

TOWN OF BETHEL, VERMONT

AUDIT REPORT

JUNE 30, 2017

TOWN OF BETHEL, VERMONT
 AUDIT REPORT
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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, 2017, 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, 2017, 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.C. to the financial statements, certain errors resulting in an understatement of capital assets and an overstatement of accounts payable were 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.

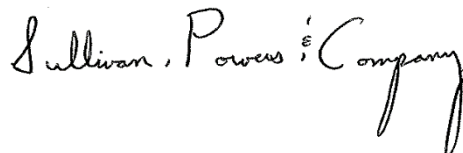
Other Information

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 May 17, 2018 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.

May 17, 2018
Montpelier, Vermont
VT Lic. #92-000180

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

TOWN OF BETHEL, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 537,017	\$ 0	\$ 537,017
Investments	352,030	12,463	364,493
Receivables (Net of Allowance for Uncollectibles)	737,325	139,711	877,036
Loans Receivable	79,007	0	79,007
Due from the State of Vermont - Pension Credit	21,469	0	21,469
Property Held for Resale	14,580	0	14,580
Internal Balances	494,343	(494,343)	0
Prepaid Expenses	67,009	0	67,009
Capital Assets:			
Land	326,708	7,100	333,808
Other Capital Assets, (Net of Accumulated Depreciation)	16,329,571	2,812,747	19,142,318
Total Assets	<u>18,959,059</u>	<u>2,477,678</u>	<u>21,436,737</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VSERS	263,424	55,234	318,658
Total Deferred Outflows of Resources	<u>263,424</u>	<u>55,234</u>	<u>318,658</u>
<u>LIABILITIES</u>			
Accounts Payable	79,985	0	79,985
Accrued Payroll and Benefits Payable	10,133	2,663	12,796
Unearned Revenue	0	3,767	3,767
Due to the Bethel/Royalton Solid Waste Management Facility	91,296	0	91,296
Due to Taxpayers	3,320	0	3,320
Short-term Notes Payable	1,825,445	0	1,825,445
Accrued Interest Payable	28,615	7,273	35,888
Noncurrent Liabilities:			
Due within One Year	208,747	72,412	281,159
Due in More than One Year	1,695,095	660,027	2,355,122
Total Liabilities	<u>3,942,636</u>	<u>746,142</u>	<u>4,688,778</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	18,084	0	18,084
Deferred Inflows of Resources Related to the Town's Participation in VSERS	79,792	16,731	96,523
Total Deferred Inflows of Resources	<u>97,876</u>	<u>16,731</u>	<u>114,607</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	15,319,240	2,122,852	17,442,092
Restricted:			
Trustee of Public Funds	324,333	0	324,333
Revolving Loans	387,344	0	387,344
Other	55,583	0	55,583
Unrestricted/(Deficit)	<u>(904,529)</u>	<u>(352,813)</u>	<u>(1,257,342)</u>
Total Net Position	<u>\$ 15,181,971</u>	<u>\$ 1,770,039</u>	<u>\$ 16,952,010</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, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 808,963	\$ 40,715	\$ 12,681	\$ 0	\$ (755,567)	\$ 0	\$ (755,567)
Public Safety	149,092	1,642	0	8,194	(139,256)	0	(139,256)
Public Works	1,220,428	0	144,394	536,978	(539,056)	0	(539,056)
Culture and Recreation	115,415	8,949	1,955	7,910	(96,601)	0	(96,601)
Community Development	320	4,873	0	0	4,553	0	4,553
Cemetery	281	1,125	0	0	844	0	844
Sanitation	18,930	0	0	0	(18,930)	0	(18,930)
Interest on Long-term Debt	41,606	0	0	0	(41,606)	0	(41,606)
Total Governmental Activities	<u>2,355,035</u>	<u>57,304</u>	<u>159,030</u>	<u>553,082</u>	<u>(1,585,619)</u>	<u>0</u>	<u>(1,585,619)</u>
Business-type Activities:							
Water	176,354	184,553	19,900	0	0	28,099	28,099
Sewer	300,491	220,268	0	0	0	(80,223)	(80,223)
Total Business-type Activities	<u>476,845</u>	<u>404,821</u>	<u>19,900</u>	<u>0</u>	<u>0</u>	<u>(52,124)</u>	<u>(52,124)</u>
Total Primary Government	<u>\$ 2,831,880</u>	<u>\$ 462,125</u>	<u>\$ 178,930</u>	<u>\$ 553,082</u>	<u>(1,585,619)</u>	<u>(52,124)</u>	<u>(1,637,743)</u>
General Revenues:							
Property Taxes					1,667,925	0	1,667,925
Penalties and Interest on Delinquent Taxes					28,413	0	28,413
General State Grants					119,471	0	119,471
Unrestricted Investment Earnings					18,110	43	18,153
Gain on Sale of Vehicle					2,100	0	2,100
Other Revenues					22,833	0	22,833
Total General Revenues					<u>1,858,852</u>	<u>43</u>	<u>1,858,895</u>
Change in Net Position					273,233	(52,081)	221,152
Net Position - July 1, 2016, As Restated					<u>14,908,738</u>	<u>1,822,120</u>	<u>16,730,858</u>
Net Position - June 30, 2017					<u>\$ 15,181,971</u>	<u>\$ 1,770,039</u>	<u>\$ 16,952,010</u>

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

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

	General Fund	FEMA Fund	Trustees of Public Funds Fund	Revolving Loan Fund	Fire Equipment Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash	\$ 161,513	\$ 0	\$ 383	\$ 143,847	\$ 1,899	\$ 229,375	\$ 537,017
Investments	0	0	323,950	0	0	28,080	352,030
Receivables (Net of Allowance for Uncollectibles)	580,530	156,795	0	0	0	0	737,325
Loans Receivable	0	0	0	79,007	0	0	79,007
Due from Other Funds	572,105	0	0	0	0	23,994	596,099
Advances to Other Funds	0	0	0	165,998	0	0	165,998
Property Held for Resale	14,580	0	0	0	0	0	14,580
Due from the State of Vermont - Pension Credit	21,469	0	0	0	0	0	21,469
Prepaid Expenses	67,009	0	0	0	0	0	67,009
Total Assets	\$ 1,417,206	\$ 156,795	\$ 324,333	\$ 388,852	\$ 1,899	\$ 281,449	\$ 2,570,534
LIABILITIES							
Accounts Payable	\$ 79,985	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 79,985
Accrued Payroll and Benefits Payable	10,133	0	0	0	0	0	10,133
Due to Other Funds	0	156,795	0	1,508	18,669	30,781	207,753
Advances from Other Funds	60,001	0	0	0	0	0	60,001
Due to the Bethel/Royalton Solid Waste Management Facility	91,296	0	0	0	0	0	91,296
Due to Taxpayers	3,320	0	0	0	0	0	3,320
Accrued Interest Payable	13,982	0	0	0	0	0	13,982
Short-term Notes Payable	1,825,445	0	0	0	0	0	1,825,445
Total Liabilities	2,084,162	156,795	0	1,508	18,669	30,781	2,291,915
DEFERRED INFLOWS OF RESOURCES							
Prepaid Property Taxes	18,084	0	0	0	0	0	18,084
Unavailable Property Taxes, Penalties and Interest	283,811	0	0	0	0	0	283,811
Unavailable Grants	232,763	156,795	0	0	0	0	389,558
Unavailable Loans Receivable	0	0	0	79,007	0	0	79,007
Total Deferred Inflows of Resources	534,658	156,795	0	79,007	0	0	770,460
FUND BALANCES/(DEFICIT)							
Nonspendable	103,058	0	317,191	0	0	200	420,449
Restricted	0	0	7,142	308,337	0	55,383	370,862
Committed	0	0	0	0	0	57,902	57,902
Assigned	0	0	0	0	0	137,183	137,183
Unassigned/(Deficit)	(1,304,672)	(156,795)	0	0	(16,770)	0	(1,478,237)
Total Fund Balances/(Deficit)	(1,201,614)	(156,795)	324,333	308,337	(16,770)	250,668	(491,841)
Total Liabilities, Deferred Inflows of Resources and Fund Balances/(Deficit)	\$ 1,417,206	\$ 156,795	\$ 324,333	\$ 388,852	\$ 1,899	\$ 281,449	
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.							16,656,279
Other Assets are not Available to Pay for Current-Period Expenditures and, Therefore, are Deferred in the Funds.							752,376
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.							(1,918,475)
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.							183,632
Net Position of Governmental Activities							\$ 15,181,971

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

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

	General Fund	FEMA Fund	Trustees of Public Funds Fund	Revolving Loan Fund	Fire Equipment Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:							
Property Taxes	\$ 1,609,114	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,609,114
Penalties and Interest on Delinquent Taxes	28,413	0	0	0	0	0	28,413
Intergovernmental	538,850	120,227	0	0	8,194	10,056	677,327
Charges for Services	46,303	0	0	0	0	6,023	52,326
Permits, Licenses and Fees	28,372	0	0	0	0	0	28,372
Fines and Forfeits	1,642	0	0	0	0	0	1,642
Loan Repayments	0	0	0	17,183	0	0	17,183
Loan Interest Income	0	0	0	4,873	0	0	4,873
Investment Income	2,007	0	15,555	107	1	440	18,110
Donations	0	0	0	0	0	9,890	9,890
Other	21,667	0	0	0	0	0	21,667
Total Revenues	2,276,368	120,227	15,555	22,163	8,195	26,409	2,468,917
Expenditures:							
General Government	785,156	0	10,232	0	0	0	795,388
Public Safety	90,546	0	0	0	12,011	0	102,557
Public Works	755,183	0	0	0	0	0	755,183
Culture and Recreation	86,676	0	0	0	0	6,568	93,244
Community Development	0	0	0	90,320	0	0	90,320
Cemetery	281	0	0	0	0	0	281
Sanitation	18,930	0	0	0	0	0	18,930
Capital Outlay:							
Public Safety	11,309	0	0	0	241,500	0	252,809
Public Works	287,291	277,022	0	0	0	193,933	758,246
Debt Service:							
Principal	93,900	0	0	0	56,497	17,327	167,724
Interest	41,228	0	0	0	8,274	698	50,200
Total Expenditures	2,170,500	277,022	10,232	90,320	318,282	218,526	3,084,882
Excess/(Deficiency) of Revenues Over Expenditures	105,868	(156,795)	5,323	(68,157)	(310,087)	(192,117)	(615,965)
Other Financing Sources/(Uses):							
Proceeds from Long-term Debt	0	0	0	0	241,500	125,000	366,500
Proceeds from Sale of Vehicle	0	0	0	0	0	2,100	2,100
Transfers In	10,670	0	0	0	50,000	145,000	205,670
Transfers Out	(195,000)	0	(3,170)	0	0	(7,500)	(205,670)
Total Other Financing Sources/(Uses)	(184,330)	0	(3,170)	0	291,500	264,600	368,600
Net Change in Fund Balances	(78,462)	(156,795)	2,153	(68,157)	(18,587)	72,483	(247,365)
Fund Balances/(Deficit) - July 1, 2016, As Restated	(1,123,152)	0	322,180	376,494	1,817	178,185	(244,476)
Fund Balances/(Deficit) - June 30, 2017	\$ (1,201,614)	\$ (156,795)	\$ 324,333	\$ 308,337	\$ (16,770)	\$ 250,668	\$ (491,841)

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, 2017

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)	\$	(247,365)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,011,055) is allocated over their estimated useful lives and reported as depreciation expense (\$555,455). This is the amount by which capital outlays exceeded depreciation in the current period.		455,600
The net effect of various transactions involving capital assets (i.e., sales, losses on disposal of assets and trade-ins) is to increase net position.		(6,667)
The issuance of long-term debt (\$366,500) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$167,724) 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.		(198,776)
The issuance of loans receivable (\$90,000) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$17,183) 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.		72,817
Governmental funds report employer pension contributions as expenditures (\$40,800). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$78,673) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(37,873)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		210,764
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>24,733</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>273,233</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, 2017

	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current Assets:			
Investments	\$ 0	\$ 12,463	\$ 12,463
Receivables (Net of Allowance for Uncollectible)	<u>65,738</u>	<u>73,973</u>	<u>139,711</u>
Total Current Assets	<u>65,738</u>	<u>86,436</u>	<u>152,174</u>
Noncurrent Assets:			
Capital Assets:			
Land	0	7,100	7,100
Water and Sewer Systems	2,180,633	3,009,367	5,190,000
Less: Accumulated Depreciation	<u>(894,673)</u>	<u>(1,482,580)</u>	<u>(2,377,253)</u>
Total Noncurrent Assets	<u>1,285,960</u>	<u>1,533,887</u>	<u>2,819,847</u>
Total Assets	<u>1,351,698</u>	<u>1,620,323</u>	<u>2,972,021</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VSERS			
	<u>0</u>	<u>55,234</u>	<u>55,234</u>
Total Deferred Outflows of Resources	<u>0</u>	<u>55,234</u>	<u>55,234</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accrued Payroll and Benefits Payable	541	2,122	2,663
Due to Other Funds	167,351	220,995	388,346
Unearned Revenue	2,592	1,175	3,767
Accrued Interest Payable	5,125	2,148	7,273
Notes Payable - Current Portion	0	15,996	15,996
General Obligation Bonds Payable - Current Portion	<u>56,416</u>	<u>0</u>	<u>56,416</u>
Total Current Liabilities	<u>232,025</u>	<u>242,436</u>	<u>474,461</u>
Noncurrent Liabilities:			
Advances from Other Funds	68,352	37,645	105,997
Compensated Absences Payable	3,190	32,945	36,135
Net Pension Liability	0	105,306	105,306
Notes Payable - Noncurrent Portion	0	39,986	39,986
General Obligation Bonds Payable - Noncurrent Portion	<u>478,600</u>	<u>0</u>	<u>478,600</u>
Total Noncurrent Liabilities	<u>550,142</u>	<u>215,882</u>	<u>766,024</u>
Total Liabilities	<u>782,167</u>	<u>458,318</u>	<u>1,240,485</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources Related to the Town's Participation in VSERS			
	<u>0</u>	<u>16,731</u>	<u>16,731</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>16,731</u>	<u>16,731</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	682,592	1,440,260	2,122,852
Unrestricted/(Deficit)	<u>(113,061)</u>	<u>(239,752)</u>	<u>(352,813)</u>
Total Net Position	<u>\$ 569,531</u>	<u>\$ 1,200,508</u>	<u>\$ 1,770,039</u>

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, 2017

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 181,695	\$ 218,581	\$ 400,276
Other	2,858	1,687	4,545
Total Operating Revenues	<u>184,553</u>	<u>220,268</u>	<u>404,821</u>
Operating Expenses:			
Payroll and Benefits	20,775	139,183	159,958
Administrative Services	13,270	10,900	24,170
Training and Certification	0	3,619	3,619
Supplies	824	2,733	3,557
Utilities	21,613	23,580	45,193
Repairs and Maintenance	30,199	10,936	41,135
Chemicals	582	152	734
Permits and Testing	11,926	0	11,926
Legal Services	15,159	14,859	30,018
Sludge Disposal	0	21,146	21,146
Depreciation	41,574	63,898	105,472
Other Operating Expenses	2,123	7,337	9,460
Total Operating Expenses	<u>158,045</u>	<u>298,343</u>	<u>456,388</u>
Operating Income/(Loss)	<u>26,508</u>	<u>(78,075)</u>	<u>(51,567)</u>
Non-Operating Revenues/(Expenses):			
Investment Income	0	43	43
Asset Management Grant Income	19,900	0	19,900
Interest Expense	(18,309)	(2,148)	(20,457)
Total Non-Operating Revenues/(Expenses)	<u>1,591</u>	<u>(2,105)</u>	<u>(514)</u>
Change in Net Position	28,099	(80,180)	(52,081)
Net Position - July 1, 2016	<u>541,432</u>	<u>1,280,688</u>	<u>1,822,120</u>
Net Position - June 30, 2017	<u>\$ 569,531</u>	<u>\$ 1,200,508</u>	<u>\$ 1,770,039</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, 2017

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 170,683	\$ 201,585	\$ 372,268
Payments for Goods and Services	(82,426)	(84,362)	(166,788)
Payments for Interfund Services	(13,270)	(10,900)	(24,170)
Payments for Wages and Benefits	<u>(26,366)</u>	<u>(125,800)</u>	<u>(152,166)</u>
Net Cash Provided/(Used) by Operating Activities	<u>48,621</u>	<u>(19,477)</u>	<u>29,144</u>
Cash Flows From Noncapital Financing Activities:			
Asset Management Grant Income	19,900	0	19,900
Increase/(Decrease) in Due to Other Funds	<u>27,185</u>	<u>47,930</u>	<u>75,115</u>
Net Cash Provided by Noncapital Financing Activities	<u>47,085</u>	<u>47,930</u>	<u>95,015</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	0	(21,600)	(21,600)
Principal Paid on General Obligation Bonds Payable	(54,771)	0	(54,771)
Interest Paid on General Obligation Bonds Payable	(18,600)	0	(18,600)
Increase/(Decrease) in Advances from Other Funds	<u>(22,335)</u>	<u>(6,853)</u>	<u>(29,188)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(95,706)</u>	<u>(28,453)</u>	<u>(124,159)</u>
Cash Flows From Investing Activities:			
Receipt of Interest and Dividends	0	43	43
Net (Increase)/Decrease in Investments	<u>0</u>	<u>(43)</u>	<u>(43)</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, 2016	<u>0</u>	<u>0</u>	<u>0</u>
Cash - June 30, 2017	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:			
Operating Income/(Loss)	\$ 26,508	\$ (78,075)	\$ (51,567)
Depreciation	41,574	63,898	105,472
(Increase)/Decrease in Receivables	(16,462)	(19,858)	(36,320)
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VSERS	6,804	(7,787)	(983)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	541	2,122	2,663
Increase/(Decrease) in Unearned Revenue	2,592	1,175	3,767
Increase/(Decrease) in Compensated Absences Payable	428	6,557	6,985
Increase/(Decrease) in Net Pension Liability	(11,720)	14,067	2,347
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VSERS	<u>(1,644)</u>	<u>(1,576)</u>	<u>(3,220)</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ 48,621</u>	<u>\$ (19,477)</u>	<u>\$ 29,144</u>

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

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

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, sanitation, cemetery, 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, 2017

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, 2017

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

Fire Equipment Fund – This fund was established to account for monies transferred from other funds on an annual basis to be used for the acquisition of equipment.

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, 2017

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.

Recognition of revenues on funds received in connection with loan programs are recognized when loans are awarded and expenses incurred in excess of current grants and program income. An offsetting deferred inflows of resources is recognized for all loans receivable. Loan repayment revenue is recognized as the loans are repaid.

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.

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

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.

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 to/from 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.

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

7. Deferred Outflows/Inflows of Resources

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

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

8. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated acquisition value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. 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 Threshold	Estimated 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.

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

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.

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.

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

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.

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. Excess of Expenditures Over Appropriations

For the year ended June 30, 2017, expenditures in the General Fund exceeded appropriations by \$298,566. These over-expenditures were partially funded by excess revenues, however, resulted in a deficit.

C. Restatement of Net Position/Fund Balance

The net position of the governmental activities was restated as follows:

	Governmental Activities
Net Position - June 30, 2016, As Originally Reported	\$ 14,869,335
Correction of Errors:	
Understatement of Capital Assets	11,294
Overstatement of Accounts Payable	<u>28,109</u>
Net Position - June 30, 2016, As Restated	\$ <u><u>14,908,738</u></u>

The restatement of the governmental activities was the result of an understatement of capital assets and an overstatement of accounts payable. The effect of this restatement on the governmental activities Statement of Net Position is to increase assets by \$11,294, decrease liabilities by \$28,109 and increase net position by \$39,403. The effect on the 2016 Statement of Activities has not been determined. The net position of the governmental activities has been restated from \$14,869,335 to \$14,908,738.

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

The fund balance of the General Fund was restated as follows:

	General Fund
Fund Balance/(Deficit) - June 30, 2016, As Originally Reported	\$ (1,151,261)
Correction of Error:	
Overstatement of Accounts Payable	28,109
Fund Balance/(Deficit) - June 30, 2016, As Restated	\$ (1,123,152)

The restatement of the General Fund was the result of an overstatement of accounts payable. The effect of this restatement on the General Fund Balance Sheet is to decrease liabilities by \$28,109 and increase fund balance by \$28,109. The effect on the 2016 Statement of Revenues, Expenditures and Changes in Fund Balance has not been determined. The fund balance of the General Fund has been restated from a deficit of \$1,151,261 to a deficit of \$1,123,152.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

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

Cash:	
Deposits with Financial Institutions	\$ <u>537,017</u>
Investments:	
Certificates of Deposit	204,417
Common Stock	37,085
Mutual Funds – Equities	<u>122,991</u>
Total Investments	<u>364,493</u>
Total Cash and Investments	<u>\$ 901,510</u>

The Town has six (6) certificates of deposit at Northfield Savings Bank ranging from \$1,304 to \$53,310 with interest rates ranging from 0.20% to 1.09%. All of the certificates of deposit at the Northfield Savings Bank will mature during fiscal year 2018. The Town has six (6) certificates of deposit at Mascoma Savings Bank ranging from \$662 to \$23,742 with interest rates ranging from 0.20% to .399%. All of the certificates of deposit at the Mascoma Savings Bank will mature during fiscal year 2018.

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit the exposure to custodial credit risk. The 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 Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ <u>741,434</u>	\$ <u>754,792</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	\$537,017
Investments – Certificates of Deposit	<u>204,417</u>
Total	\$ <u>741,434</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.

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.

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

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, 2017, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Delinquent Taxes Receivable	\$ 262,560	\$ 0	\$ 262,560
Penalties and Interest Receivable	59,545	0	59,545
Grants Receivable	415,220	24,018	439,238
Billed Services	0	145,693	145,693
Allowance for Doubtful Accounts - Water/Sewer	<u>0</u>	<u>(30,000)</u>	<u>(30,000)</u>
 Total	 <u>\$ 737,325</u>	 <u>\$ 139,711</u>	 <u>\$ 877,036</u>

In addition, the Town has a credit balance of \$21,469 with the State of Vermont Employees' Retirement System. This credit will be fully utilized by June 30, 2018.

C. Loans Receivable

Loans receivable as of June 30, 2017 consists of community development loans as follows:

Loans Receivable, 3 Small Business Loans, Monthly Principal and Interest Payments Required, Various Interest Rates, Secured by Business Assets and Second Mortgages	<u>\$79,007</u>
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An analysis of the change in loans receivable is as follows:

<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
<u>\$6,190</u>	<u>\$90,000</u>	<u>\$17,183</u>	<u>\$79,007</u>

TOWN OF BETHEL, VERMONT
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D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 326,708	\$ 0	\$ 0	\$ 326,708
Construction in Progress	552,396	0	552,396	0
Total Capital Assets, Not Being Depreciated	<u>879,104</u>	<u>0</u>	<u>552,396</u>	<u>326,708</u>
Capital Assets, Being Depreciated:				
Land Improvements	214,318	0	0	214,318
Buildings and Building Improvements	1,802,410	606,916	0	2,409,326
Machinery and Equipment	1,859,100	491,742	224,247	2,126,595
Infrastructure	* 14,510,219	509,793	0	15,020,012
Totals	<u>18,386,047</u>	<u>1,608,451</u>	<u>224,247</u>	<u>19,770,251</u>
Less Accumulated Depreciation for:				
Land Improvements	71,610	3,769	0	75,379
Buildings and Building Improvements	360,226	57,244	0	417,470
Machinery and Equipment	692,798	144,539	172,580	664,757
Infrastructure	1,933,171	349,903	0	2,283,074
Totals	<u>3,057,805</u>	<u>555,455</u>	<u>172,580</u>	<u>3,440,680</u>
Total Capital Assets, Being Depreciated	<u>15,328,242</u>	<u>1,052,996</u>	<u>51,667</u>	<u>16,329,571</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,207,346</u>	<u>\$ 1,052,996</u>	<u>\$ 604,063</u>	<u>\$ 16,656,279</u>

* Restated to adjust for a capital asset in the amount of \$11,294 not included in the prior year.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
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	21,600	0	3,009,367
Totals	<u>5,168,400</u>	<u>21,600</u>	<u>0</u>	<u>5,190,000</u>
Less Accumulated Depreciation for:				
Water System	853,100	41,574	0	894,674
Sewer System	1,418,681	63,898	0	1,482,579
Totals	<u>2,271,781</u>	<u>105,472</u>	<u>0</u>	<u>2,377,253</u>
Total Capital Assets, Being Depreciated	<u>2,896,619</u>	<u>(83,872)</u>	<u>0</u>	<u>2,812,747</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,903,719</u>	<u>\$ (83,872)</u>	<u>\$ 0</u>	<u>\$ 2,819,847</u>

TOWN OF BETHEL, VERMONT
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Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 47,107	Water	\$ 41,574
Public Safety	46,535	Sewer	<u>63,898</u>
Public Works	439,642		
Culture and Recreation	<u>22,171</u>		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-type Activities	
	\$ <u>555,455</u>		\$ <u>105,472</u>

E. Interfund Balances and Activity

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

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 572,105	\$ 0
FEMA Fund	0	156,795
Revolving Loan Fund	0	1,508
Fire Equipment Fund	0	18,669
Non-Major Governmental Funds	23,994	30,781
Water Fund	0	167,351
Sewer Fund	<u>0</u>	<u>220,995</u>
Total	\$ <u>596,099</u>	\$ <u>596,099</u>

The composition of advances to/from other funds as of June 30, 2017 are as follows:

Fund	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 0	\$ 60,001
Revolving Loan Fund	165,998	0
Water Fund	0	68,352
Sewer Fund	<u>0</u>	<u>37,645</u>
Total	\$ <u>165,998</u>	\$ <u>165,998</u>

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

Advance to General Fund from the Revolving Loan Fund for the Fire Station Construction, Annual Principal and Interest Payments of \$14,170. Due September 21, 2022	\$ 60,001
Advance to Water Fund from the Revolving Loan Fund for Water Line Replacement, Annual Principal and Interest Payments of \$23,241. Due July 19, 2021	68,352
Advance to Sewer Fund from the Revolving Loan Fund for Wastewater Overruns, Annual Principal and Interest Payments of \$8,790. Due September 21, 2022	<u>37,645</u>
Total Advances to/from Other Funds	<u>\$165,998</u>

TOWN OF BETHEL, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Interfund transfers during the year ended June 30, 2017 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Highway Equipment Trust Fund	\$ 110,000	Annual Appropriation
General Fund	Fire Equipment Fund	50,000	Fund Debt Payments
General Fund	Town Hall Renovation Fund	5,000	Annual Appropriation
General Fund	Recreation Reserve Fund	30,000	Annual Appropriation
Highway Equipment Trust Fund	General Fund	7,500	Cruiser Purchase
Trustees of Public Funds Fund	General Fund	3,170	Transfer Investment Income
		<u>205,670</u>	
Total		\$ <u>205,670</u>	

F. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of \$17,852 from the difference between the expected and actual experience, \$31,486 from changes in assumptions, \$130,135 from the difference between the projected and actual investment earnings, \$43,151 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 \$40,800 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 \$263,424.

Deferred outflows of resources in the business-type activities and Sewer Fund consists of \$3,743 from the difference between the expected and actual experience, \$6,602 from changes in assumptions, \$27,286 from the difference between the projected and actual investment earnings, \$9,048 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 \$8,555 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 and Sewer Fund is \$55,234.

G. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$13,817 from changes in assumptions, \$34,093 resulting from the difference between the projected and actual investment earnings and \$31,882 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). It also includes \$18,084 of prepaid property taxes. Total deferred inflows of resources in the governmental activities is \$97,876.

Deferred inflows of resources in the business-type activities and Sewer Fund consists of \$2,897 from changes in assumptions, \$7,149 resulting from the difference between the projected and actual investment earnings and \$6,685 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 and Sewer Fund is \$16,731.

TOWN OF BETHEL, VERMONT
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Deferred inflows of resources in the General Fund consists of \$283,811 of delinquent property taxes, penalties and interest on those taxes and \$232,763 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 \$18,084 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$534,658.

Deferred inflows of resources in the FEMA Fund consists of \$156,795 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Revolving Loan Fund consists of \$79,007 of loans receivable.

H. 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 Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Tax Anticipation Note, Mascoma Savings Bank, Interest at 2.25%, Paid October 30, 2017	\$ 0	\$100,000	\$ 0	\$ 100,000
Note Payable, Mascoma Savings Bank, Flood Recovery, Interest at 1.25%, Due November 18, 2017. Subsequent to Year End, the Note was Extended to November 18, 2018	<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>\$100,000</u>	<u>\$0</u>	<u>\$1,825,445</u>

I. Long-term Liabilities

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital assets and to refund prior issues. General obligation bonds have been issued for both 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 notes payable to finance various capital projects and equipment purchases through local banks.

TOWN OF BETHEL, VERMONT
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The Town enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even though they may include clauses that allow for cancellation of the lease in the event the Town does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date of the leases. Leases are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

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

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.

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, 2017 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Mascoma Savings Bank, Pumper & Tanker Trucks, Principal and Interest Payments of \$33,550 Payable on March 31 Annually, Interest at 2.75%, Due March, 2020	\$ 125,396	\$ 0	\$ 30,101	\$ 95,295
Bond Payable, Vermont Municipal Bond Bank, Church Street Bridge, Principal Payments Ranging from \$15,000 to \$20,000 Payable on December 1 Annually, Interest Rates Ranging from 1.90% to 4.65% Payable on June 1 and December 1, Due December, 2028	210,000	0	20,000	190,000

TOWN OF BETHEL, VERMONT
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Sewer Treatment Facility, Principal Payments Ranging from \$25,000 to \$35,000 Payable on December 1 Annually, Interest Rates Ranging from 3.53% to 5.38% Payable on June 1 and December 1, Due December, 2018	\$ 100,000	\$ 0	\$ 30,000	\$ 70,000
Bond Payable, USDA, Town Hall Reconstruction, Principal Payments of \$43,900 Payable on December 20 Annually, Interest at 3.75% Payable on June 20 and December 20, Due December, 2030. 3% of Interest Paid is Refundable to the Town Under the Build America Bond Program	658,200	0	43,900	614,300
Capital Lease Payable, Tax-Exempt Leasing Corp., Principal and Interest Payments of \$20,821 Payable on July 5 Annually, Interest at 3.62%, Due July, 2031	0	241,500	16,390	225,110
Note Payable, Mascoma Savings Bank, Backhoe and International Truck, Principal and Interest Payments of \$43,890 Payable on September 1 Annually, Interest at 2.50%, Due September, 2019	0	125,000	0	125,000
Note Payable, Mascoma Savings Bank, Sidewalk Plow, Ranger and Truck, Principal Payment of \$17,334 Plus Interest Payable on March 10, 2018, Interest at 2.5%, Due March, 2018	<u>44,667</u>	<u>0</u>	<u>27,333</u>	<u>17,334</u>
Total Governmental Activities	<u>\$1,138,263</u>	<u>\$366,500</u>	<u>\$167,724</u>	<u>\$1,337,039</u>

TOWN OF BETHEL, VERMONT
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Business-type Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water Improvements, Principal and Interest Payments of \$42,218 Payable on July 1 Annually, Interest at 3.0%, Due July, 2022	\$228,704	\$ 0	\$35,358	\$193,346
Bond Payable, State of Vermont Special Environmental Revolving Fund, 2009 Water Main Replacement, Principal and Interest Payments of \$30,247 Payable on January 1 Annually, Interest at 3.0%, Due January, 2031	361,083	0	19,413	341,670
Note Payable, Mascoma Savings Bank Sewer Treatment System, Principal Payments of \$7,998 Plus Interest Payable on June 30 Annually, Interest at 3.35%, Due June, 2023	<u>55,982</u>	<u>0</u>	<u>0</u>	<u>55,982</u>
Total Business-type Activities	<u>\$645,769</u>	<u>\$ 0</u>	<u>\$54,771</u>	<u>\$590,998</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 968,200	\$ 0	\$ 93,900	\$ 874,300	\$ 98,900
Notes Payable	170,063	125,000	57,434	237,629	89,026
Capital Leases Payable	0	241,500	16,390	225,110	20,821
Compensated Absences Payable	84,736	0	20,160	64,576	0
Net Pension Liability	<u>413,165</u>	<u>89,062</u>	<u>0</u>	<u>502,227</u>	<u>0</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 1,636,164</u>	<u>\$ 455,562</u>	<u>\$ 187,884</u>	<u>\$ 1,903,842</u>	<u>\$ 208,747</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 589,787	\$ 0	\$ 54,771	\$ 535,016	\$ 56,416
Notes Payable	55,982	0	0	55,982	15,996
Compensated Absences Payable	29,150	6,985	0	36,135	0
Net Pension Liability	<u>102,959</u>	<u>2,347</u>	<u>0</u>	<u>105,306</u>	<u>0</u>
Total Business-type Activities Long-term Liabilities	<u>\$ 777,878</u>	<u>\$ 9,332</u>	<u>\$ 54,771</u>	<u>\$ 732,439</u>	<u>\$ 72,412</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.

TOWN OF BETHEL, VERMONT
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Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities	
	Principal	Interest	Capital Leases	Principal	Interest
2018	\$ 187,926	\$ 39,866	\$ 20,821	\$ 72,412	\$ 12,183
2019	172,462	33,271	20,821	66,105	13,725
2020	133,941	28,079	20,821	67,848	12,896
2021	58,900	23,876	20,821	69,654	12,034
2022	58,900	20,691	20,821	71,495	11,139
2023-2027	294,500	68,853	104,105	131,066	40,978
2028-2031	<u>205,300</u>	<u>14,524</u>	<u>83,284</u>	<u>112,418</u>	<u>12,040</u>
Total	1,111,929	229,160	291,494	590,998	114,995
Less: Imputed Interest	<u>0</u>	<u>0</u>	<u>(66,384)</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 1,111,929</u>	<u>\$ 229,160</u>	<u>\$ 225,110</u>	<u>\$ 590,998</u>	<u>\$ 114,995</u>

J. Fund Balances

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

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

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

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

Major Funds

General Fund:

Nonspendable Pension Credit	\$ 21,469
Nonspendable Prepaid Expenses	67,009
Nonspendable Property Held for Resale	<u>14,580</u>
Total General Fund	<u>103,058</u>

Trustees of Public Funds Fund:

Nonspendable Trustees of Public Funds Fund Principal	<u>317,191</u>
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Non-Major Funds

Permanent Fund:

Nonspendable Edmund's Memorial Fund Principal	<u>200</u>
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Total Nonspendable Fund Balances	<u>\$420,449</u>
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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 Spendable Portion (Source of Revenue is Bequests)	\$ <u>7,142</u>
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Revolving Loan Fund:

Restricted for Revolving Loan Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	<u>308,337</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Forward Festival Expenses by Donations (Source of Revenue is Donations)	1,998
Restricted for Town Records Preservation Expenses by Statute (Source of Revenue is Recording Fees)	31,310
Restricted for Emergency Shelter Expenses by Donations (Source of Revenue is Donations)	<u>739</u>

Total Special Revenue Funds	<u>34,047</u>
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TOWN OF BETHEL, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
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Capital Projects Funds:	
Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes)	\$ <u>20,202</u>
Permanent Fund:	
Restricted for Edmund's Memorial by Bequest – Expendable Portion	<u>1,134</u>
Total Non-Major Funds	<u>55,383</u>
Total Restricted Fund Balances	<u>\$370,862</u>

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

Non-Major Funds

Capital Projects Funds:	
Committed for Town Hall Renovation Expenditures by the Voters	\$18,217
Committed for Recreation Expenditures by the Voters	<u>39,685</u>
Total Committed Fund Balances	<u>\$57,902</u>

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

Non-Major Funds

Special Revenue Funds:	
Assigned for Reappraisal Expenses	\$127,761
Assigned for Council on the Arts Expenses	3,202
Assigned for Bandshell Maintenance Expenses	2,685
Assigned for Leasehold Expenses	<u>3,535</u>
Total Assigned Fund Balances	<u>\$137,183</u>

The unassigned deficit in the General Fund of \$1,304,672 will be funded by the collection of grant receivables, the issuance of long-term debt and future tax revenues.

The deficit in the FEMA Fund of \$156,795 will be funded by the collection of grant receivables.

The deficit in the Fire Equipment Fund of \$16,770 will be funded with future appropriations.

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

K. Restricted and Designated Net Position

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

Governmental Activities:

Restricted for Trustees of Public Funds by Bequests	\$324,333
Restricted for Revolving Loan Fund by Grant Agreement	387,344
Restricted for Forward Festival Expenses by Donations	1,998
Restricted for Town Records Preservation Expenses by Statute	31,310
Restricted for Emergency Shelter Expenses by Donations	739
Restricted for Edmund's Memorial by Bequest	1,334
Restricted for Highway Expenditures by Statute	<u>20,202</u>
 Total Governmental Activities	 <u>\$767,260</u>

The unrestricted deficit in the Water Fund of \$113,061 will be funded in future years with additional revenues.

The unrestricted deficit in the Sewer Fund of \$239,752 will be funded in future years with additional revenues.

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).

TOWN OF BETHEL, VERMONT
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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, 2017, VSRS membership consisted of the following:

Vermont State Retirement System	Total	Group A	Group C	Group D	Group F
Total Active Members	8,620	3	453	53	8,111
Retirees and beneficiaries currently receiving benefits	6,727	173	443	64	6,047
Terminated employees entitled to benefits but not yet receiving them (vested)	742	3	26	1	712
Inactive members	1,098	0	28	0	1,070
Total Members	<u>17,187</u>	<u>179</u>	<u>950</u>	<u>118</u>	<u>15,940</u>

TOWN OF BETHEL, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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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 creditable service	2.5% X creditable service	3.33% creditable service (after 12 years in Group D)	1.25% X service prior to 12/31/90 + 1.67% 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	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	6% per year preceding age 62	Monthly Reduction 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	50% of CPI until 1/1/14; 100% of CPI thereafter, from a minimum of 1% up to a maximum of 5%, after reaching age 62, or (if retired after June 30, 1997) 30 years of service.	50% of CPI until 1/1/14; 100% of CPI thereafter, from a minimum of 1% up to a maximum of 5%, after reaching age 65 or age and service to equal 87
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

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, 2017, for the various groups 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
Employee Contributions	6.65% of gross payroll	8.53% of gross payroll	6.65% of gross payroll	6.65% of gross payroll	Same
Employer Contributions	10.39% of gross payroll	10.39% of gross payroll	10.39% of gross payroll	10.39% of gross payroll	Same

TOWN OF BETHEL, VERMONT
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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 0.1092% on the reporting date, and was 0.1224% 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, 2017) and for the Town's reporting period (the year ended June 30, 2017). 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, 2017, the State has chosen to use the end of the prior fiscal year (June 30, 2016) as the measurement date, and the year ended June 30, 2016 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, 2015, to the measurement date of June 30, 2016.

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:

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	Net Pension Liability
Balance - June 30, 2015	\$ 688,677
Changes for the year:	
Service cost	57,531
Interest	209,949
Difference between expected and actual experience	30,656
Change in proportional share	(21,677)
Changes in assumptions	(26,743)
Contributions - employer	(66,507)
Contributions - employee	(41,675)
Net investment income	(21,981)
Administrative expenses	1,797
Other changes	17
Net changes	121,367
Balance - June 30, 2016	\$ 810,044

\$202,511 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:

	<u>Town's Share</u>
One-percent decrease	
Discount rate	6.95%
Net pension liability	\$ 1,148,078
Net pension liability, as reported	
Discount rate	7.95%
Net pension liability	\$ 810,044
One-percent increase	
Discount rate	8.95%
Net pension liability (asset)	\$ 527,267

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.

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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 0 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, 2017, the Town reported the following deferred pension outflows of resources and deferred pension inflows of resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 28,793	\$ 0
Change in assumptions	50,784	22,286
Difference between projected and actual investment earnings	209,895	54,989
Changes in proportion	69,598	51,422
Town's required employer contributions made subsequent to the measurement date	<u>65,807</u>	<u>0</u>
Totals	<u>\$ 424,877</u>	<u>\$ 128,697</u>

\$106,219 of the deferred outflows of resources and \$32,174 of the deferred inflows of resources are recorded in the Bethel/Royalton Solid Waste Management Facility's financial statements.

TOWN OF BETHEL, VERMONT
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\$65,807 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended June 30	
2018	47,844
2019	47,844
2020	75,340
2021	58,387
2022	<u>958</u>
Total	<u><u>230,373</u></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, 2017, is as follows:

Pension Expense	
Service cost	\$ 57,531
Interest on total pension liability	209,949
Employee contributions	(41,675)
Plan administrative costs and other changes	1,814
Projected earnings on plan investments	(156,496)
Recognition (amortization) of deferred pension outflows of resources:	
Difference between expected and actual experience	5,109
Difference between projected and actual investment earnings	26,903
Recognition of deferred outflows from prior periods	47,602
Changes in proportions	17,323
Recognition (amortization) of deferred pension inflows of resources:	
Change in Assumptions	(4,457)
Recognition of deferred inflows from prior periods	(27,495)
Change in Proportions	<u>(17,141)</u>
Pension expense	<u><u>\$ 118,967</u></u>

\$29,742 of the pension expense relates to the Bethel/Royalton Solid Waste Facility.

TOWN OF BETHEL, VERMONT
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The following is a summary of System participants as of June 30, 2016, 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 measurement date of June 30, 2016, including no changes to the assumptions from the June 30, 2015 valuation.

	VSRS
Valuation date	6/30/2015
Inflation assumptions	3.00%
Investment rate of return	7.95%
Projected salary increases	3.5% - 6.21%
Cost of living adjustments	1.5% - 3.0%
Post Retirement Adjustments	
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%

Mortality rates are based as follows:

Mortality rates for active employees in Groups A, D and F were based on RP-2000 Tables for Healthy Employees projected by 10 years from the valuation date using Scale BB. 30% of the employees in Groups A and F are assumed to be blue-collar for purposes of the application of the table.

TOWN OF BETHEL, VERMONT
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Mortality rates for active employees in Group C were based on RP-2000 Tables for Healthy Employees projected by 10 years from the valuation date using Scale BB.

Mortality rates for retirees and beneficiaries in Groups A and F were based on RP-2000 Tables for Employees and Healthy Annuitants projected by 10 years from the valuation date by Scale BB with a 30% blue-collar adjustment.

Mortality rates for retirees and beneficiaries in Group D were based on R-P-2000 Tables for Employees and Healthy Annuitants projected by 10 years from the valuation date by Scale BB.

Mortality rates for retirees and beneficiaries in Group C were based on RP-2000 Combined Mortality Tables for Employees and Healthy Annuitants projected by 10 years from the valuation with Scale BB with a blue-collar adjustment.

Mortality rates for disabled retirees in Groups A, D and F were based on the RP-2000 Combined Mortality Tables for Employees and Healthy Annuitants with a five-year set-forward.

Mortality rates for disabled retirees in Group C were based on the RP-2000 Combined Mortality Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a five-year set-forward.

The long-term expected rate of return on pension plan investments were determined using best-estimate rates of expected future nominal rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2016 measurement date are summarized in the following table:

	Target Asset Allocation	Long-Term Expected Real Rate of Return
Equity	35.00%	8.54%
Fixed Income	32.00%	2.36%
Alternatives	16.00%	8.35%
Multi-Strategy	17.00%	4.90%

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

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.

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

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, 2017 were \$208.

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, 2017, taxes were due and payable on August 15, 2016, November 15, 2016, February 15, 2017 and May 15, 2017. The Town assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale. The tax rates for 2017 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.8420	.8420
Education	<u>1.5718</u>	<u>1.4092</u>
Total	<u>2.4138</u>	<u>2.2512</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 2017 from the Bethel Historical Society is \$2,400.

Future minimum lease payments are as follows:

2018	\$2,400
2019	2,400
2020	<u>400</u>
	<u>\$5,200</u>

TOWN OF BETHEL, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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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. 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 2017 is \$2,400.

Future minimum lease payments are as follows:

2018	\$2,400
2019	2,400
2020	<u>3,600</u>
	<u>\$8,400</u>

F. SUBSEQUENT EVENTS

The Town obtained a tax anticipation note with Mascoma Savings Bank for \$375,000. Interest is at 2.30% and the note is due June 30, 2018.

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STATEMENT OF REVENUES, EXPENDITURES
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BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Local Revenues:			
Dog Tax	\$ 1,400	\$ 1,323	\$ (77)
Local Licenses	650	920	270
Town Clerk Fees	18,000	17,515	(485)
Recreation Area Fees	7,000	7,211	211
Zoning Application Fees	850	644	(206)
Zoning Regulations	50	0	(50)
Overweight Permit Fees	500	485	(15)
Trustees of Public Funds	100	20	(80)
Subdivision Permit Fees	50	0	(50)
Land Use Withdrawal Penalty	0	2,000	2,000
Town Hall Rental Fees	4,000	4,258	258
	<u>32,600</u>	<u>34,376</u>	<u>1,776</u>
Total Local Revenues			
Miscellaneous Local Revenues:			
Miscellaneous Local Revenue	100	15,906	15,806
Insurance Claims	0	4,689	4,689
HMGP Home Buyout	0	75,921	75,921
FEMA Reimbursement	0	4,842	4,842
Other	100	1,052	952
	<u>200</u>	<u>102,410</u>	<u>102,210</u>
Total Miscellaneous Local Revenues			
State and Federal Revenues:			
Highways - Class I	10,000	9,999	(1)
Highways - Class II	49,000	49,014	14
Highways - Class III	85,000	85,381	381
Bridge and Culverts	0	9,035	9,035
Paving Grant	0	175,000	175,000
State Owned Lands	2,500	2,516	16
Traffic Tickets	200	1,642	1,442
Other	0	1,166	1,166
Tower Lease	2,400	2,400	0
PACIF Grant	0	2,600	2,600
	<u>149,100</u>	<u>338,753</u>	<u>189,653</u>
Total State and Federal Revenues			
Miscellaneous:			
Solid Waste Administrative Reimbursement	15,330	15,330	0
Sewer Department Administrative Reimbursement	10,900	10,900	0
Water Department Administrative Reimbursement	13,270	13,270	0
Railroad Revenue Sharing	1,500	3,490	1,990
Transfer from Highway Equipment Trust Fund	0	7,500	7,500
	<u>41,000</u>	<u>50,490</u>	<u>9,490</u>
Total Miscellaneous			

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Interest Earnings:			
Checking Account Interest	\$ 0	\$ 5	\$ 5
Sweep Account Interest	0	405	405
USDA Interest Grant	8,350	4,021	(4,329)
Total Interest Earnings	8,350	4,431	(3,919)
Taxes - Property:			
Property Taxes	1,658,403	1,531,825	(126,578)
Land-Use	100,000	113,465	13,465
Delinquent Tax	50,000	77,289	27,289
Delinquent Tax Penalty	12,000	13,639	1,639
Delinquent Tax Interest	15,000	14,774	(226)
Education Billing Fee	0	5,678	5,678
Total Taxes - Property	1,835,403	1,756,670	(78,733)
Total Revenues	2,066,653	2,287,130	220,477
Expenditures:			
Public Works:			
Public Works Personnel:			
Wages	194,500	211,948	(17,448)
Social Security	12,050	14,002	(1,952)
Medicare	2,850	3,275	(425)
Retirement	20,790	20,185	605
Health Insurance	52,000	50,635	1,365
Workers' Compensation	22,175	20,401	1,774
Dental Insurance	2,715	2,473	242
Mileage Reimbursement	3,200	3,158	42
Total Public Works Personnel	310,280	326,077	(15,797)
Town Owned Equipment:			
2015 Ventrac Sidewalk Plow	500	1,802	(1,302)
2016 JD 318SL Backhoe	0	2,709	(2,709)
2007 John Deere Grader	7,000	8,838	(1,838)
2017 International	0	4,874	(4,874)
Insurance - Building and Equipment	13,000	14,585	(1,585)
2015 F550	2,000	10,122	(8,122)
2010 International	3,000	16	2,984
Chipper	500	23	477
2009 Kubota Tractor	500	0	500
2010 F550	0	256	(256)
2013 Freightliner (3683)	6,000	6,160	(160)
2013 Freightliner (3684)	6,000	8,090	(2,090)
2009 Kumatsu Loader	2,500	4,753	(2,253)
Case 980 Super M Backhoe	2,500	1,547	953

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Owned Equipment/(Cont'd):			
One-Way Plow	\$ 800	\$ 381	\$ 419
Sanders and Spreaders	1,000	0	1,000
Chain Saw	500	49	451
Welder	650	1,496	(846)
Sand Screen	200	0	200
Rake	500	0	500
Repairs - Vehicles	2,500	2,353	147
Snow Blower and Mower	100	0	100
Pressure Washer	150	12	138
Permits	150	50	100
Garage	7,500	10,824	(3,324)
Electricity	3,200	2,970	230
Telephone	1,500	2,511	(1,011)
Uniforms	7,000	10,569	(3,569)
Other	500	683	(183)
Gas, Oil and Grease	9,000	6,399	2,601
Diesel	65,000	29,285	35,715
Underground Tank	500	351	149
Communications System	500	2,230	(1,730)
	<u>144,750</u>	<u>133,938</u>	<u>10,812</u>
Total Town Owned Equipment			
Hired Services and Equipment:			
Roadside Mowing	8,000	8,080	(80)
Sweeping	1,000	880	120
Rental Equipment	3,000	198	2,802
Hired Services and Equipment	4,000	11,175	(7,175)
	<u>16,000</u>	<u>20,333</u>	<u>(4,333)</u>
Total Hired Services and Equipment			
Materials:			
Salt	73,500	86,723	(13,223)
Chloride	18,000	17,314	686
Gravel	36,000	30,000	6,000
Sand	31,000	50,824	(19,824)
Bridge Material	25,000	0	25,000
Culverts	10,000	7,050	2,950
Patching Material	3,000	800	2,200
Tools	1,000	747	253
Signs	1,000	882	118
Snow Fence	100	0	100
Salt Boxes	100	13	87
Highway Rehabilitation	121,000	288,886	(167,886)
Other	100	26	74
	<u>319,800</u>	<u>483,265</u>	<u>(163,465)</u>
Total Materials			

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Other Public Works:			
Storm Water Catch Basins	\$ 1,500	738	\$ 762
Cemeteries	30,000	29,700	300
Church Street Bridge	28,350	28,344	6
Parking - Pedestrian Safety	0	15	(15)
Other	100	155	(55)
Highway Equipment Trust	110,000	110,000	0
Trench Drain Improvement Project	0	19,909	(19,909)
Total Other Public Works	169,950	188,861	(18,911)
2011 Irene Flood Interest:	10,000	34,220	(24,220)
Total Public Works	970,780	1,186,694	(215,914)
Fire Department:			
Wages	16,480	25,069	(8,589)
Social Security	1,022	1,589	(567)
Medicare	240	372	(132)
Workers' Compensation	3,390	4,110	(720)
Insurance on Equipment	8,270	8,441	(171)
2012 Kenworth T300	1,500	674	826
1973 Dodge - Forestry	500	45	455
2001 Freightliner	2,000	945	1,055
2000 First Response Truck	4,000	3,067	933
1986 Kenworth L700	2,000	0	2,000
2014 Polaris Ranger	1,000	122	878
Gas, Oil and Lubricants	2,000	1,007	993
Electricity	1,600	1,808	(208)
Telephone	2,000	2,158	(158)
Heat	5,000	5,242	(242)
Communications	3,000	7,049	(4,049)
Supplies	4,000	1,277	2,723
Safety and Equipment Supplies	7,000	5,077	1,923
Facility Maintenance	3,000	1,877	1,123
Other	100	0	100
Training	1,500	382	1,118
Fire Equipment Fund	50,000	50,000	0
Dry Hydrant Grant	0	3,027	(3,027)
Total Fire Department	119,602	123,338	(3,736)

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Police Department:			
Wages	\$ 5,000	\$ 7,641	\$ (2,641)
Social Security	310	459	(149)
Medicare	75	107	(32)
Workers' Compensation	305	345	(40)
Insurance on Equipment	830	1,618	(788)
Professional Liability	3,065	3,136	(71)
Cruiser	2,000	12,799	(10,799)
Telephone	100	0	100
Mileage	500	121	379
Contract Services	2,500	616	1,884
Training	800	50	750
Other	100	1,625	(1,525)
Total Police Department	15,585	28,517	(12,932)
Recreation Department:			
Wages	38,000	29,387	8,613
Social Security	2,515	1,803	712
Medicare	590	422	168
Workers' Compensation	2,325	1,929	396
Insurance - Building and Equipment	765	2,620	(1,855)
Mowing	2,500	80	2,420
Electricity	2,500	(1,526)	4,026
Telephone	500	557	(57)
Improvements	500	0	500
Repairs and Maintenance	5,000	5,392	(392)
Recreation Reserve Fund	30,000	31,096	(1,096)
Programming and Activities	800	2,441	(1,641)
Supplies	5,000	2,272	2,728
Chlorine	4,500	2,134	2,366
American Red Cross	1,500	1,700	(200)
Water and Sewer	980	1,029	(49)
Other	100	107	(7)
Total Recreation Department	98,075	81,443	16,632
Parks and Public Places:			
Wages	2,500	148	2,352
Social Security	435	13	422
Medicare	100	3	97
Workers' Compensation	775	392	383
Insurance	2,610	1,758	852
Mowing	4,500	9,267	(4,767)
Street Lights	26,000	20,229	5,771
Electricity - Common	1,000	944	56

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Parks and Public Places/(Cont'd):			
Electricity - Peavine Park	\$ 200	\$ 235	\$ (35)
Electricity - Parking Lot	150	185	(35)
Maintenance - Common	0	605	(605)
Maintenance - Peavine Park	0	709	(709)
Maintenance - Parking Lot	0	20	(20)
Parks Beautification	1,500	106	1,394
Flags and Poles	1,000	0	1,000
Streetscape Program	1,500	600	900
Other	500	19	481
	<u>42,770</u>	<u>35,233</u>	<u>7,537</u>
Total Parks and Public Places			
Municipal Offices:			
Wages	108,150	101,599	6,551
Salary - Town Clerk	33,743	34,830	(1,087)
Social Security	9,570	7,668	1,902
Medicare	2,240	1,793	447
Retirement	16,490	12,487	4,003
Health Insurance	47,020	47,329	(309)
Workers' Compensation	3,835	2,326	1,509
Dental Insurance	4,040	2,680	1,360
Insurance - Building	4,925	4,949	(24)
Bond Insurance	8,935	9,759	(824)
Electricity	2,000	1,935	65
Telephone	2,500	3,012	(512)
Heat	6,000	2,787	3,213
Maintenance - Building	3,500	3,293	207
Maintenance - Copier	1,000	545	455
Maintenance - Computer	1,500	2,133	(633)
Maintenance - Equipment	1,000	0	1,000
Computer Equipment	1,000	0	1,000
Lease - Photocopier	1,300	1,212	88
Supplies	8,000	11,370	(3,370)
Supplies - Copier	1,000	333	667
Supplies - Computer	2,500	912	1,588
Computer Support Services	2,000	3,235	(1,235)
Water and Sewer	980	1,029	(49)
Bank Fees	550	1,263	(713)
Other	200	712	(512)
	<u>273,978</u>	<u>259,191</u>	<u>14,787</u>
Total Municipal Offices			

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Hall:			
Wages	\$ 2,575	\$ 709	\$ 1,866
Social Security	160	44	116
Medicare	37	10	27
Workers' Compensation	215	131	84
Insurance	6,955	8,865	(1,910)
Electricity	2,500	1,249	1,251
Telephone	2,500	2,742	(242)
Heat	4,500	3,249	1,251
Building Repair	7,000	8,366	(1,366)
Repair - Clock	300	395	(95)
Supplies	500	636	(136)
Water and Sewer	980	1,029	(49)
Other	100	0	100
	<u>28,322</u>	<u>27,425</u>	<u>897</u>
Total Town Hall			
Salaries:			
Selectboard	1,275	1,506	(231)
Treasurer	5,253	5,253	0
Town Manager	75,000	88,389	(13,389)
Trustees of Public Funds	250	0	250
Health Officer	600	0	600
Elections	500	0	500
Board of Civil Authority	100	0	100
Cemetery Commissioner	500	0	500
Social Security	3,500	5,610	(2,110)
Medicare	820	1,312	(492)
Retirement	5,685	7,925	(2,240)
	<u>93,483</u>	<u>109,995</u>	<u>(16,512)</u>
Total Salaries			
Listers:			
Wages	15,000	11,911	3,089
Social Security	930	716	214
Medicare	218	167	51
Workers' Compensation	260	157	103
Computer Upgrades	1,500	0	1,500
Supplies	850	1,587	(737)
Mileage	1,150	497	653
Mapping Services	4,000	3,837	163
Training	650	759	(109)
Memberships	230	190	40
Other	100	0	100
	<u>24,888</u>	<u>19,821</u>	<u>5,067</u>
Total Listers			

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Government Operations:			
Town Meeting	\$ 400	\$ 250	\$ 150
Town Reports	3,800	4,387	(587)
Tax Billing	1,000	265	735
Preservation of Records	1,500	563	937
Tax Abatements	100	5	95
Committee Training	300	60	240
Unemployment	0	191	(191)
Legal	15,000	47,096	(32,096)
Planning	1,000	8,556	(7,556)
Auditing Services	25,000	41,886	(16,886)
Training	3,000	2,107	893
Recording Fees	600	260	340
Maintain Website	500	299	201
Meeting Minute Taking	1,000	1,608	(608)
Red Cross Shelter Maintenance	0	700	(700)
Voting Equipment and Supplies	1,000	1,069	(69)
Manager Search	0	6,919	(6,919)
Advertising	2,000	4,921	(2,921)
Other	500	2,514	(2,014)
Tax Sale Expenses	1,000	309	691
Hazard Mitigation Buyout Expenses	0	71,079	(71,079)
Cumulative Deficit	25,000	0	25,000
Total Government Operations	82,700	195,044	(112,344)
Appropriations:			
Local:			
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	3,183	3,183	0
Two Rivers Regional Planning Commission	2,781	2,781	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
Total Local	11,725	11,725	0
Human Services:			
South Royalton Senior Center	2,000	2,000	0
Visiting Nurse Association and Hospice	5,000	5,000	0
Clara Martin Center	2,000	2,000	0
Central Vermont Community Action	200	200	0
Safeline	800	800	0
Stagecoach	3,100	3,100	0
Windsor Community Partners	400	400	0
Central Vermont Council on Aging	500	500	0
Vermont Association for the Blind	800	800	0

See Disclaimer in Accompanying Independent Auditor's Report.

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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Human Services/(Cont'd):			
Vermont Adult Learning	\$ 300	\$ 300	\$ 0
Vermont Center for Independent Living	150	150	0
Orange County Parent Child	250	250	0
Quin-Town Center for Senior Citizens	1,300	1,300	0
American Red Cross	600	600	0
Bethel Excel Program	2,500	2,500	0
Total Human Services	19,900	19,900	0
White River Valley Ambulance:	121,760	131,906	(10,146)
Total Appropriations	153,385	163,531	(10,146)
Debt Service:			
Long-term Debt - Sewer	34,554	30,828	3,726
Long-term Debt - Town Hall	67,748	67,759	(11)
Interest - Tax Anticipation Notes	5,000	0	5,000
Long-term Debt - Capital Projects	20,717	2,321	18,396
Total Debt Service	128,019	100,908	27,111
County Taxes:	14,136	14,143	(7)
Miscellaneous:			
Managers Expense	2,000	1,006	994
Solid Waste Management Plan	18,930	18,930	0
Total Miscellaneous	20,930	19,936	994
Total Expenditures	2,066,653	2,365,219	(298,566)
Excess/(Deficiency) of Revenues Over Expenditures	\$ 0	(78,089)	\$ (78,089)
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Cemeteries Fund Revenues		2,722	
Cemeteries Fund Expenditures		(281)	
Town Clerk Fund Revenues		9,281	
Town Clerk Fund Expenditures		(12,095)	
Net Change in Fund Balance		(78,462)	
Fund Balance/(Deficit) - July 1, 2016, As Restated		(1,123,152)	
Fund Balance/(Deficit) - June 30, 2017		\$ (1,201,614)	

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, 2017

	2017	2016	2015
Total Plan Net Pension Liability	\$ 661,938,236	\$ 545,047,730	\$ 351,642,081
Town's Proportion of the Net Pension Liability	0.1224%	0.1264%	0.0973%
Town's Proportionate Share of the Net Pension Liability	\$ 810,044	\$ 688,677	\$ 342,208
Town's Covered Employee Payroll	\$ 623,178	\$ 634,608	\$ 661,105
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	129.9860%	108.5201%	51.7630%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.86%	74.88%	82.50%

Notes to Schedule

Benefit Changes: None.

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 65,807	\$ 66,507	\$ 70,607
Contributions in Relation to the Actuarially Determined Contributions	<u>65,807</u>	<u>66,507</u>	<u>70,607</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 623,178	\$ 634,608	\$ 661,105
Contributions as a Percentage of Town's Covered Employee Payroll	10.560%	10.480%	10.680%

Notes to Schedule

Valuation Date: June 30, 2016 June 30, 2015

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

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

	Special Revenue Funds	Capital Projects Funds	Permanent Fund <u>Edmund's Memorial Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 141,798	\$ 86,243	\$ 1,334	\$ 229,375
Investments	28,080	0	0	28,080
Due from Other Funds	<u>3,230</u>	<u>20,764</u>	<u>0</u>	<u>23,994</u>
Total Assets	<u>\$ 173,108</u>	<u>\$ 107,007</u>	<u>\$ 1,334</u>	<u>\$ 281,449</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to Other Funds	\$ <u>1,878</u>	\$ <u>28,903</u>	\$ <u>0</u>	\$ <u>30,781</u>
Total Liabilities	<u>1,878</u>	<u>28,903</u>	<u>0</u>	<u>30,781</u>
Fund Balances:				
Nonspendable	0	0	200	200
Restricted	34,047	20,202	1,134	55,383
Committed	0	57,902	0	57,902
Assigned	<u>137,183</u>	<u>0</u>	<u>0</u>	<u>137,183</u>
Total Fund Balances	<u>171,230</u>	<u>78,104</u>	<u>1,334</u>	<u>250,668</u>
Total Liabilities and Fund Balances	<u>\$ 173,108</u>	<u>\$ 107,007</u>	<u>\$ 1,334</u>	<u>\$ 281,449</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, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Edmund's Memorial Fund	Total
Revenues:				
Intergovernmental	\$ 10,056	\$ 0	\$ 0	\$ 10,056
Charges for Services	6,023	0	0	6,023
Investment Income	126	314	0	440
Donations	980	7,910	1,000	9,890
Total Revenues	17,185	8,224	1,000	26,409
Expenditures:				
Culture and Recreation	4,082	2,486	0	6,568
Capital Outlay:				
Public Works	0	193,933	0	193,933
Debt Service:				
Principal	0	17,327	0	17,327
Interest	0	698	0	698
Total Expenditures	4,082	214,444	0	218,526
Excess/(Deficiency) of Revenues Over Expenditures	13,103	(206,220)	1,000	(192,117)
Other Financing Sources/(Uses):				
Proceeds from Long-term Debt	0	125,000	0	125,000
Proceeds from Sale of Vehicle	0	2,100	0	2,100
Transfers In	0	145,000	0	145,000
Transfers Out	0	(7,500)	0	(7,500)
Total Other Financing Sources/(Uses)	0	264,600	0	264,600
Net Change in Fund Balances	13,103	58,380	1,000	72,483
Fund Balances - July 1, 2016	158,127	19,724	334	178,185
Fund Balances - June 30, 2017	\$ 171,230	\$ 78,104	\$ 1,334	\$ 250,668

See Disclaimer in Accompanying Independent Auditor's Report.

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

	Reappraisal Fund	Council on the Arts Fund	Forward Festival Fund	Bandshell Fund	Leasehold Fund	Town Records Preservation Fund	Emergency Shelter Fund	Total
<u>ASSETS</u>								
Cash	\$ 127,761	\$ 3,202	\$ 3,876	\$ 2,685	\$ 3,535	\$ 0	\$ 739	\$ 141,798
Investments	0	0	0	0	0	28,080	0	28,080
Due from Other Funds	0	0	0	0	0	3,230	0	3,230
Total Assets	<u>\$ 127,761</u>	<u>\$ 3,202</u>	<u>\$ 3,876</u>	<u>\$ 2,685</u>	<u>\$ 3,535</u>	<u>\$ 31,310</u>	<u>\$ 739</u>	<u>\$ 173,108</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Due to Other Funds	\$ 0	\$ 0	\$ 1,878	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,878
Total Liabilities	0	0	1,878	0	0	0	0	1,878
Fund Balances:								
Restricted	0	0	1,998	0	0	31,310	739	34,047
Assigned	127,761	3,202	0	2,685	3,535	0	0	137,183
Total Fund Balances	127,761	3,202	1,998	2,685	3,535	31,310	739	171,230
Total Liabilities and Fund Balances	<u>\$ 127,761</u>	<u>\$ 3,202</u>	<u>\$ 3,876</u>	<u>\$ 2,685</u>	<u>\$ 3,535</u>	<u>\$ 31,310</u>	<u>\$ 739</u>	<u>\$ 173,108</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, 2017

	Reappraisal Fund	Council on the Arts Fund	Forward Festival Fund	Bandshell Fund	Leasehold Fund	Town Records Preservation Fund	Emergency Shelter Fund	Total
Revenues:								
Intergovernmental	\$ 10,056	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,056
Charges for Services	0	1,738	0	0	0	4,285	0	6,023
Investment Income	61	0	0	11	1	53	0	126
Donations	0	0	955	0	0	0	25	980
Total Revenues	10,117	1,738	955	11	1	4,338	25	17,185
Expenditures:								
Culture and Recreation	0	2,204	1,878	0	0	0	0	4,082
Total Expenditures	0	2,204	1,878	0	0	0	0	4,082
Net Change in Fund Balances	10,117	(466)	(923)	11	1	4,338	25	13,103
Fund Balances - July 1, 2016	117,644	3,668	2,921	2,674	3,534	26,972	714	158,127
Fund Balances - June 30, 2017	<u>\$ 127,761</u>	<u>\$ 3,202</u>	<u>\$ 1,998</u>	<u>\$ 2,685</u>	<u>\$ 3,535</u>	<u>\$ 31,310</u>	<u>\$ 739</u>	<u>\$ 171,230</u>

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

	Highway Equipment Trust Fund	Town Hall Renovation Fund	Recreation Reserve Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>				
Cash	\$ 4,660	\$ 12,995	\$ 68,588	\$ 86,243
Due from Other Funds	<u>15,542</u>	<u>5,222</u>	<u>0</u>	<u>20,764</u>
Total Assets	<u>\$ 20,202</u>	<u>\$ 18,217</u>	<u>\$ 68,588</u>	<u>\$ 107,007</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to Other Funds	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,903</u>	<u>\$ 28,903</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>28,903</u>	<u>28,903</u>
Fund Balances:				
Restricted	20,202	0	0	20,202
Committed	<u>0</u>	<u>18,217</u>	<u>39,685</u>	<u>57,902</u>
Total Fund Balances	<u>20,202</u>	<u>18,217</u>	<u>39,685</u>	<u>78,104</u>
Total Liabilities and Fund Balances	<u>\$ 20,202</u>	<u>\$ 18,217</u>	<u>\$ 68,588</u>	<u>\$ 107,007</u>

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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, 2017

	Highway Equipment Trust Fund	Town Hall Renovation Fund	Recreation Reserve Fund	Total
Revenues:				
Investment Income	\$ 2	\$ 7	\$ 305	\$ 314
Donations	<u>0</u>	<u>0</u>	<u>7,910</u>	<u>7,910</u>
Total Revenues	<u>2</u>	<u>7</u>	<u>8,215</u>	<u>8,224</u>
Expenditures:				
Culture and Recreation	0	0	2,486	2,486
Capital Outlay:				
Public Works	193,933	0	0	193,933
Debt Service:				
Principal	17,327	0	0	17,327
Interest	<u>698</u>	<u>0</u>	<u>0</u>	<u>698</u>
Total Expenditures	<u>211,958</u>	<u>0</u>	<u>2,486</u>	<u>214,444</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(211,956)</u>	<u>7</u>	<u>5,729</u>	<u>(206,220)</u>
Other Financing Sources/(Uses):				
Proceeds from Long-term Debt	125,000	0	0	125,000
Proceeds from Sale of Vehicle	2,100	0	0	2,100
Transfers In	110,000	5,000	30,000	145,000
Transfer Out	<u>(7,500)</u>	<u>0</u>	<u>0</u>	<u>(7,500)</u>
Total Other Financing Sources/(Uses)	<u>229,600</u>	<u>5,000</u>	<u>30,000</u>	<u>264,600</u>
Net Change in Fund Balances	17,644	5,007	35,729	58,380
Fund Balances - July 1, 2016	<u>2,558</u>	<u>13,210</u>	<u>3,956</u>	<u>19,724</u>
Fund Balances - June 30, 2017	<u>\$ 20,202</u>	<u>\$ 18,217</u>	<u>\$ 39,685</u>	<u>\$ 78,104</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, 2017, 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 May 17, 2018.

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 2017-1 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 2017-2 and 2017-3 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 May 17, 2018.

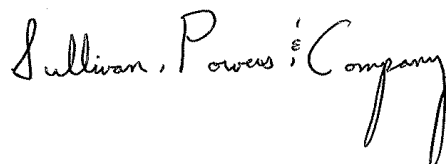
Town of Bethel, Vermont's Response to Deficiencies in Internal Control

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.

May 17, 2018
Montpelier, Vermont
VT Lic. #92-000180



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

Deficiencies in Internal Control:

Material Weaknesses:

2017-1 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, prepaid expenses, accounts payable, notes and bonds payable, deferred revenue, certain liabilities, deferred inflows and outflows of resources and fund balances 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 Finance Office will reconcile all balance sheet accounts at the close of each month end.

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

Significant Deficiencies:

2017-2 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:

During the year, the same person that reconciled the Town Clerk's checking account also collected cash and checks, made 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:

The Town Clerk Fund has been set up in NEMRC and the Finance Office will reconcile this fund monthly.

2017-3 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, 2017

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 Finance Administrator will process all journal entries. When appropriate, the department head will authorize the entry.

The Town Manager will sign off on all journal entries, which will be kept in a binder.