

TOWN OF BETHEL, VERMONT

AUDIT REPORT

JUNE 30, 2018

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, 2018, 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, 2018, 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

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.

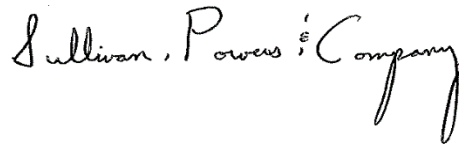
Other Information

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 June 3, 2019 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.

June 3, 2019
Montpelier, Vermont
VT Lic. #92-000180

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

TOWN OF BETHEL, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 622,301	\$ 0	\$ 622,301
Investments	357,195	12,503	369,698
Receivables (Net of Allowance for Uncollectibles)	715,788	121,880	837,668
Loans Receivable	64,412	0	64,412
Due from the Bethel/Royalton Solid Waste Management Facility	10,852	0	10,852
Property Held for Resale	14,580	0	14,580
Internal Balances	450,432	(450,432)	0
Prepaid Expenses	14,026	1,868	15,894
Capital Assets:			
Land	326,708	7,100	333,808
Construction in Progress	48,296	0	48,296
Other Capital Assets, (Net of Accumulated Depreciation)	15,997,821	2,708,316	18,706,137
Total Assets	<u>18,622,411</u>	<u>2,401,235</u>	<u>21,023,646</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VSERS	232,448	49,285	281,733
Total Deferred Outflows of Resources	<u>232,448</u>	<u>49,285</u>	<u>281,733</u>
<u>LIABILITIES</u>			
Accounts Payable	79,201	4,958	84,159
Accrued Payroll and Benefits Payable	15,813	2,347	18,160
Unearned Revenue	0	2,074	2,074
Due to Others	5,862	0	5,862
Accrued Interest Payable	26,326	8,030	34,356
Short-term Notes Payable	1,725,445	0	1,725,445
Noncurrent Liabilities:			
Due within One Year	193,283	66,105	259,388
Due in More than One Year	1,464,794	600,070	2,064,864
Total Liabilities	<u>3,510,724</u>	<u>683,584</u>	<u>4,194,308</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	20,392	0	20,392
Deferred Inflows of Resources Related to the Town's Participation in VSERS	105,289	22,324	127,613
Total Deferred Inflows of Resources	<u>125,681</u>	<u>22,324</u>	<u>148,005</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	15,236,081	2,114,358	17,350,439
Restricted:			
Trustee of Public Funds	326,959	0	326,959
Revolving Loans	389,675	0	389,675
Other	66,607	0	66,607
Unrestricted/(Deficit)	(800,868)	(369,746)	(1,170,614)
Total Net Position	<u>\$ 15,218,454</u>	<u>\$ 1,744,612</u>	<u>\$ 16,963,066</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, 2018

	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	\$ 663,637	\$ 54,874	\$ 13,908	\$ 0	\$ (594,855)	\$ 0	\$ (594,855)
Public Safety	279,340	2,868	14,946	0	(261,526)	0	(261,526)
Public Works	1,079,030	525	163,148	47,931	(867,426)	0	(867,426)
Culture and Recreation	121,672	9,240	14,256	0	(98,176)	0	(98,176)
Community Development	5,083	7,148	0	0	2,065	0	2,065
Cemetery	3,836	1,785	0	0	(2,051)	0	(2,051)
Sanitation	18,900	0	0	0	(18,900)	0	(18,900)
Interest on Long-term Debt	66,654	0	0	0	(66,654)	0	(66,654)
Total Governmental Activities	<u>2,238,152</u>	<u>76,440</u>	<u>206,258</u>	<u>47,931</u>	<u>(1,907,523)</u>	<u>0</u>	<u>(1,907,523)</u>
Business-type Activities:							
Water	173,159	203,126	5,805	0	0	35,772	35,772
Sewer	315,215	236,051	17,925	0	0	(61,239)	(61,239)
Total Business-type Activities	<u>488,374</u>	<u>439,177</u>	<u>23,730</u>	<u>0</u>	<u>0</u>	<u>(25,467)</u>	<u>(25,467)</u>
Total Primary Government	<u>\$ 2,726,526</u>	<u>\$ 515,617</u>	<u>\$ 229,988</u>	<u>\$ 47,931</u>	<u>(1,907,523)</u>	<u>(25,467)</u>	<u>(1,932,990)</u>
General Revenues:							
Property Taxes					1,747,151	0	1,747,151
Penalties and Interest on Delinquent Taxes					40,069	0	40,069
General State Grants					125,657	0	125,657
Unrestricted Investment Earnings					7,267	40	7,307
Gain on Sale of Vehicle					12,000	0	12,000
Other Revenues					11,862	0	11,862
Total General Revenues					<u>1,944,006</u>	<u>40</u>	<u>1,944,046</u>
Change in Net Position					36,483	(25,427)	11,056
Net Position - July 1, 2017					<u>15,181,971</u>	<u>1,770,039</u>	<u>16,952,010</u>
Net Position - June 30, 2018					<u>\$ 15,218,454</u>	<u>\$ 1,744,612</u>	<u>\$ 16,963,066</u>

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

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

	General Fund	FEMA Fund	Trustees of Public Funds Fund	Revolving Loan Fund	Fire Equipment Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash	\$ 225,912	\$ 0	\$ 221	\$ 202,892	\$ 13,905	\$ 179,371	\$ 622,301
Investments	0	0	326,738	0	0	30,457	357,195
Receivables (Net of Allowance for Uncollectibles)	558,993	156,795	0	0	0	0	715,788
Loans Receivable	0	0	0	64,412	0	0	64,412
Due from Other Funds	407,005	0	0	0	0	165,700	572,705
Advances to Other Funds	0	0	0	122,454	0	0	122,454
Due from the Bethel/Royalton Solid Waste Management Facility	10,852	0	0	0	0	0	10,852
Property Held for Resale	14,580	0	0	0	0	0	14,580
Prepaid Expenses	14,026	0	0	0	0	0	14,026
Total Assets	\$ 1,231,368	\$ 156,795	\$ 326,959	\$ 389,758	\$ 13,905	\$ 375,528	\$ 2,494,313
LIABILITIES							
Accounts Payable	\$ 72,206	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,995	\$ 79,201
Accrued Payroll and Benefits Payable	15,813	0	0	0	0	0	15,813
Due to Other Funds	0	156,295	0	83	39,841	767	196,986
Advances from Other Funds	47,741	0	0	0	0	0	47,741
Accrued Interest Payable	13,000	0	0	0	0	0	13,000
Short-term Notes Payable	1,725,445	0	0	0	0	0	1,725,445
Due to Others	5,862	0	0	0	0	0	5,862
Total Liabilities	1,880,067	156,295	0	83	39,841	7,762	2,084,048
DEFERRED INFLOWS OF RESOURCES							
Prepaid Property Taxes	20,392	0	0	0	0	0	20,392
Unavailable Property Taxes, Penalties and Interest	233,000	0	0	0	0	0	233,000
Unavailable Grants	266,224	156,795	0	0	0	0	423,019
Unavailable Loans Receivable	0	0	0	64,412	0	0	64,412
Total Deferred Inflows of Resources	519,616	156,795	0	64,412	0	0	740,823
FUND BALANCES/(DEFICIT)							
Nonspendable	28,606	0	317,191	0	0	200	345,997
Restricted	0	0	9,768	325,263	0	66,407	401,438
Committed	0	0	0	0	0	152,741	152,741
Assigned	0	0	0	0	0	148,418	148,418
Unassigned/(Deficit)	(1,196,921)	(156,295)	0	0	(25,936)	0	(1,379,152)
Total Fund Balances/(Deficit)	(1,168,315)	(156,295)	326,959	325,263	(25,936)	367,766	(330,558)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,231,368	\$ 156,795	\$ 326,959	\$ 389,758	\$ 13,905	\$ 375,528	
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.							16,372,825
Other Assets are not Available to Pay for Current-Period Expenditures and, Therefore, are Deferred in the Funds.							720,431
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.							(1,671,403)
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.							127,159
Net Position of Governmental Activities							\$ 15,218,454

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, 2018

	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	\$ 1,797,962	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,797,962
Penalties and Interest on Delinquent Taxes	40,069	0	0	0	0	0	40,069
Intergovernmental	317,954	0	0	0	0	10,081	328,035
Charges for Services	55,537	0	0	0	0	3,482	59,019
Permits, Licenses and Fees	47,705	0	0	0	0	0	47,705
Fines and Forfeits	2,868	0	0	0	0	0	2,868
Loan Repayments	0	0	0	14,595	0	0	14,595
Loan Interest Income	0	0	0	7,148	0	0	7,148
Investment Income	4,190	0	2,626	266	6	179	7,267
Donations	5,066	0	0	0	200	14,318	19,584
Other	10,128	500	0	0	0	0	10,628
Total Revenues	2,281,479	500	2,626	22,009	206	28,060	2,334,880
Expenditures:							
General Government	657,365	0	0	0	0	500	657,865
Public Safety	221,757	0	0	0	10,002	0	231,759
Public Works	653,538	0	0	0	0	9,422	662,960
Culture and Recreation	92,206	0	0	0	0	7,361	99,567
Community Development	0	0	0	5,083	0	0	5,083
Cemetery	3,836	0	0	0	0	0	3,836
Sanitation	18,900	0	0	0	0	0	18,900
Capital Outlay:							
Public Safety	8,066	0	0	0	6,999	0	15,065
Public Works	184,896	0	0	0	0	37,410	222,306
Debt Service:							
Principal	98,900	0	0	0	43,527	57,868	200,295
Interest	53,316	0	0	0	10,844	3,801	67,961
Total Expenditures	1,992,780	0	0	5,083	71,372	116,362	2,185,597
Excess/(Deficiency) of Revenues Over Expenditures	288,699	500	2,626	16,926	(71,166)	(88,302)	149,283
Other Financing Sources/(Uses):							
Proceeds from Sale of Vehicle	0	0	0	0	12,000	0	12,000
Transfers In	0	0	0	0	50,000	205,400	255,400
Transfers Out	(255,400)	0	0	0	0	0	(255,400)
Total Other Financing Sources/(Uses)	(255,400)	0	0	0	62,000	205,400	12,000
Net Change in Fund Balances	33,299	500	2,626	16,926	(9,166)	117,098	161,283
Fund Balances/(Deficit) - July 1, 2017	(1,201,614)	(156,795)	324,333	308,337	(16,770)	250,668	(491,841)
Fund Balances/(Deficit) - June 30, 2018	\$ (1,168,315)	\$ (156,295)	\$ 326,959	\$ 325,263	\$ (25,936)	\$ 367,766	\$ (330,558)

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, 2018

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)	\$	161,283
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$237,371) is allocated over their estimated useful lives and reported as depreciation expense (\$520,825). This is the amount by which depreciation exceeded capital outlays in the current period.		(283,454)
The issuance of long-term debt (\$-0-) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$200,295) 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.		200,295
The issuance of loans receivable (\$-0-) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$14,595) 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.		(14,595)
Governmental funds report employer pension contributions as expenditures (\$45,441). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$69,080) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(23,639)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(17,350)
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>13,943</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>36,483</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, 2018

	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current Assets:			
Investments	\$ 0	\$ 12,503	\$ 12,503
Receivables (Net of Allowance for Uncollectible)	53,356	68,524	121,880
Prepaid Expenses	172	1,696	1,868
Total Current Assets	<u>53,528</u>	<u>82,723</u>	<u>136,251</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>(935,210)</u>	<u>(1,546,474)</u>	<u>(2,481,684)</u>
Total Noncurrent Assets	<u>1,245,423</u>	<u>1,469,993</u>	<u>2,715,416</u>
Total Assets	<u>1,298,951</u>	<u>1,552,716</u>	<u>2,851,667</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VSERS			
	<u>0</u>	<u>49,285</u>	<u>49,285</u>
Total Deferred Outflows of Resources	<u>0</u>	<u>49,285</u>	<u>49,285</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	3,610	1,348	4,958
Accrued Payroll and Benefits Payable	329	2,018	2,347
Advances from Other Funds - Current Portion	22,783	8,726	31,509
Due to Other Funds	152,217	223,502	375,719
Unearned Revenue	71	2,003	2,074
Accrued Interest Payable	5,467	2,563	8,030
Notes Payable - Current Portion	0	7,998	7,998
General Obligation Bonds Payable - Current Portion	<u>58,107</u>	<u>0</u>	<u>58,107</u>
Total Current Liabilities	<u>242,584</u>	<u>248,158</u>	<u>490,742</u>
Noncurrent Liabilities:			
Advances from Other Funds - Noncurrent Portion	23,011	20,193	43,204
Compensated Absences Payable	7,556	32,751	40,307
Net Pension Liability	0	99,523	99,523
Notes Payable - Noncurrent Portion	0	39,743	39,743
General Obligation Bonds Payable - Noncurrent Portion	<u>420,497</u>	<u>0</u>	<u>420,497</u>
Total Noncurrent Liabilities	<u>451,064</u>	<u>192,210</u>	<u>643,274</u>
Total Liabilities	<u>693,648</u>	<u>440,368</u>	<u>1,134,016</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources Related to the Town's Participation in VSERS			
	<u>0</u>	<u>22,324</u>	<u>22,324</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>22,324</u>	<u>22,324</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	721,025	1,393,333	2,114,358
Unrestricted/(Deficit)	<u>(115,722)</u>	<u>(254,024)</u>	<u>(369,746)</u>
Total Net Position	<u>\$ 605,303</u>	<u>\$ 1,139,309</u>	<u>\$ 1,744,612</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, 2018

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 195,707	\$ 230,064	\$ 425,771
Interest and Penalties	7,419	5,987	13,406
Total Operating Revenues	203,126	236,051	439,177
Operating Expenses:			
Payroll and Benefits	35,224	144,595	179,819
Administrative Services	13,460	11,040	24,500
Training and Certification	0	4,462	4,462
Supplies	1,123	4,325	5,448
Utilities	19,648	23,374	43,022
Repairs and Maintenance	27,625	21,951	49,576
Machinery and Equipment	0	4,442	4,442
Chemicals	560	545	1,105
Permits and Testing	5,364	0	5,364
Legal Services	2,662	2,609	5,271
Sludge Disposal	0	13,568	13,568
Depreciation	40,537	63,894	104,431
Other Operating Expenses	848	657	1,505
Total Operating Expenses	147,051	295,462	442,513
Operating Income/(Loss)	56,075	(59,411)	(3,336)
Non-Operating Revenues/(Expenses):			
Investment Income	0	40	40
Asset Management Grant Income	5,805	17,925	23,730
Asset Management Grant Expense	(9,030)	(16,885)	(25,915)
Interest Expense	(17,078)	(2,868)	(19,946)
Total Non-Operating Revenues/(Expenses)	(20,303)	(1,788)	(22,091)
Change in Net Position	35,772	(61,199)	(25,427)
Net Position - July 1, 2017	569,531	1,200,508	1,770,039
Net Position - June 30, 2018	\$ 605,303	\$ 1,139,309	\$ 1,744,612

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, 2018

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 212,987	\$ 242,328	\$ 455,315
Payments for Goods and Services	(54,392)	(76,281)	(130,673)
Payments for Interfund Services	(13,460)	(11,040)	(24,500)
Payments for Wages and Benefits	(31,070)	(139,134)	(170,204)
Net Cash Provided by Operating Activities	<u>114,065</u>	<u>15,873</u>	<u>129,938</u>
Cash Flows From Noncapital Financing Activities:			
Asset Management Grant Income	5,805	17,925	23,730
Asset Management Grant Expense	(9,030)	(16,885)	(25,915)
Increase/(Decrease) in Due to Other Funds	(15,134)	2,507	(12,627)
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(18,359)</u>	<u>3,547</u>	<u>(14,812)</u>
Cash Flows From Capital and Related Financing Activities:			
Principal Paid on Long-term Debt	(56,412)	(8,241)	(64,653)
Interest Paid on Long-term Debt	(16,736)	(2,453)	(19,189)
Increase/(Decrease) in Advances from Other Funds	(22,558)	(8,726)	(31,284)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(95,706)</u>	<u>(19,420)</u>	<u>(115,126)</u>
Cash Flows From Investing Activities:			
Receipt of Interest and Dividends	0	40	40
Net (Increase)/Decrease in Investments	0	(40)	(40)
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, 2017	<u>0</u>	<u>0</u>	<u>0</u>
Cash - June 30, 2018	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:			
Operating Income/(Loss)	\$ 56,075	\$ (59,411)	\$ (3,336)
Depreciation	40,537	63,894	104,431
(Increase)/Decrease in Prepaid Expenses	(172)	(1,696)	(1,868)
(Increase)/Decrease in Receivables	12,382	5,449	17,831
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VSERS	0	5,949	5,949
Increase/(Decrease) in Accounts Payable	3,610	1,348	4,958
Increase/(Decrease) in Accrued Payroll and Benefits Payable	(212)	(104)	(316)
Increase/(Decrease) in Unearned Revenue	(2,521)	828	(1,693)
Increase/(Decrease) in Compensated Absences Payable	4,366	(194)	4,172
Increase/(Decrease) in Net Pension Liability	0	(5,783)	(5,783)
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VSERS	0	5,593	5,593
Net Cash Provided by Operating Activities	<u>\$ 114,065</u>	<u>\$ 15,873</u>	<u>\$ 129,938</u>

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

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

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018, expenditures in the General Fund exceeded appropriations by \$54,941. These over-expenditures were funded by excess revenues.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

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

Cash:	
Deposits with Financial Institutions	\$622,099
Deposits held by Investment Company	52
Cash on Hand	<u>150</u>
Total Cash	<u>622,301</u>

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

Investments:	
Certificates of Deposit	\$207,275
Common Stock	42,052
Mutual Funds – Equities	<u>120,371</u>
Total Investments	<u>369,698</u>
Total Cash and Investments	<u>\$991,999</u>

The Town has six (6) certificates of deposit at Northfield Savings Bank ranging from \$1,305 to \$53,337 with interest rates ranging from 0.50% to 1.09%. All of the certificates of deposit at the Northfield Savings Bank will mature during fiscal year 2019. The Town has six (6) certificates of deposit at Mascoma Savings Bank ranging from \$652 to \$30,457 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 2019.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit the exposure to custodial credit risk. The 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>\$829,374</u>	<u>\$743,121</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	\$622,099
Investments – Certificates of Deposit	<u>207,275</u>
Total	<u>\$829,374</u>

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

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.

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. The Town has \$28,447, (68%), of their common stock invested in JP Morgan Chase & Co. There are no other investments in any one issuer that represent more than 5% of total investments.

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application." The hierarchy is based on the valuation inputs used to measure fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The Town's certificates of deposit are not subject to fair value disclosures.

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

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

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

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

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

Description	Total	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Common Stock	\$ 42,052	\$ 42,052	\$ 0	\$ 0
Mutual Funds - Equities	120,371	120,371	0	0
Total	\$ 162,423	\$ 162,423	\$ 0	\$ 0

B. Receivables

Receivables as of June 30, 2018, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes Receivable	\$ 232,926	\$ 0	\$ 232,926
Penalties and Interest Receivable	59,843	0	59,843
Grants Receivable	423,019	24,018	447,037
Billed Services	0	127,862	127,862
Allowance for Doubtful Accounts - Water/Sewer	0	(30,000)	(30,000)
Total	\$ 715,788	\$ 121,880	\$ 837,668

C. Loans Receivable

Loans receivable as of June 30, 2018 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	\$64,412
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An analysis of the change in loans receivable is as follows:

Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
\$79,007	\$ 0	\$14,595	\$64,412

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

D. Capital Assets

Capital asset activity for the year ended June 30, 2018 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	<u>0</u>	<u>48,296</u>	<u>0</u>	<u>48,296</u>
Total Capital Assets, Not Being Depreciated	<u>326,708</u>	<u>48,296</u>	<u>0</u>	<u>375,004</u>
Capital Assets, Being Depreciated:				
Land Improvements	214,318	0	0	214,318
Buildings and Building Improvements	2,409,326	0	0	2,409,326
Machinery and Equipment	2,126,595	52,475	0	2,179,070
Infrastructure	<u>15,020,012</u>	<u>136,600</u>	<u>0</u>	<u>15,156,612</u>
Totals	<u>19,770,251</u>	<u>189,075</u>	<u>0</u>	<u>19,959,326</u>
Less Accumulated Depreciation for:				
Land Improvements	75,379	3,769	0	79,148
Buildings and Building Improvements	417,470	56,894	0	474,364
Machinery and Equipment	664,757	110,290	0	775,047
Infrastructure	<u>2,283,074</u>	<u>349,872</u>	<u>0</u>	<u>2,632,946</u>
Totals	<u>3,440,680</u>	<u>520,825</u>	<u>0</u>	<u>3,961,505</u>
Total Capital Assets, Being Depreciated	<u>16,329,571</u>	<u>(331,750)</u>	<u>0</u>	<u>15,997,821</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,656,279</u>	<u>\$ (283,454)</u>	<u>\$ 0</u>	<u>\$ 16,372,825</u>
	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	<u>3,009,367</u>	<u>0</u>	<u>0</u>	<u>3,009,367</u>
Totals	<u>5,190,000</u>	<u>0</u>	<u>0</u>	<u>5,190,000</u>
Less Accumulated Depreciation for:				
Water System	894,674	40,537	0	935,211
Sewer System	<u>1,482,579</u>	<u>63,894</u>	<u>0</u>	<u>1,546,473</u>
Totals	<u>2,377,253</u>	<u>104,431</u>	<u>0</u>	<u>2,481,684</u>
Total Capital Assets, Being Depreciated	<u>2,812,747</u>	<u>(104,431)</u>	<u>0</u>	<u>2,708,316</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,819,847</u>	<u>\$ (104,431)</u>	<u>\$ 0</u>	<u>\$ 2,715,416</u>

TOWN OF BETHEL, VERMONT
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JUNE 30, 2018

Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 46,889	Water	\$ 40,537
Public Safety	47,581	Sewer	<u>63,894</u>
Public Works	404,250		
Culture and Recreation	<u>22,105</u>		
 Total Depreciation Expense - Governmental Activities	 <u>\$ 520,825</u>	 Total Depreciation Expense - Business-type Activities	 <u>\$ 104,431</u>

E. Interfund Balances and Activity

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

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 407,005	\$ 0
FEMA Fund	0	156,295
Revolving Loan Fund	0	83
Fire Equipment Fund	0	39,841
Non-Major Governmental Funds	165,700	767
Water Fund	0	152,217
Sewer Fund	<u>0</u>	<u>223,502</u>
 Total	 <u>\$ 572,705</u>	 <u>\$ 572,705</u>

The composition of advances to/from other funds as of June 30, 2018 are as follows:

Fund	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 0	\$ 47,741
Revolving Loan Fund	122,454	0
Water Fund	0	45,794
Sewer Fund	<u>0</u>	<u>28,919</u>
 Total	 <u>\$ 122,454</u>	 <u>\$ 122,454</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	\$ 47,741
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TOWN OF BETHEL, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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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 \$ 45,794

Advance to Sewer Fund from the Revolving Loan Fund
for Wastewater Overruns, Annual Principal and
Interest Payments of \$8,790. Due September 21, 2022 28,919

Total Advances to/from Other Funds \$122,454

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

Transfer From	Transfer To	Amount	Purpose
General Fund	Fire Equipment Fund	\$ 50,000	Fund Debt Payments
General Fund	Highway Equipment Trust Fund	110,000	Annual Appropriation
General Fund	Highway Equipment Trust Fund	5,400	Reimburse Cruiser Purchase
General Fund	Recreation Reserve Fund	40,000	Annual Appropriation
General Fund	Capital Improvement Fund	<u>50,000</u>	Annual Appropriation
Total		<u>\$ 255,400</u>	

F. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of \$23,983 from the difference between the expected and actual experience, \$46,038 from changes in assumptions, \$83,948 from the difference between the projected and actual investment earnings, \$33,038 from changes in the proportion related to the Town's participation in the Vermont State Employee's Retirement System (VSERS) and \$45,441 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 \$232,448.

Deferred outflows of resources in the business-type activities and Sewer Fund consists of \$5,085 from the difference between the expected and actual experience, \$9,761 from changes in assumptions, \$17,799 from the difference between the projected and actual investment earnings, \$7,005 from changes in the proportion related to the Town's participation in the Vermont State Employee's Retirement System (VSERS) and \$9,635 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 \$49,285.

G. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$10,052 from changes in assumptions, \$39,591 resulting from the difference between the projected and actual investment earnings and \$55,646 from changes in the proportion related to the Town's participation in the Vermont State Employee's Retirement System (VSERS). It also includes \$20,392 of prepaid property taxes. Total deferred inflows of resources in the governmental activities is \$125,681.

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

Deferred inflows of resources in the business-type activities and Sewer Fund consists of \$2,131 from changes in assumptions, \$8,395 resulting from the difference between the projected and actual investment earnings and \$11,798 from changes in the proportion 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 \$22,324.

Deferred inflows of resources in the General Fund consists of \$233,000 of delinquent property taxes, penalties and interest on those taxes and \$266,224 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 \$20,392 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$519,616.

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 \$64,412 of loans receivable.

H. Short-term Debt

The Town had notes payable 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 31, 2017	\$ 100,000	\$ 0	\$100,000	\$ 0
Grant Anticipation Note, Mascoma Savings Bank, Interest at 2.25%, Paid October 26, 2017	0	100,000	100,000	0
Note Payable, Mascoma Savings Bank, Flood Recovery, Interest at 1.25%, Due November 18, 2018. Subsequent to Year End, \$281,445 of the Note was Paid and the Balance of \$1,444,000 was Refinanced at 3% Until November 18, 2018 When the Rate will be Adjusted With a Due Date of November 18, 2043.	<u>1,725,445</u>	<u>0</u>	<u>0</u>	<u>1,725,445</u>
Total Short-term Debt	<u>\$1,825,445</u>	<u>\$100,000</u>	<u>\$200,000</u>	<u>\$1,725,445</u>

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

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.

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.

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

Long-term liabilities outstanding as of June 30, 2018 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	\$ 95,295	\$ 0	\$ 30,922	\$ 64,373
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	190,000	0	20,000	170,000
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 and Paid December, 2018	70,000	0	35,000	35,000
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	614,300	0	43,900	570,400
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	225,110	0	12,605	212,505

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
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	\$ 125,000	\$ 0	\$ 40,534	\$ 84,466
Note Payable, Mascoma Savings Bank, Sidewalk Plow, Ranger and Truck, Principal Payment of \$17,334 Plus Interest, Due and Paid March 10, 2018	<u>17,334</u>	<u>0</u>	<u>17,334</u>	<u>0</u>
Total Governmental Activities	<u>\$1,337,039</u>	<u>\$ 0</u>	<u>\$200,295</u>	<u>\$1,136,744</u>
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	\$193,346	\$ 0	\$36,416	\$156,930
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	341,670	0	19,996	321,674
Note Payable, Mascoma Savings Bank Sewer Treatment System, Principal Payments of \$8,241 Plus Interest Payable on June 30 Annually, Interest at 3.35%, Due June, 2023	<u>55,982</u>	<u>0</u>	<u>8,241</u>	<u>47,741</u>
Total Business-type Activities	<u>\$590,998</u>	<u>\$ 0</u>	<u>\$64,653</u>	<u>\$526,345</u>

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 874,300	\$ 0	\$ 98,900	\$ 775,400	\$ 98,900
Notes Payable	237,629	0	88,790	148,839	73,562
Capital Leases Payable	225,110	0	12,605	212,505	20,821
Compensated Absences Payable	64,576	0	12,636	51,940	0
Net Pension Liability	502,227	0	32,834	469,393	0
Total Governmental Activities Long-term Liabilities	\$ 1,903,842	\$ 0	\$ 245,765	\$ 1,658,077	\$ 193,283
Business-type Activities					
General Obligation Bonds Payable	\$ 535,016	\$ 0	\$ 56,412	\$ 478,604	\$ 58,107
Notes Payable	55,982	0	8,241	47,741	7,998
Compensated Absences Payable	36,135	4,172	0	40,307	0
Net Pension Liability	105,306	0	5,783	99,523	0
Total Business-type Activities Long-term Liabilities	\$ 732,439	\$ 4,172	\$ 70,436	\$ 666,175	\$ 66,105

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

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

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities	
	Principal	Interest	Capital Leases	Principal	Interest
2019	\$ 172,462	\$ 33,271	\$ 20,821	\$ 66,105	\$ 9,800
2020	134,177	28,079	20,821	67,848	8,201
2021	58,900	23,876	20,821	69,654	6,562
2022	58,900	20,691	20,821	71,493	4,882
2023	58,900	18,395	20,821	31,180	3,159
2024-2028	294,500	57,253	104,105	134,517	8,691
2029-2032	146,400	7,729	62,463	85,548	1,729
Total	924,239	189,294	270,673	526,345	43,024
Less: Imputed Interest	0	0	(58,168)	0	0
Total	\$ 924,239	\$ 189,294	\$ 212,505	\$ 526,345	\$ 43,024

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.

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

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

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

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

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

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

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

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

Major Funds

General Fund:

Nonspendable Prepaid Expenses	\$ 14,026
Nonspendable Property Held for Resale	<u>14,580</u>
Total General Fund	<u>28,606</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>\$345,997</u>
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TOWN OF BETHEL, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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>9,768</u>
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Revolving Loan Fund:

Restricted for Revolving Loan Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	<u>325,263</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Forward Festival Expenses by Donations (Source of Revenue is Donations)	2,404
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Restricted for Town Records Preservation Expenses by Statute (Source of Revenue is Recording Fees)	33,687
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Restricted for Emergency Shelter Expenses by Donations (Source of Revenue is Donations)	739
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Restricted for Walking Trail Expenses by Donations (Source of Revenue is Donations)	<u>1,839</u>
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Total Special Revenue Funds	<u>38,669</u>
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Capital Projects Funds:

Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes)	<u>27,103</u>
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Permanent Fund:

Restricted for Edmund's Memorial by Bequest – Expendable Portion	<u>635</u>
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Total Non-Major Funds	<u>66,407</u>
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Total Restricted Fund Balances	<u>\$401,438</u>
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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	\$ 18,285
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Committed for Recreation Expenditures by the Voters	84,456
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Committed for Capital Improvement Expenditures by the Voters	<u>50,000</u>
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Total Committed Fund Balances	<u>\$152,741</u>
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TOWN OF BETHEL, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

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

Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses	\$137,901
Assigned for Council on the Arts Expenses	4,282
Assigned for Bandshell Maintenance Expenses	2,698
Assigned for Leasehold Expenses	<u>3,537</u>
Total Assigned Fund Balances	<u>\$148,418</u>

The unassigned deficit in the General Fund of \$1,196,921 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 \$156,295 will be funded by the collection of grant receivables.

The deficit in the Fire Equipment Fund of \$25,936 will be funded with future appropriations.

K. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2018 consisted of the following:

Governmental Activities:

Restricted for Trustees of Public Funds by Bequests	\$326,959
Restricted for Revolving Loan Fund by Grant Agreement	389,675
Restricted for Forward Festival Expenses by Donations	2,404
Restricted for Town Records Preservation Expenses by Statute	33,687
Restricted for Emergency Shelter Expenses by Donations	739
Restricted for Walking Trail Expenses by Donations	1,839
Restricted for Highway Expenditures by Statute	27,103
Restricted for Edmund's Memorial by Bequest	<u>835</u>
Total Governmental Activities	<u>\$783,241</u>

The unrestricted deficit in the Water Fund of \$115,722 will be funded in future years with additional revenues.

The unrestricted deficit in the Sewer Fund of \$254,024 will be funded in future years with additional revenues.

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

V. OTHER INFORMATION

A. PENSION PLANS

Defined Benefit Plan

Plan Description

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

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

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

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

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

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, 2018, for the various groups are as follows:

Vermont State Retirement System	Group A	Group C	Group D	Group F
Employee Contributions	6.65% of gross payroll	8.53% of gross payroll	6.65% of gross payroll	6.65% of gross payroll
Employer Contributions	10.35% of gross payroll	10.35% of gross payroll	10.35% of gross payroll	10.35% of gross payroll

Contributions to the pension plan from the Town were \$71,901 for the year ended June 30, 2018.

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

Financial Reporting of Net Pension Liability and Pension Expense by the Employer

This section includes the information that is required by GASB Statement No. 68. It reports information regarding the net pension liability (NPL), 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 pension expense. In addition to presenting the NPL, this section also includes information on the actuarial assumptions used in the valuation, the discount rate that was used to calculate the NPL, and disclosures as to the sensitivity of the NPL to changes in the discount rate.

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.

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, 2018) and for the Town's reporting period (the year ended June 30, 2018). 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, 2018, the State has chosen to use the end of the prior fiscal year (June 30, 2017) as the measurement date, and the year ended June 30, 2017 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, 2016, to the measurement date of June 30, 2017.

The net pension liability 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. For June 30, 2018, Town's proportional share of the NPL is \$742,710, determined as of the June 30, 2017 measurement date. The Town's proportionate share of the collective net pension liability was 0.1092% on the measurement date, a decrease of 0.0132% from the prior measurement date proportionate share of 0.1224%.

\$173,794 of the net pension liability is recorded in the Bethel/Royalton Solid Waste Management Facility's financial statements.

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For the year ended June 30, 2018, the Town recognized pension expense of \$99,547. As of June 30, 2018, Town reported the deferred pension outflows of resources and deferred pension inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 37,947	\$ 0
Change in assumptions	72,845	15,905
Difference between projected and actual investment earnings	132,829	62,645
Changes in proportion	52,275	88,047
Town's required employer contributions made subsequent to the measurement date	<u>71,901</u>	<u>0</u>
Totals	<u>\$ 367,797</u>	<u>\$ 166,597</u>

\$86,064 of the deferred outflows of resources and \$38,984 of the deferred inflows of resources are recorded in the Bethel/Royalton Solid Waste Management Facility's financial statements.

The amounts reported as deferred pension outflows of resources resulting from employer contributions made subsequent to the measurement date of \$71,901, will be recognized as a reduction of the net pension liability at June 30, 2019. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

	<u>Year Ended June 30</u>
2019	33,701
2020	58,229
2021	44,955
2022	(8,114)
2023	<u>528</u>
Total	<u>129,299</u>

Actuarial Methods and Assumptions

Total pension liability at June 30, 2018 was determined using the June 30, 2016 actuarial valuation and applying roll forward procedures. The actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified were as follows:

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	VSRS
Valuation date	6/30/2016
Inflation assumptions	2.50%
Investment rate of return	7.50%
Projected salary increases	3.5% - 7.04%
Cost of living adjustments	Groups A, C & D: 2.55%; Group F: 1.4% and Group F retiring after 7/1/09: 2.55%
<u>Post Retirement Adjustments</u>	
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 - 2.55%
	For those eligible for increases of 50% of CPI change - 1.4%

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the following actuarial experience study:

Vermont State Retirement System

Experience Study: July 1, 2010 – June 30, 2014, dated October 29, 2015 completed by Buck Consultants

Mortality rates are based as follows for the Vermont State Retirement System:

Mortality rates for active employees in Groups A and F were based on 101% of RP-2014 blended 30% Blue Collar Employee, 70% Healthy Employee with generational projection using Scale SSA-2017.

Mortality rates for active employees in Group C were based on RP-2014 Blue Collar Employee with generational projection using Scale SSA-2017.

Mortality rates for active employees in Group D were based on RP-2014 Healthy Employee with generational projection using Scale SSA-2017.

Mortality rates for retirees and beneficiaries in Groups A and F were based on 101% of RP-2014 blended 30% Blue Collar Annuitant, 70% Healthy Annuitant with generational projection using Scale SSA-2017.

TOWN OF BETHEL, VERMONT
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Mortality rates for retirees and beneficiaries in Group C were based on RP-2014 Blue Collar Annuitant with generational projection using Scale SSA-2017.

Mortality rates for retirees and beneficiaries in Group D were based on RP-2014 Healthy Annuitant with generational projection using Scale SSA-2017.

Mortality rates for disabled retirees in Groups A, C, D, and F were based on RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017.

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges 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, 2017 measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	16.00%	6.07%
Non-US Equity	16.00%	7.42%
Global Equity	9.00%	6.85%
Fixed Income	24.00%	2.41%
Real Estate	8.00%	4.62%
Private Markets	15.00%	7.80%
Hedge Funds	8.00%	3.95%
Risk Parity	4.00%	4.84%
	<u>100.00%</u>	

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.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2017 measurement date was 7.5% for the VSRS. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 68. The discount rate used in the prior year was 7.95%.

TOWN OF BETHEL, VERMONT
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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	Town's Share
One-percent decrease	
Discount rate	6.50%
Net pension liability	\$ 1,068,834
Net pension liability, as reported	
Discount rate	7.50%
Net pension liability	\$ 742,710
One-percent increase	
Discount rate	8.50%
Net pension liability (asset)	\$ 471,670

B. CONTINGENT LIABILITIES

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

C. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

The Town self-insures itself for unemployment coverage. The Town must pay the Vermont Department of Employment and Training for any paid claims. Unemployment claims for the year ended June 30, 2018 were \$-0-.

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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, 2018, taxes were due and payable on August 15, 2017, November 15, 2017, February 15, 2018 and May 15, 2018. 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 2018 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	0.8930	0.8930
Local Agreement	0.0032	0.0032
Education	<u>1.5889</u>	<u>1.4254</u>
Total	<u>2.4851</u>	<u>2.3216</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 2018 from the Bethel Historical Society is \$2,400.

Future minimum lease payments are as follows:

2019	\$2,400
2020	<u>400</u>
	<u>\$2,800</u>

In September, 2010, the Town of Bethel entered into a lease agreement with the Vermont Telecommunications Authority (VTA) to lease land at the Town Garage at 443 Sand Hill Road to VTA for telecommunications equipment to be constructed. The initial lease terms are for ten (10) years, with four (4) successive five (5) year renewal terms, with payments due monthly. 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 2018 is \$2,400.

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Future minimum lease payments are as follows:

2019	\$2,400
2020	2,400
2021	<u>1,200</u>
	<u>\$6,000</u>

F. SUBSEQUENT EVENTS

The Town took out a loan from the State Drinking Water Revolving Fund in the amount of \$12,900 at 0% interest with payments to start on April 1, 2023 and maturing on April 1, 2027.

The Town obtained a line of credit in the amount of \$1,133,000 at 2% interest for one year with a maturity date of May 7, 2020 for flood damages to be repaid with FEMA and State funds.

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Local Revenues:			
Dog Tax	\$ 1,400	\$ 1,759	\$ 359
Local Licenses	700	925	225
Town Clerk Fees	18,000	18,077	77
Recreation Area Fees	6,000	8,077	2,077
Zoning Application Fees	850	534	(316)
Zoning Regulations	50	0	(50)
Overweight Permit Fees	500	525	25
Trustees of Public Funds	100	6	(94)
Subdivision Permit Fees	50	0	(50)
Town Hall Rental Fees	5,000	2,975	(2,025)
Fire Department Fundraiser	0	5,066	5,066
Total Local Revenues	<u>32,650</u>	<u>37,944</u>	<u>5,294</u>
Miscellaneous Local Revenues:			
Miscellaneous Local Revenue	100	0	(100)
Other	100	10,128	10,028
Total Miscellaneous Local Revenues	<u>200</u>	<u>10,128</u>	<u>9,928</u>
State and Federal Revenues:			
Highways - Class I	10,000	9,967	(33)
Highways - Class II	49,000	67,171	18,171
Highways - Class III	85,000	67,171	(17,829)
State Owned Lands	2,500	2,255	(245)
Traffic Tickets	1,000	2,868	1,868
Fish & Game Fees	0	411	411
Other	0	1,734	1,734
Homeland Security Grant	0	4,756	4,756
Constable Grant	0	924	924
Tower Lease	2,400	2,400	0
Better Back Roads Grant	4,000	4,692	692
Dry Hydrant Grant	0	4,000	4,000
TRORC - Highway Grant	0	28,117	28,117
Total State and Federal Revenues	<u>153,900</u>	<u>196,466</u>	<u>42,566</u>
Miscellaneous:			
Solid Waste Administrative Reimbursement	15,800	15,800	0
Sewer Department Administrative Reimbursement	11,040	11,040	0
Water Department Administrative Reimbursement	13,460	13,460	0
Railroad Revenue Sharing	1,500	3,506	2,006
Total Miscellaneous	<u>41,800</u>	<u>43,806</u>	<u>2,006</u>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Interest Earnings:			
Checking Account Interest	\$ 0	\$ 6	\$ 6
Sweep Account Interest	0	918	918
USDA Interest Grant	7,775	3,765	(4,010)
Total Interest Earnings	7,775	4,689	(3,086)
Taxes - Property:			
Property Taxes	1,758,399	1,652,678	(105,721)
Land-Use	100,000	119,896	19,896
Delinquent Tax	50,000	145,284	95,284
Delinquent Tax Penalty	12,000	11,930	(70)
Delinquent Tax Interest	15,000	28,139	13,139
Total Taxes - Property	1,935,399	1,957,927	22,528
Total Revenues	2,171,724	2,250,960	79,236
Expenditures:			
Public Works:			
Public Works Personnel:			
Wages	200,335	191,395	8,940
Social Security	12,610	12,933	(323)
Medicare	2,950	3,025	(75)
Retirement	21,720	20,991	729
Health Insurance	48,400	52,128	(3,728)
Workers' Compensation	19,250	23,482	(4,232)
Dental Insurance	2,765	2,781	(16)
Mileage Reimbursement	2,500	643	1,857
Total Public Works Personnel	310,530	307,378	3,152
Town Owned Equipment:			
2015 Ventrac Sidewalk Plow	500	2,036	(1,536)
2016 JD 318SL Backhoe	1,000	3,162	(2,162)
2007 John Deere Grader	7,000	3,446	3,554
2017 International	2,000	4,068	(2,068)
Insurance - Building and Equipment	14,289	14,561	(272)
2015 F550	2,000	7,258	(5,258)
Chipper	500	26	474
2009 Kubota Tractor	250	0	250
2013 Freightliner (3683)	7,000	14,121	(7,121)
2013 Freightliner (3684)	7,000	3,713	3,287
2009 Kumatsu Loader	2,000	4,589	(2,589)

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Owned Equipment/(Cont'd):			
One-Way Plow	\$ 500	\$ 0	\$ 500
Sanders and Spreaders	1,000	0	1,000
Chain Saw	500	16	484
Welder	500	318	182
Sand Screen	200	18	182
Rake	500	792	(292)
Repairs - Vehicles	2,000	2,837	(837)
Snow Blower and Mower	100	0	100
Pressure Washer	150	194	(44)
Permits	200	103	97
Garage	8,500	16,629	(8,129)
Electricity	3,000	2,752	248
Telephone	1,500	3,361	(1,861)
Uniforms	10,000	12,245	(2,245)
Other	500	543	(43)
Gas, Oil and Grease	8,000	1,659	6,341
Diesel	55,000	34,952	20,048
Underground Tank	500	50	450
Communications System	500	1,213	(713)
	<u>136,689</u>	<u>134,662</u>	<u>2,027</u>
Total Town Owned Equipment			
Hired Services and Equipment:			
Roadside Mowing	10,000	6,970	3,030
Sweeping	1,000	935	65
Rental Equipment	3,000	110	2,890
Hired Services and Equipment	4,000	17,589	(13,589)
Engineering Services	5,000	325	4,675
	<u>23,000</u>	<u>25,929</u>	<u>(2,929)</u>
Total Hired Services and Equipment			
Materials:			
Salt	68,000	100,393	(32,393)
Chloride	18,000	13,861	4,139
Gravel	40,000	13,244	26,756
Sand	35,000	34,650	350
Bridge Material	25,000	48,453	(23,453)
Culverts	10,000	9,106	894
Patching Material	2,000	1,854	146
Tools	1,000	1,103	(103)
Signs	1,500	1,461	39
Snow Fence	100	0	100
Salt Boxes	100	0	100
Highway Rehabilitation	110,000	113,706	(3,706)
Other	100	13	87
	<u>310,800</u>	<u>337,844</u>	<u>(27,044)</u>
Total Materials			

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Other Public Works:			
Storm Water Catch Basins	\$ 1,500	\$ 15	\$ 1,485
Cemeteries	30,000	29,011	989
Church Street Bridge	27,825	27,596	229
Sidewalk Improvement	1,000	1,421	(421)
Parking - Pedestrian Safety	2,500	2,231	269
Other	100	479	(379)
Highway Equipment Trust	110,000	110,000	0
Trench Drain Improvement Project	0	1,400	(1,400)
Total Other Public Works	172,925	172,153	772
2011 Irene Flood Interest:	15,000	20,586	(5,586)
Total Public Works	968,944	998,552	(29,608)
Fire Department:			
Wages	16,645	18,513	(1,868)
Social Security	1,030	1,178	(148)
Medicare	240	275	(35)
Workers' Compensation	3,300	5,927	(2,627)
Insurance on Equipment	8,866	9,135	(269)
Apparatus/ Repairs/ Maint.	1,500	23	1,477
1973 Dodge - Forestry	500	0	500
2001 Freightliner	2,000	508	1,492
2000 First Response Truck	4,000	2,004	1,996
1986 Kenworth L700	2,000	156	1,844
2014 Polaris Ranger	500	366	134
2017 Kenworth T370	0	376	(376)
2018 MES Trailer Purchase	0	5,066	(5,066)
Gas, Oil and Lubricants	2,000	1,054	946
Electricity	1,600	1,480	120
Telephone	2,000	1,903	97
Heat	5,000	3,586	1,414
Communications	3,000	5,664	(2,664)
Supplies	4,000	7,691	(3,691)
Safety and Equipment Supplies	7,000	6,484	516
Facility Maintenance	4,000	5,646	(1,646)
Other	100	0	100
Training	1,500	430	1,070
Fire Equipment Fund	50,000	50,000	0
Homeland Security Grant	0	4,756	(4,756)
Total Fire Department	120,781	132,221	(11,440)

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Police Department:			
Wages	\$ 12,375	\$ 13,059	\$ (684)
Social Security	770	796	(26)
Medicare	180	186	(6)
Workers' Compensation	400	1,032	(632)
Insurance on Equipment	917	935	(18)
Professional Liability	3,301	3,483	(182)
Cruiser	9,000	9,544	(544)
Telephone	100	82	18
OP Grant	0	735	(735)
Contract Services	500	597	(97)
Training	500	70	430
Other	200	642	(442)
Total Police Department	28,243	31,161	(2,918)
Recreation Department:			
Wages	40,000	37,925	2,075
Social Security	2,500	2,000	500
Medicare	600	468	132
Workers' Compensation	1,600	2,683	(1,083)
Insurance - Building and Equipment	2,659	2,658	1
Electricity	2,500	1,970	530
Telephone	500	508	(8)
Improvements	500	0	500
Repairs and Maintenance	4,000	4,129	(129)
Recreation Reserve Fund	40,000	40,000	0
Programming and Activities	1,000	1,306	(306)
Supplies	5,000	2,759	2,241
Chlorine	4,000	3,023	977
American Red Cross	2,000	397	1,603
Water and Sewer	1,100	1,108	(8)
Other	100	0	100
Total Recreation Department	108,059	100,934	7,125
Parks and Public Places:			
Wages	0	892	(892)
Social Security	0	55	(55)
Medicare	0	13	(13)
Insurance	186	156	30
Mowing	10,000	4,176	5,824
Street Lights	22,000	20,424	1,576
Electricity - Common	1,000	1,116	(116)

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Parks and Public Places/(Cont'd):			
Electricity - Peavine Park	\$ 200	\$ 213	\$ (13)
Electricity - Parking Lot	200	1,282	(1,082)
Parks Beautification	500	160	340
Flags and Poles	1,000	985	15
Streetscape Program	1,500	0	1,500
Other	500	1,800	(1,300)
	<u>37,086</u>	<u>31,272</u>	<u>5,814</u>
Total Parks and Public Places			
Municipal Offices:			
Wages	111,395	120,808	(9,413)
Salary - Town Clerk	34,080	49,195	(15,115)
Social Security	9,425	9,839	(414)
Medicare	2,205	2,301	(96)
Retirement	16,230	16,499	(269)
Health Insurance	68,835	86,837	(18,002)
Workers' Compensation	890	1,344	(454)
Dental Insurance	4,435	4,243	192
Insurance - Building	4,216	4,737	(521)
Bond Insurance	10,876	11,648	(772)
Electricity	2,000	1,988	12
Telephone	2,000	2,646	(646)
Heat	3,500	4,255	(755)
Maintenance - Building	3,500	3,995	(495)
Maintenance - Copier	1,000	169	831
Maintenance - Computer	1,500	2,059	(559)
Office Equipment	1,000	107	893
Computer Equipment	1,000	1,252	(252)
Lease - Photocopier	1,300	1,169	131
Supplies	7,000	8,029	(1,029)
Supplies - Copier	1,000	375	625
Supplies - Computer	2,000	1,335	665
Computer Support Services	2,000	1,951	49
Water and Sewer	1,100	1,108	(8)
Bank Fees	1,000	1,440	(440)
Other	200	751	(551)
	<u>293,687</u>	<u>340,080</u>	<u>(46,393)</u>
Total Municipal Offices			

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Hall:			
Wages	\$ 3,000	\$ 560	\$ 2,440
Social Security	185	35	150
Medicare	45	8	37
Workers' Compensation	50	25	25
Insurance	11,041	10,996	45
Electricity	2,500	2,156	344
Telephone	3,500	1,438	2,062
Heat	3,500	4,251	(751)
Building Repair	10,000	2,668	7,332
Repair - Clock	350	295	55
Supplies	750	749	1
Water and Sewer	1,100	1,108	(8)
Other	150	267	(117)
Total Town Hall	36,171	24,556	11,615
Salaries:			
Selectboard	1,275	1,050	225
Treasurer	5,306	5,306	0
Town Manager	76,500	74,175	2,325
Trustees of Public Funds	250	500	(250)
Health Officer	600	1,200	(600)
Elections	500	0	500
Board of Civil Authority	100	0	100
Cemetery Commissioner	500	1,000	(500)
Social Security	4,220	5,217	(997)
Medicare	990	1,213	(223)
Retirement	7,080	7,525	(445)
Total Salaries	97,321	97,186	135
Listers:			
Wages	15,500	12,259	3,241
Social Security	960	753	207
Medicare	225	183	42
Workers' Compensation	60	29	31
Computer Upgrades	1,500	2,942	(1,442)
Supplies	1,000	1,106	(106)
Mileage	1,000	517	483
Mapping Services	3,900	6,513	(2,613)
Training	600	395	205
Memberships	235	210	25
Other	100	163	(63)
Total Listers	25,080	25,070	10

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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, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Government Operations:			
Town Meeting	\$ 400	\$ 250	\$ 150
Town Reports	4,000	3,705	295
Tax Billing	1,500	594	906
Preservation of Records	1,500	1,031	469
Tax Abatements	100	5,417	(5,317)
Committee Training	300	190	110
Legal	15,000	25,550	(10,550)
Planning	2,000	1,668	332
Auditing Services	25,000	53,693	(28,693)
Training	3,000	1,601	1,399
Recording Fees	600	60	540
Maintain Website	500	228	272
Meeting Minute Taking	1,000	1,110	(110)
Conservation Commission	2,500	107	2,393
Voting Equipment and Supplies	1,000	0	1,000
Advertising	2,500	3,643	(1,143)
Other	500	3,608	(3,108)
Tax Sale Expenses	2,500	0	2,500
Capital Improvement Fund	50,000	50,000	0
Cumulative Deficit	25,000	0	25,000
Total Government Operations	138,900	152,455	(13,555)
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	3,294	3,294	0
Two Rivers Regional Planning Commission	2,862	2,862	0
Green Mountain Economic Development	1,008	1,008	0
Green Up Day	150	150	0
White River Partnership	500	500	0
VT Rural Fire Protection	100	100	0
Total Local	11,914	11,914	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

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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, 2018

	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	1,204	1,204	0
Bethel Excel Program	2,500	2,500	0
Total Human Services	19,204	19,204	0
White River Valley Ambulance:	121,841	121,841	0
Total Appropriations	152,959	152,959	0
Debt Service:			
Long-term Debt - Sewer	37,818	34,352	3,466
Long-term Debt - Town Hall	66,102	66,112	(10)
Interest - Tax Anticipation Notes	5,000	0	5,000
Long-term Debt - Capital Projects	20,717	1,634	19,083
Total Debt Service	129,637	102,098	27,539
County Taxes:	13,926	13,926	0
Miscellaneous:			
Managers Expense	2,000	5,295	(3,295)
Solid Waste Management Plan	18,930	18,900	30
Total Miscellaneous	20,930	24,195	(3,265)
Total Expenditures	2,171,724	2,226,665	(54,941)
Excess of Revenues Over Expenditures	\$ 0	24,295	\$ 24,295
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Cemeteries Fund Revenues		5,045	
Cemeteries Fund Expenditures		(3,836)	
Town Clerk Fund Revenues		25,474	
Town Clerk Fund Expenditures		(17,679)	
Net Change in Fund Balance		33,299	
Fund Balance/(Deficit) - July 1, 2017		(1,201,614)	
Fund Balance/(Deficit) - June 30, 2018		\$ (1,168,315)	

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
 VRSERS DEFINED BENEFIT PLAN
 JUNE 30, 2018

	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 680,336,959	\$ 661,938,236	\$ 545,047,730	\$ 351,642,081
Town's Proportion of the Net Pension Liability	0.1092%	0.1224%	0.1264%	0.0973%
Town's Proportionate Share of the Net Pension Liability	\$ 742,710	\$ 810,044	\$ 688,677	\$ 342,208
Town's Covered Employee Payroll	\$ 682,176	\$ 623,178	\$ 634,608	\$ 661,105
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	108.8737%	129.9860%	108.5201%	51.7630%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.99%	70.86%	74.88%	82.50%

Notes to Schedule

Benefit Changes: None.

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

- Assumed inflation was lowered from 3.0% to 2.5%.
- The investment return assumption was lowered from 7.95% to 7.50%.
- Assumed COLA increases were lowered from 3.00% to 2.55% for Group A, C and D members and for Group F members who retired after July 1, 2008 and from 1.50% to 1.40% for all other Group F members.
- The mortality tables were updated from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement.

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 71,901	\$ 65,807	\$ 66,507	\$ 70,607
Contributions in Relation to the Actuarially Determined Contributions	<u>71,901</u>	<u>65,807</u>	<u>66,507</u>	<u>70,607</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 682,176	\$ 623,178	\$ 634,608	\$ 661,105
Contributions as a Percentage of Town's Covered Employee Payroll	10.540%	10.560%	10.480%	10.680%

Notes to Schedule

Valuation Date: June 30, 2017

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

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

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Edmund's Memorial Fund	Total
<u>ASSETS</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash	\$ 141,747	\$ 36,289	\$ 1,335	\$ 179,371
Investments	30,457	0	0	30,457
Due from Other Funds	<u>15,150</u>	<u>150,550</u>	<u>0</u>	<u>165,700</u>
Total Assets	<u>\$ 187,354</u>	<u>\$ 186,839</u>	<u>\$ 1,335</u>	<u>\$ 375,528</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 0	\$ 6,995	\$ 0	\$ 6,995
Due to Other Funds	<u>267</u>	<u>0</u>	<u>500</u>	<u>767</u>
Total Liabilities	<u>267</u>	<u>6,995</u>	<u>500</u>	<u>7,762</u>
Fund Balances:				
Nonspendable	0	0	200	200
Restricted	38,669	27,103	635	66,407
Committed	0	152,741	0	152,741
Assigned	<u>148,418</u>	<u>0</u>	<u>0</u>	<u>148,418</u>
Total Fund Balances	<u>187,087</u>	<u>179,844</u>	<u>835</u>	<u>367,766</u>
Total Liabilities and Fund Balances	<u>\$ 187,354</u>	<u>\$ 186,839</u>	<u>\$ 1,335</u>	<u>\$ 375,528</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, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Edmund's Memorial Fund	Total
Revenues:				
Intergovernmental	\$ 10,081	\$ 0	\$ 0	\$ 10,081
Charges for Services	3,482	0	0	3,482
Investment Income	132	46	1	179
Donations	<u>4,256</u>	<u>10,062</u>	<u>0</u>	<u>14,318</u>
Total Revenues	<u>17,951</u>	<u>10,108</u>	<u>1</u>	<u>28,060</u>
Expenditures:				
General Government	0	0	500	500
Public Works	0	9,422	0	9,422
Culture and Recreation	2,094	5,267	0	7,361
Capital Outlay:				
Public Works	0	37,410	0	37,410
Debt Service:				
Principal	0	57,868	0	57,868
Interest	<u>0</u>	<u>3,801</u>	<u>0</u>	<u>3,801</u>
Total Expenditures	<u>2,094</u>	<u>113,768</u>	<u>500</u>	<u>116,362</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>15,857</u>	<u>(103,660)</u>	<u>(499)</u>	<u>(88,302)</u>
Other Financing Sources:				
Transfers In	<u>0</u>	<u>205,400</u>	<u>0</u>	<u>205,400</u>
Total Other Financing Sources	<u>0</u>	<u>205,400</u>	<u>0</u>	<u>205,400</u>
Net Change in Fund Balances	15,857	101,740	(499)	117,098
Fund Balances - July 1, 2017	<u>171,230</u>	<u>78,104</u>	<u>1,334</u>	<u>250,668</u>
Fund Balances - June 30, 2018	<u>\$ 187,087</u>	<u>\$ 179,844</u>	<u>\$ 835</u>	<u>\$ 367,766</u>

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

	Reappraisal Fund	Council on the Arts Fund	Forward Festival Fund	Bandshell Fund	Leasehold Fund	Town Records Preservation Fund	Emergency Shelter Fund	Walking Trail Fund	Total
<u>ASSETS</u>									
Cash	\$ 127,820	\$ 4,282	\$ 2,671	\$ 2,698	\$ 3,537	\$ 0	\$ 739	\$ 0	\$ 141,747
Investments	0	0	0	0	0	30,457	0	0	30,457
Due from Other Funds	<u>10,081</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,230</u>	<u>0</u>	<u>1,839</u>	<u>15,150</u>
Total Assets	<u>\$ 137,901</u>	<u>\$ 4,282</u>	<u>\$ 2,671</u>	<u>\$ 2,698</u>	<u>\$ 3,537</u>	<u>\$ 33,687</u>	<u>\$ 739</u>	<u>\$ 1,839</u>	<u>\$ 187,354</u>
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Due to Other Funds	\$ <u>0</u>	\$ <u>0</u>	\$ <u>267</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>267</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>267</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>267</u>
Fund Balances:									
Restricted	0	0	2,404	0	0	33,687	739	1,839	38,669
Assigned	<u>137,901</u>	<u>4,282</u>	<u>0</u>	<u>2,698</u>	<u>3,537</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>148,418</u>
Total Fund Balances	<u>137,901</u>	<u>4,282</u>	<u>2,404</u>	<u>2,698</u>	<u>3,537</u>	<u>33,687</u>	<u>739</u>	<u>1,839</u>	<u>187,087</u>
Total Liabilities and Fund Balances	<u>\$ 137,901</u>	<u>\$ 4,282</u>	<u>\$ 2,671</u>	<u>\$ 2,698</u>	<u>\$ 3,537</u>	<u>\$ 33,687</u>	<u>\$ 739</u>	<u>\$ 1,839</u>	<u>\$ 187,354</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, 2018

	Reappraisal Fund	Council on the Arts Fund	Forward Festival Fund	Bandshell Fund	Leasehold Fund	Town Records Preservation Fund	Emergency Shelter Fund	Walking Trail Fund	Total
Revenues:									
Intergovernmental	\$ 10,081	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,081
Charges for Services	0	1,163	0	0	0	2,319	0	0	3,482
Investment Income	59	0	0	13	2	58	0	0	132
Donations	0	0	2,417	0	0	0	0	1,839	4,256
Total Revenues	<u>10,140</u>	<u>1,163</u>	<u>2,417</u>	<u>13</u>	<u>2</u>	<u>2,377</u>	<u>0</u>	<u>1,839</u>	<u>17,951</u>
Expenditures:									
Culture and Recreation	0	83	2,011	0	0	0	0	0	2,094
Total Expenditures	<u>0</u>	<u>83</u>	<u>2,011</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,094</u>
Net Change in Fund Balances	10,140	1,080	406	13	2	2,377	0	1,839	15,857
Fund Balances - July 1, 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>0</u>	<u>171,230</u>
Fund Balances - June 30, 2018	<u>\$ 137,901</u>	<u>\$ 4,282</u>	<u>\$ 2,404</u>	<u>\$ 2,698</u>	<u>\$ 3,537</u>	<u>\$ 33,687</u>	<u>\$ 739</u>	<u>\$ 1,839</u>	<u>\$ 187,087</u>

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

	Highway Equipment Trust Fund	Town Hall Renovation Fund	Recreation Reserve Fund	Capital Improvement Fund	Total
<u>ASSETS</u>					
Cash	\$ 4,662	\$ 13,001	\$ 18,626	\$ 0	\$ 36,289
Due from Other Funds	<u>24,441</u>	<u>5,284</u>	<u>70,825</u>	<u>50,000</u>	<u>150,550</u>
Total Assets	<u>\$ 29,103</u>	<u>\$ 18,285</u>	<u>\$ 89,451</u>	<u>\$ 50,000</u>	<u>\$ 186,839</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$ <u>2,000</u>	\$ <u>0</u>	\$ <u>4,995</u>	\$ <u>0</u>	\$ <u>6,995</u>
Total Liabilities	<u>2,000</u>	<u>0</u>	<u>4,995</u>	<u>0</u>	<u>6,995</u>
Fund Balances:					
Restricted	27,103	0	0	0	27,103
Committed	<u>0</u>	<u>18,285</u>	<u>84,456</u>	<u>50,000</u>	<u>152,741</u>
Total Fund Balances	<u>27,103</u>	<u>18,285</u>	<u>84,456</u>	<u>50,000</u>	<u>179,844</u>
Total Liabilities and Fund Balances	<u>\$ 29,103</u>	<u>\$ 18,285</u>	<u>\$ 89,451</u>	<u>\$ 50,000</u>	<u>\$ 186,839</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, 2018

	Highway Equipment Trust Fund	Town Hall Renovation Fund	Recreation Reserve Fund	Capital Improvement Fund	Total
Revenues:					
Investment Income	\$ 2	\$ 6	\$ 38	\$ 0	\$ 46
Donations	<u>0</u>	<u>62</u>	<u>10,000</u>	<u>0</u>	<u>10,062</u>
Total Revenues	<u>2</u>	<u>68</u>	<u>10,038</u>	<u>0</u>	<u>10,108</u>
Expenditures:					
Public Works	9,422	0	0	0	9,422
Culture and Recreation	0	0	5,267	0	5,267
Capital Outlay:					
Public Works	37,410	0	0	0	37,410
Debt Service:					
Principal	57,868	0	0	0	57,868
Interest	<u>3,801</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,801</u>
Total Expenditures	<u>108,501</u>	<u>0</u>	<u>5,267</u>	<u>0</u>	<u>113,768</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(108,499)</u>	<u>68</u>	<u>4,771</u>	<u>0</u>	<u>(103,660)</u>
Other Financing Sources:					
Transfers In	<u>115,400</u>	<u>0</u>	<u>40,000</u>	<u>50,000</u>	<u>205,400</u>
Total Other Financing Sources	<u>115,400</u>	<u>0</u>	<u>40,000</u>	<u>50,000</u>	<u>205,400</u>
Net Change in Fund Balances	6,901	68	44,771	50,000	101,740
Fund Balances - July 1, 2017	<u>20,202</u>	<u>18,217</u>	<u>39,685</u>	<u>0</u>	<u>78,104</u>
Fund Balances - June 30, 2018	<u>\$ 27,103</u>	<u>\$ 18,285</u>	<u>\$ 84,456</u>	<u>\$ 50,000</u>	<u>\$ 179,844</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, 2018, 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 June 3, 2019.

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 2018-1 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 deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2018-2 to be a significant deficiency.

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 June 3, 2019.

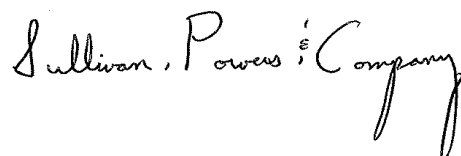
Town of Bethel, Vermont's Response to Deficiencies in Internal Control

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.

June 3, 2019
Montpelier, Vermont
VT Lic. #92-000180



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

Deficiencies in Internal Control:

Material Weaknesses:

2018-1 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, allowable for bad debts, grants receivable, prepaid expenses, accounts payable, notes and bonds payable, net pension liability, 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, 2018

Significant Deficiencies:

2018-2 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.

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.