \$ 1,348      | \$ 1,152                                |
| Social Security          | 155           | 84            | 71                                      |
| Medicare                 | 37            | 20            | 17                                      |
| Workers' Compensation    | 130           | 167           | (37)                                    |
| Insurance                | 6,225         | 6,487         | (262)                                   |
| Electricity              | 2,500         | 1,960         | 540                                     |
| Telephone                | 2,500         | 2,816         | (316)                                   |
| Heat                     | 4,000         | 2,674         | 1,326                                   |
| Building Repair          | 2,000         | 3,614         | (1,614)                                 |
| Repair - Clock           | 300           | 275           | 25                                      |
| Supplies                 | 500           | 636           | (136)                                   |
| Water and Sewer          | 615           | 983           | (368)                                   |
| Other                    | 100           | 0             | 100                                     |
| <b>Total Town Hall</b>   | <b>21,562</b> | <b>21,064</b> | <b>498</b>                              |
| <b>Salaries:</b>         |               |               |   |
| Selectboard              | 775           | 775           | 0                                       |
| Treasurer                | 5,100         | 5,100         | 0                                       |
| Town Manager             | 74,265        | 72,973        | 1,292                                   |
| Trustees of Public Funds | 250           | 200           | 50                                      |
| Health Officer           | 600           | 600           | 0                                       |
| Elections                | 100           | 0             | 100                                     |
| Board of Civil Authority | 100           | 0             | 100                                     |
| Social Security          | 3,266         | 3,527         | (261)                                   |
| Medicare                 | 764           | 822           | (58)                                    |
| Retirement               | 5,626         | 5,142         | 484                                     |
| <b>Total Salaries</b>    | <b>90,846</b> | <b>89,139</b> | <b>1,707</b>                            |
| <b>Listers:</b>          |               |               |   |
| Wages                    | 14,900        | 12,298        | 2,602                                   |
| Social Security          | 925           | 765           | 160                                     |
| Medicare                 | 215           | 182           | 33                                      |
| Workers' Compensation    | 0             | 201           | (201)                                   |
| Supplies                 | 400           | 615           | (215)                                   |
| Mileage                  | 1,200         | 777           | 423                                     |
| Training                 | 750           | 573           | 177                                     |
| Memberships              | 230           | 190           | 40                                      |
| Other                    | 1,120         | 268           | 852                                     |
| <b>Total Listers</b>     | <b>19,740</b> | <b>15,869</b> | <b>3,871</b>                            |

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TOWN OF BETHEL, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

|   | Budget         | Actual         | Variance<br>Favorable/<br>(Unfavorable) |
|---|----------------|----------------|---|
| <b>Government Operations:</b>           |                |                |   |
| Town Meeting                            | \$ 200         | \$ 250         | \$ (50)                                 |
| Town Reports                            | 3,600          | 3,759          | (159)                                   |
| Tax Billing                             | 1,500          | 1,544          | (44)                                    |
| Preservation of Records                 | 1,500          | 1,973          | (473)                                   |
| Tax Abatements                          | 500            | 21,470         | (20,970)                                |
| Committee Training                      | 500            | 174            | 326                                     |
| Unemployment                            | 0              | 100            | (100)                                   |
| Legal                                   | 10,000         | 22,803         | (12,803)                                |
| Planning                                | 1,000          | 27             | 973                                     |
| Auditing Services                       | 25,000         | 36,227         | (11,227)                                |
| Training                                | 3,000          | 3,333          | (333)                                   |
| Recording Fees                          | 600            | 340            | 260                                     |
| Maintain Website                        | 1,425          | 200            | 1,225                                   |
| Meeting Minute Taking                   | 1,000          | 658            | 342                                     |
| Advertising                             | 2,000          | 3,717          | (1,717)                                 |
| Other                                   | 500            | 883            | (383)                                   |
| Municipal Planning Grant                | 2,350          | 11,585         | (9,235)                                 |
| Tax Sale Expenses                       | 0              | 3,460          | (3,460)                                 |
| Cemetery Administrative                 | 500            | 500            | 0                                       |
| Hazard Mitigation Buyout Expenses       | 0              | 7,282          | (7,282)                                 |
| Cumulative Deficit                      | 50,000         | 0              | 50,000                                  |
| <b>Total Government Operations</b>      | <b>105,175</b> | <b>120,285</b> | <b>(15,110)</b>                         |
| <b>Appropriations:</b>                  |                |                |   |
| <b>Local:</b>                           |                |                |   |
| Bethel Library                          | 1,500          | 1,500          | 0                                       |
| Council on the Arts                     | 2,000          | 2,000          | 0                                       |
| Bethel Historical Society               | 500            | 500            | 0                                       |
| League of Cities and Towns              | 3,147          | 3,147          | 0                                       |
| Two Rivers Regional Planning Commission | 2,700          | 2,700          | 0                                       |
| Green Mountain Economic Development     | 1,011          | 1,011          | 0                                       |
| Green Up Day                            | 150            | 150            | 0                                       |
| White River Partnership                 | 500            | 500            | 0                                       |
| VT Rural Fire Protection                | 100            | 100            | 0                                       |
| <b>Total Local</b>                      | <b>11,608</b>  | <b>11,608</b>  | <b>0</b>                                |
| <b>Human Services:</b>                  |                |                |   |
| South Royalton Senior Center            | 2,000          | 2,000          | 0                                       |
| Visiting Nurse Association and Hospice  | 5,510          | 5,510          | 0                                       |
| Clara Martin Center                     | 2,200          | 2,200          | 0                                       |
| Central Vermont Community Action        | 300            | 300            | 0                                       |
| Safeline                                | 900            | 900            | 0                                       |
| Stagecoach                              | 2,300          | 2,300          | 0                                       |
| Windsor Community Partners              | 400            | 400            | 0                                       |
| Central Vermont Council on Aging        | 550            | 550            | 0                                       |
| Vermont Association for the Blind       | 800            | 800            | 0                                       |
| HIV/HCV Resource Center                 | 300            | 300            | 0                                       |

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TOWN OF BETHEL, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

|   | Budget    | Actual         | Variance<br>Favorable/<br>(Unfavorable) |
|---|-----------|----------------|---|
| Human Services/(Cont'd):  |           |                |   |
| Vermont Adult Learning  | \$ 300    | \$ 300         | \$ 0                                    |
| Vermont Center for Independent Living   | 150       | 150            | 0                                       |
| Health Care and Rehabilitation Services   | 200       | 200            | 0                                       |
| Orange County Parent Child  | 500       | 500            | 0                                       |
| Quin-Town Center for Senior Citizens  | 1,200     | 1,200          | 0                                       |
| American Red Cross  | 1,000     | 1,000          | 0                                       |
| Bethel Excel Program  | 1,200     | 1,200          | 0                                       |
| Total Human Services  | 19,810    | 19,810         | 0                                       |
| White River Valley Ambulance:   | 121,760   | 121,760        | 0                                       |
| Total Appropriations  | 153,178   | 153,178        | 0                                       |
| Debt Service:   |           |                |   |
| Long-term Debt - Sewer  | 36,145    | 33,618         | 2,527                                   |
| Long-term Debt - Town Hall  | 69,395    | 69,406         | (11)                                    |
| Interest - Tax Anticipation Notes   | 5,000     | 1,895          | 3,105                                   |
| Long-term Debt - Capital Projects   | 20,717    | 9,535          | 11,182                                  |
| Total Debt Service  | 131,257   | 114,454        | 16,803                                  |
| County Taxes:   | 19,600    | 0              | 19,600                                  |
| Miscellaneous:  |           |                |   |
| Managers Expense  | 2,500     | 914            | 1,586                                   |
| Solid Waste Management Plan   | 17,905    | 18,798         | (893)                                   |
| Total Miscellaneous   | 20,405    | 19,712         | 693                                     |
| Total Expenditures  | 2,026,971 | 1,943,161      | 83,810                                  |
| Excess of Revenues Over Expenditures  | \$ 0      | 150,482        | \$ 150,482                              |
| Adjustments to Reconcile from the Budgetary Basis of Accounting<br>to the Modified Accrual Basis of Accounting: |           |                |   |
| Cemeteries Fund Income  |           | 225            |   |
| Cemeteries Fund Transfer In   |           | 19,014         |   |
| Cemeteries Fund Expenses  |           | (20,146)       |   |
| Net Change in Fund Balance  |           | 149,575        |   |
| Fund Balance/(Deficit) - July 1, 2015   |           | (1,300,836)    |   |
| Fund Balance/(Deficit) - June 30, 2016  |           | \$ (1,151,261) |   |

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

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TOWN OF BETHEL, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 VSERS DEFINED BENEFIT PLAN  
 JUNE 30, 2016

|  | 2016           | 2015           |
|--|----------------|----------------|
| Total Plan Net Pension Liability   | \$ 545,047,730 | \$ 351,642,081 |
| Town's Proportion of the Net Pension Liability   | 0.1264%        | 0.0973%        |
| Town's Proportionate Share of the Net Pension Liability  | \$ 688,677     | \$ 342,208     |
| Town's Covered Employee Payroll  | \$ 634,608     | \$ 661,105     |
| Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll | 108.5201%      | 51.7630%       |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                 | 74.88%         | 82.50%         |

**Notes to Schedule**

Benefit Changes: None.

Changes in Assumptions: The discount rate used to measure the net pension liability was lowered from 8.22% to 7.95%, due to the adoption by the Board of Trustees of a 7.95% expected future rate of return on assets for funding purposes.

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

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TOWN OF BETHEL, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 VSERS DEFINED BENEFIT PLAN  
 FOR THE YEAR ENDED JUNE 30, 2016

|   | <u>2016</u>   | <u>2015</u>   |
|---|---------------|---------------|
| Contractually Required Contribution (Actuarially Determined)          | \$ 66,507     | \$ 70,607     |
| Contributions in Relation to the Actuarially Determined Contributions | <u>66,507</u> | <u>70,607</u> |
| Contribution Excess/(Deficiency)                                      | <u>\$ 0</u>   | <u>\$ 0</u>   |
| Town's Covered Employee Payroll                                       | \$ 634,608    | \$ 661,105    |
| Contributions as a Percentage of Town's Covered Employee Payroll      | 10.480%       | 10.680%       |

**Notes to Schedule**

Valuation Date: June 30, 2015

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

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TOWN OF BETHEL, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016

|  | Special<br>Revenue<br>Funds | Capital<br>Projects<br>Funds | Permanent<br>Fund<br><u>Edmund's<br/>Memorial<br/>Fund</u> | <u>Total</u>      |
|--|-----------------------------|------------------------------|--|-------------------|
| <u>ASSETS</u>                          |                             |                              |  |                   |
| Cash                                   | \$ 131,155                  | \$ 77,818                    | \$ 334   | \$ 209,307        |
| Investments                            | 23,742                      | 0                            | 0  | 23,742            |
| Due from Other Funds                   | <u>3,230</u>                | <u>221</u>                   | <u>0</u>   | <u>3,451</u>      |
| Total Assets                           | <u>\$ 158,127</u>           | <u>\$ 78,039</u>             | <u>\$ 334</u>  | <u>\$ 236,500</u> |
| <u>LIABILITIES</u>                     |                             |                              |  |                   |
| Due to Other Funds                     | <u>\$ 0</u>                 | <u>\$ 56,498</u>             | <u>\$ 0</u>  | <u>\$ 56,498</u>  |
| Total Liabilities                      | <u>0</u>                    | <u>56,498</u>                | <u>0</u>   | <u>56,498</u>     |
| <u>FUND BALANCES</u>                   |                             |                              |  |                   |
| Nonspendable                           | 0                           | 0                            | 200  | 200               |
| Restricted                             | 30,607                      | 2,558                        | 134  | 33,299            |
| Committed                              | 0                           | 18,983                       | 0  | 18,983            |
| Assigned                               | <u>127,520</u>              | <u>0</u>                     | <u>0</u>   | <u>127,520</u>    |
| Total Fund Balances                    | <u>158,127</u>              | <u>21,541</u>                | <u>334</u>   | <u>180,002</u>    |
| Total Liabilities and<br>Fund Balances | <u>\$ 158,127</u>           | <u>\$ 78,039</u>             | <u>\$ 334</u>  | <u>\$ 236,500</u> |

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TOWN OF BETHEL, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

|  | Special<br>Revenue<br>Funds | Capital<br>Projects<br>Funds | Permanent<br>Fund<br>Edmund's<br>Memorial<br>Fund | Total             |
|--|-----------------------------|------------------------------|---|-------------------|
| <b>Revenues:</b>   |                             |                              |   |                   |
| Intergovernmental  | \$ 10,047                   | \$ 49,622                    | \$ 0  | \$ 59,669         |
| Charges for Services   | 4,648                       | 0                            | 0   | 4,648             |
| Investment Income  | 102                         | 45                           | 0   | 147               |
| Donations  | 3,445                       | 2,155                        | 0   | 5,600             |
| <b>Total Revenues</b>  | <b>18,242</b>               | <b>51,822</b>                | <b>0</b>  | <b>70,064</b>     |
| <b>Expenditures:</b>   |                             |                              |   |                   |
| Public Works   | 0                           | 236                          | 0   | 236               |
| Culture and Recreation                                       | 6,256                       | 0                            | 0   | 6,256             |
| <b>Capital Outlay:</b>                                       |                             |                              |   |                   |
| Public Safety  | 0                           | 22,232                       | 0   | 22,232            |
| Culture and Recreation                                       | 0                           | 60,000                       | 0   | 60,000            |
| <b>Debt Service:</b>   |                             |                              |   |                   |
| Principal  | 0                           | 169,229                      | 0   | 169,229           |
| Interest   | 0                           | 8,905                        | 0   | 8,905             |
| <b>Total Expenditures</b>                                    | <b>6,256</b>                | <b>260,602</b>               | <b>0</b>  | <b>266,858</b>    |
| <b>Excess/(Deficiency) of Revenues<br/>Over Expenditures</b> | <b>11,986</b>               | <b>(208,780)</b>             | <b>0</b>  | <b>(196,794)</b>  |
| <b>Other Financing Sources:</b>                              |                             |                              |   |                   |
| Transfers In   | 0                           | 171,500                      | 0   | 171,500           |
| <b>Total Other Financing<br/>Sources</b>                     | <b>0</b>                    | <b>171,500</b>               | <b>0</b>  | <b>171,500</b>    |
| <b>Net Change in Fund Balances</b>                           | <b>11,986</b>               | <b>(37,280)</b>              | <b>0</b>  | <b>(25,294)</b>   |
| <b>Fund Balances - July 1, 2015</b>                          | <b>146,141</b>              | <b>58,821</b>                | <b>334</b>  | <b>205,296</b>    |
| <b>Fund Balances - June 30, 2016</b>                         | <b>\$ 158,127</b>           | <b>\$ 21,541</b>             | <b>\$ 334</b>                                     | <b>\$ 180,002</b> |

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TOWN OF BETHEL, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2016

|  | Reappraisal<br>Fund | Council on<br>the Arts<br>Fund | Forward<br>Festival<br>Fund | Bandshell<br>Fund | Leasehold<br>Fund | Town<br>Records<br>Preservation<br>Fund | Emergency<br>Shelter<br>Fund | Total             |
|--|---------------------|--------------------------------|-----------------------------|-------------------|-------------------|---|------------------------------|-------------------|
| <b><u>ASSETS</u></b>                   |                     |                                |                             |                   |                   |   |                              |                   |
| Cash                                   | \$ 117,644          | \$ 3,668                       | \$ 2,921                    | \$ 2,674          | \$ 3,534          | \$ 0                                    | \$ 714                       | \$ 131,155        |
| Investments                            | 0                   | 0                              | 0                           | 0                 | 0                 | 23,742                                  | 0                            | 23,742            |
| Due from Other Funds                   | 0                   | 0                              | 0                           | 0                 | 0                 | 3,230                                   | 0                            | 3,230             |
| Total Assets                           | <u>\$ 117,644</u>   | <u>\$ 3,668</u>                | <u>\$ 2,921</u>             | <u>\$ 2,674</u>   | <u>\$ 3,534</u>   | <u>\$ 26,972</u>                        | <u>\$ 714</u>                | <u>\$ 158,127</u> |
| <b><u>LIABILITIES</u></b>              |                     |                                |                             |                   |                   |   |                              |                   |
| Liabilities:                           | \$ 0                | \$ 0                           | \$ 0                        | \$ 0              | \$ 0              | \$ 0                                    | \$ 0                         | \$ 0              |
| <b><u>FUND BALANCES</u></b>            |                     |                                |                             |                   |                   |   |                              |                   |
| Restricted                             | 0                   | 0                              | 2,921                       | 0                 | 0                 | 26,972                                  | 714                          | 30,607            |
| Assigned                               | 117,644             | 3,668                          | 0                           | 2,674             | 3,534             | 0                                       | 0                            | 127,520           |
| Total Fund Balances                    | <u>117,644</u>      | <u>3,668</u>                   | <u>2,921</u>                | <u>2,674</u>      | <u>3,534</u>      | <u>26,972</u>                           | <u>714</u>                   | <u>158,127</u>    |
| Total Liabilities and<br>Fund Balances | <u>\$ 117,644</u>   | <u>\$ 3,668</u>                | <u>\$ 2,921</u>             | <u>\$ 2,674</u>   | <u>\$ 3,534</u>   | <u>\$ 26,972</u>                        | <u>\$ 714</u>                | <u>\$ 158,127</u> |

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TOWN OF BETHEL, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

|                               | Reappraisal<br>Fund | Council on<br>the Arts<br>Fund | Forward<br>Festival<br>Fund | Bandshell<br>Fund | Leasehold<br>Fund | Town<br>Records<br>Preservation<br>Fund | Emergency<br>Shelter<br>Fund | Total             |
|-------------------------------|---------------------|--------------------------------|-----------------------------|-------------------|-------------------|---|------------------------------|-------------------|
| Revenues:                     |                     |                                |                             |                   |                   |   |                              |                   |
| Intergovernmental             | \$ 10,047           | \$ 0                           | \$ 0                        | \$ 0              | \$ 0              | \$ 0                                    | \$ 0                         | \$ 10,047         |
| Charges for Services          | 0                   | 4,648                          | 0                           | 0                 | 0                 | 0                                       | 0                            | 4,648             |
| Investment Income             | 50                  | 0                              | 0                           | 1                 | 2                 | 48                                      | 1                            | 102               |
| Donations                     | <u>0</u>            | <u>0</u>                       | <u>2,115</u>                | <u>1,330</u>      | <u>0</u>          | <u>0</u>                                | <u>0</u>                     | <u>3,445</u>      |
| Total Revenues                | <u>10,097</u>       | <u>4,648</u>                   | <u>2,115</u>                | <u>1,331</u>      | <u>2</u>          | <u>48</u>                               | <u>1</u>                     | <u>18,242</u>     |
| Expenditures:                 |                     |                                |                             |                   |                   |   |                              |                   |
| Culture and Recreation        | <u>0</u>            | <u>4,483</u>                   | <u>1,773</u>                | <u>0</u>          | <u>0</u>          | <u>0</u>                                | <u>0</u>                     | <u>6,256</u>      |
| Total Expenditures            | <u>0</u>            | <u>4,483</u>                   | <u>1,773</u>                | <u>0</u>          | <u>0</u>          | <u>0</u>                                | <u>0</u>                     | <u>6,256</u>      |
| Net Change in Fund Balances   | 10,097              | 165                            | 342                         | 1,331             | 2                 | 48                                      | 1                            | 11,986            |
| Fund Balances - July 1, 2015  | <u>107,547</u>      | <u>3,503</u>                   | <u>2,579</u>                | <u>1,343</u>      | <u>3,532</u>      | <u>26,924</u>                           | <u>713</u>                   | <u>146,141</u>    |
| Fund Balances - June 30, 2016 | <u>\$ 117,644</u>   | <u>\$ 3,668</u>                | <u>\$ 2,921</u>             | <u>\$ 2,674</u>   | <u>\$ 3,534</u>   | <u>\$ 26,972</u>                        | <u>\$ 714</u>                | <u>\$ 158,127</u> |

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF BETHEL, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2016

|  | Highway<br>Equipment<br>Trust<br>Fund | Fire<br>Equipment<br>Fund | Town Hall<br>Renovation<br>Fund | Recreation<br>Reserve<br>Fund | Total            |
|--|---------------------------------------|---------------------------|---------------------------------|-------------------------------|------------------|
| <u>ASSETS</u>                          |                                       |                           |                                 |                               |                  |
| Cash                                   | \$ 2,558                              | \$ 1,898                  | \$ 12,989                       | \$ 60,373                     | \$ 77,818        |
| Due from Other Funds                   | <u>0</u>                              | <u>0</u>                  | <u>221</u>                      | <u>0</u>                      | <u>221</u>       |
| Total Assets                           | <u>\$ 2,558</u>                       | <u>\$ 1,898</u>           | <u>\$ 13,210</u>                | <u>\$ 60,373</u>              | <u>\$ 78,039</u> |
| <u>LIABILITIES</u>                     |                                       |                           |                                 |                               |                  |
| Due to Other Funds                     | \$ <u>0</u>                           | \$ <u>81</u>              | \$ <u>0</u>                     | \$ <u>56,417</u>              | \$ <u>56,498</u> |
| Total Liabilities                      | <u>0</u>                              | <u>81</u>                 | <u>0</u>                        | <u>56,417</u>                 | <u>56,498</u>    |
| <u>FUND BALANCES</u>                   |                                       |                           |                                 |                               |                  |
| Restricted                             | 2,558                                 | 0                         | 0                               | 0                             | 2,558            |
| Committed                              | <u>0</u>                              | <u>1,817</u>              | <u>13,210</u>                   | <u>3,956</u>                  | <u>18,983</u>    |
| Total Fund Balances                    | <u>2,558</u>                          | <u>1,817</u>              | <u>13,210</u>                   | <u>3,956</u>                  | <u>21,541</u>    |
| Total Liabilities and<br>Fund Balances | <u>\$ 2,558</u>                       | <u>\$ 1,898</u>           | <u>\$ 13,210</u>                | <u>\$ 60,373</u>              | <u>\$ 78,039</u> |

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF BETHEL, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

|                                 | Highway<br>Equipment<br>Trust<br>Fund | Fire<br>Equipment<br>Fund | Town Hall<br>Renovation<br>Fund | Recreation<br>Reserve<br>Fund | Total            |
|---------------------------------|---------------------------------------|---------------------------|---------------------------------|-------------------------------|------------------|
| Revenues:                       |                                       |                           |                                 |                               |                  |
| Intergovernmental               | \$ 0                                  | \$ 21,497                 | \$ 0                            | \$ 28,125                     | \$ 49,622        |
| Investment Income               | 13                                    | 1                         | 7                               | 24                            | 45               |
| Donations                       | 0                                     | 0                         | 159                             | 1,996                         | 2,155            |
|                                 | <u>13</u>                             | <u>21,498</u>             | <u>166</u>                      | <u>30,145</u>                 | <u>51,822</u>    |
| Total Revenues                  |                                       |                           |                                 |                               |                  |
| Expenditures:                   |                                       |                           |                                 |                               |                  |
| Public Works                    | 236                                   | 0                         | 0                               | 0                             | 236              |
| Capital Outlay:                 |                                       |                           |                                 |                               |                  |
| Public Safety                   | 0                                     | 22,232                    | 0                               | 0                             | 22,232           |
| Culture and Recreation          | 0                                     | 0                         | 0                               | 60,000                        | 60,000           |
| Debt Service:                   |                                       |                           |                                 |                               |                  |
| Principal                       | 129,941                               | 39,288                    | 0                               | 0                             | 169,229          |
| Interest                        | 4,177                                 | 4,728                     | 0                               | 0                             | 8,905            |
|                                 | <u>134,354</u>                        | <u>66,248</u>             | <u>0</u>                        | <u>60,000</u>                 | <u>260,602</u>   |
| Total Expenditures              |                                       |                           |                                 |                               |                  |
| Excess/(Deficiency) of Revenues |                                       |                           |                                 |                               |                  |
| Over Expenditures               | <u>(134,341)</u>                      | <u>(44,750)</u>           | <u>166</u>                      | <u>(29,855)</u>               | <u>(208,780)</u> |
| Other Financing Sources:        |                                       |                           |                                 |                               |                  |
| Transfers In                    | <u>110,000</u>                        | <u>46,500</u>             | <u>0</u>                        | <u>15,000</u>                 | <u>171,500</u>   |
|                                 | <u>110,000</u>                        | <u>46,500</u>             | <u>0</u>                        | <u>15,000</u>                 | <u>171,500</u>   |
| Total Other Financing Sources   |                                       |                           |                                 |                               |                  |
| Net Change in Fund Balances     | (24,341)                              | 1,750                     | 166                             | (14,855)                      | (37,280)         |
| Fund Balances - July 1, 2015    | <u>26,899</u>                         | <u>67</u>                 | <u>13,044</u>                   | <u>18,811</u>                 | <u>58,821</u>    |
| Fund Balances - June 30, 2016   | <u>\$ 2,558</u>                       | <u>\$ 1,817</u>           | <u>\$ 13,210</u>                | <u>\$ 3,956</u>               | <u>\$ 21,541</u> |

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

Board of Selectmen  
Town of Bethel, Vermont  
134 South Main Street  
Bethel, Vermont 05032

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 Bethel, Vermont as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Bethel, Vermont's basic financial statements and have issued our report thereon dated March 2, 2017.

***Internal Control Over Financial Reporting***

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

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

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 Bethel, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2016-1 to be a material weakness.

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 the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2016-2 and 2016-3 to be significant deficiencies.

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

As part of obtaining reasonable assurance about whether the Town of Bethel, 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 Bethel, Vermont in a separate letter dated March 2, 2017.

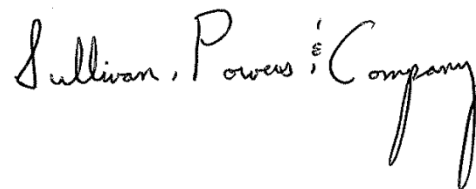
### ***Town of Bethel, Vermont's Response to Deficiencies in Internal Control***

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

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

March 2, 2017  
Montpelier, Vermont  
VT Lic. #92-000180



TOWN OF BETHEL, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2016

Deficiencies in Internal Control:

Material Weaknesses:

2016-1 Reconciliation of Balance Sheet Accounts

*Criteria:*

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

*Condition:*

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

*Cause:*

Unknown.

*Effect:*

The Town's account balances were incorrect.

*Recommendation:*

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

*Management's Response:*

The Town will update its monthly closeout checklist and the procedures manual. Management will check with the bookkeeper and the NEMRC system to ensure all reconciliations occur. During Fiscal Year 2016, the Town experienced a lot of turnover in the bookkeeper position, with duties being reassigned for the interim as much as possible. This position was filled in December 2016 and timely reconciliation of statements has been occurring since then.



TOWN OF BETHEL, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2016

Significant Deficiencies:

2016-2 Segregation of Duties - Town Clerk Fund

*Criteria:*

An important factor in developing good internal control procedures is to divide responsibilities so that no individual can both perpetrate and conceal errors or irregularities. One of the most common division of duties is the division between the check signing and bank reconciliation functions.

*Condition:*

In the Town, the same person that reconciles the Town Clerk's checking account also collects cash and checks, makes deposits and has check signing authority.

*Cause:*

Unknown.

*Effect:*

The Town has made the assets in the Town Clerk's Fund susceptible to misappropriation.

*Recommendation:*

We recommend that someone other than a check signer prepare or review in detail the Town Clerk's Fund reconciliations of the cash accounts monthly.

*Management's Response:*

These cemetery fund has been set up in NEMRC. Checks formally written from this fund are now processed through the General Fund and approved by the Selectboard prior to release.

2016-3 Authorization of General Journal Entries

*Criteria:*

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

TOWN OF BETHEL, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2016

*Condition:*

The Town has a policy which requires review and approval of journal entries, however, the Town does not consistently approve journal entries.

*Cause:*

Unknown.

*Effect:*

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

*Recommendation:*

We recommend that the Town implement procedures to ensure that all journal entries are properly supported with documentation as to how and where the amount was derived and that all journal entries are reviewed by an appropriate official so as not to circumvent the original approval process.

*Management's Response:*

The Town has implemented a procedure where the Assistant Town Manager drafts or reviews entries drafted by the Bookkeeper before they are entered into NEMRC. Once approved and entered into NEMRC, the Assistant Town Manager will review the printed report of the entry for consistency. A binder of all journal entries will be maintained for review at any time.