

TOWN OF NORTH HERO, VERMONT

AUDIT REPORT

JUNE 30, 2018

TOWN OF NORTH HERO, VERMONT
 AUDIT REPORT
 TABLE OF CONTENTS
 JUNE 30, 2018

	<u>Page #</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-8
Basic Financial Statements:	
Statement of Net Position - Modified Cash Basis	Exhibit A 9
Statement of Activities - Modified Cash Basis	Exhibit B 10
Governmental Funds:	
Statement of Modified Cash Basis Assets, Liabilities and Fund Balances	Exhibit C 11
Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balances	Exhibit D 12
Proprietary Fund:	
Statement of Fund Net Position - Modified Cash Basis	Exhibit E 13
Statement of Cash Receipts, Cash Disbursements, and Changes in Modified Cash Basis Fund Net Position	Exhibit F 14
Fiduciary Fund:	
Statement of Fiduciary Modified Cash Basis Net Position	Exhibit G 15
Notes to the Financial Statements	16-31
Required Supplementary Information:	
Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balance - Budget and Actual - Budgetary Basis - General Fund	Schedule 1 32-37

TOWN OF NORTH HERO, VERMONT
 AUDIT REPORT
 TABLE OF CONTENTS
 JUNE 30, 2018

		<u>Page #</u>
Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balance - Budget and Actual - Highway Fund	Schedule 2	38-39
 Other Information:		
Schedule of Proportionate Share of the Net Pension Liability - VMERS Defined Benefit Plan	Schedule 3	40
Schedule of Contributions - VMERS Defined Benefit Plan	Schedule 4	41
Combining Schedule of Modified Cash Basis Assets, Liabilities and Fund Balances - Non-Major Governmental Funds	Schedule 5	42
Combining Schedule of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balances - Non-Major Governmental Funds	Schedule 6	43
Combining Schedule of Modified Cash Basis Assets, Liabilities and Fund Balances - Non-Major Special Revenue Funds	Schedule 7	44
Combining Schedule of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balances - Non-Major Special Revenue Funds	Schedule 8	45
Combining Schedule of Modified Cash Basis Assets, Liabilities and Fund Balances - Non-Major Capital Projects Funds	Schedule 9	46
Combining Schedule of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balances - Non-Major Capital Projects Funds	Schedule 10	47
Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Net Position - Budget and Actual - Budgetary Basis - Water Fund	Schedule 11	48-49
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"		50-51

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
www.sullivanpowers.com

Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
VT Lic. #92-000180

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of North Hero, Vermont as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of North Hero, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Hero, Vermont as of June 30, 2018, and the respective changes in financial position thereof, for the year then ended in conformity with the basis of accounting as described in Note I.

Basis of Accounting

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

Other Matters

Required Supplementary Information

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

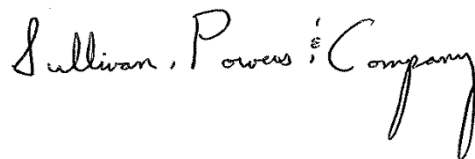
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Hero, Vermont's basic financial statements. The Schedule of Proportionate Share of the Net Pension Liability on Schedule 3, the Schedule of Contributions on Schedule 4, the combining fund financial statements, management's discussion and analysis and the budgetary comparison schedule for the Water Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated January 9, 2019 on our consideration of the Town of North Hero, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of North Hero, Vermont's internal control over financial reporting and compliance.

January 9, 2019
Montpelier, Vermont
VT Lic. #92-000180

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

TOWN OF NORTH HERO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

As management of the Town of North Hero, Vermont (The Town), we offer readers of the Town's financial statements, this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2018, within the limitations of the modified cash basis of accounting. Please read it in conjunction with the Town's financial statements that accompany this letter.

Financial Highlights

At the end of the current fiscal year, the Town's governmental funds (excluding the Water Fund) reported combined ending fund balances of \$664,785 a decrease of \$124,639 over the previous fiscal year.

The General Fund fund balance component had a positive unassigned fund balance of \$244,048 and an assigned fund balance of \$61,600 for a total fund balance of \$305,648. Included in the General Fund assigned balances are \$1,329 for Parks & Recreation expenses, \$4,289 for Emergency Management, \$25,982 for Cemetery expenses and \$30,000 for tax rate reduction in fiscal year 2019.

The Highway Fund ended the year with a positive fund balance of \$171,290, a decrease of \$99,138 from last year. This amount is restricted for Highway expenditures only.

The Water Fund ended the year with a Net Position of \$720,980, which was an \$118,894 variance over the prior year.

Using This Annual Report

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

Overview of the Financial Statements

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

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

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

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

TOWN OF NORTH HERO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Government-Wide Financial Statements

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

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

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

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

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

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

Fund financial statements.

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

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

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

TOWN OF NORTH HERO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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

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

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

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

Notes to the financial statements.

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

Budgetary Highlights

General Fund. Bottom line for FY 2017-2018 was an increase in Cash Receipts over Cash Disbursements of \$39,128 (not including the cemetery and emergency management reserves)

Total receipts were \$1,144 over budgeted line items. This was primarily due to property tax revenue coming in \$18,684 over budget and building applications over budget \$4,486 while interest and penalty on delinquent tax revenue came in \$9,271 under budget and state pilot revenue and vault recordings were \$10,937 under budget.

Total disbursements were \$37,984 less than budgeted line items. This was primarily due to the following expenses coming in less than predicted; office operations (\$19,902), lister, zoning, planning and DRB administration (\$13,512) and parks & rec, library building and public safety (\$18,216) coming in below the anticipated budget. General expenses (\$15,259) were over budget primarily due to a transfer of funds to the north station renovation fund.

The Town budgeted to breakeven. Due to the results as described above, we had a current year operating surplus of \$39,128.

North Hero continued its generous support with \$32,360 distributed to various island organizations and \$68,130 of support to the Town's Water, Library and Cemetery operations.

Highway Fund. There was a decrease in the highway fund balance of \$99,138 for an ending fund balance of \$171,290.

TOWN OF NORTH HERO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Total receipts fell short of the budget by \$2,518 primarily due to no labor hours charged back for assistance to water operations.

Total disbursements were over budget by \$96,620. This was primarily due to planned paving projects on Lakeview Drive and upper West Shore Road (\$257,000) offset by using prior years' surplus funds and savings in personnel (\$19,487).

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

Water Fund. There was an increase in the water fund net position of \$118,894 for a total net position of \$720,980, of which \$638,211 is for Water Capital Reserves.

Total receipts exceeded the budget by \$4,117 primarily due to a high number of new customers. The Town collected \$24,000 in ERU fees, thus supplementing its capital reserves.

Total disbursements were over budget by \$38,403 primarily due to a transfer of prior years' surplus to the Water System Capitalization CD (\$80,000) partially offset by savings in water operation (\$26,379) and building (\$13,094) expenses. Water Operation savings were in distribution line maintenance and building maintenance.

Reappraisal Fund. There was an increase in the reappraisal fund balance of \$9,208 for a total fund balance of \$36,067. The fund received \$9,163 from its annual state appropriation for the partial funding of a town wide reappraisal process.

North Station Renovation Fund. There was a decrease in the renovation fund balance of \$88,103 leaving an ending fund balance of \$19,077. The fund received its annual town appropriation of \$10,000 and \$14,759 from Selectboard discretionary funds while incurring expenses of \$112,959 for the Poquette land purchase, site work and architectural and engineering services.

Capital Equipment Fund. There was an increase in the capital equipment fund balance of \$5,232 for a total fund balance of \$70,811. The fund received its annual \$25,000 of town appropriation. A new tandem axle plow truck was purchased for \$110,835 in December 2017 using loan proceeds which will require an annual payment of \$19,873 through December 2022.

Cemetery Fund. There was an increase in the cemetery fund of \$5,347 for a total fund balance of \$25,982. The fund received its annual town appropriation of \$9,500. This fund is consolidated with the General Fund to comply with GASB Statement No. 54.

The Town is custodian of funds for the Pelot's Bay Restoration Association. The Town is holding \$20,393 of their funds.

Capital Assets

The Town spent \$278,101 on paving and resurfacing and \$110,835 for a new plow truck.

TOWN OF NORTH HERO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Debt

The Town borrowed \$110,835 for a new tandem axel plow truck and repaid \$19,873. The ending loan balance is \$90,962.

The Town paid \$187,765 from the water fund for existing water bonds, considered part of the town's indebtedness, leaving a bond balance of \$1,917,647.

Although not considered debt, we are in the 4th year of a 5 year operating lease with the North Hero School District at \$39,900 per year. The lease has been extended for an additional 5 years beginning August 1, 2020.

Next Year's Budgets and Rates

On March 6, 2018 voters approved a fiscal year 2018-19 municipal budget in the amount of \$734,184, a net increase of \$34,615 over the previous year. The general fund budget saw an increase of \$25,768 with an increase in Parks & Recreation of \$6,732 and General expenses of \$18,200. The general fund budget saw decreases in Library Maintenance of \$1,750 and Public Safety expenses of \$400. The highway fund budget had a net increase of \$6,478.

Article voted appropriations (Fire, Rescue, Sheriff, etc.) of \$156,118 were approved, a net increase of \$1,988 over the previous year.

The Municipal tax rate decreased \$.0002 over the prior year.

The water operations budget increased by \$14,590 primarily due to an increase in water system capitalization funding (\$9,000) and accounting expense (\$4,200). Water rates did not change.

Requests for Information

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

TOWN OF NORTH HERO, VERMONT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 779,244	\$ 0	\$ 779,244
Investments	109,021	638,211	747,232
Internal Balances	(122,691)	122,691	0
Total Assets	765,574	760,902	1,526,476
<u>LIABILITIES</u>			
Due to Fiduciary Fund	20,393	0	20,393
Due to Others	120	0	120
Prepaid Water Fees	0	39,922	39,922
Total Liabilities	20,513	39,922	60,435
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	80,276	0	80,276
Total Deferred Inflows of Resources	80,276	0	80,276
<u>NET POSITION</u>			
Restricted for:			
Highways and Streets	242,101	0	242,101
Unrestricted	422,684	720,980	1,143,664
Total Net Position	\$ 664,785	\$ 720,980	\$ 1,385,765

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

TOWN OF NORTH HERO, VERMONT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants/Loans and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 441,844	\$ 48,942	\$ 12,241	\$ 0	\$ (380,661)	\$ 0	\$ (380,661)
Public Safety	213,536	2,005	0	0	(211,531)	0	(211,531)
Highways and Streets	543,887	0	51,780	110,835	(381,272)	0	(381,272)
Culture and Recreation	62,251	5,526	4,277	0	(52,448)	0	(52,448)
Cemetery	6,081	1,545	345	0	(4,191)	0	(4,191)
Debt Service	19,873	0	0	0	(19,873)	0	(19,873)
Total Governmental Activities	<u>1,287,472</u>	<u>58,018</u>	<u>68,643</u>	<u>110,835</u>	<u>(1,049,976)</u>	<u>0</u>	<u>(1,049,976)</u>
Business-type Activities:							
Water	<u>477,049</u>	<u>566,525</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>89,476</u>	<u>89,476</u>
Total Business-type Activities	<u>477,049</u>	<u>566,525</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>89,476</u>	<u>89,476</u>
Total Primary Government	<u>\$ 1,764,521</u>	<u>\$ 624,543</u>	<u>\$ 68,643</u>	<u>\$ 110,835</u>	<u>(1,049,976)</u>	<u>89,476</u>	<u>(960,500)</u>
General Receipts:							
Property Taxes					872,328	0	872,328
Penalties and Interest on Delinquent Taxes					20,142	0	20,142
General State Grants					55,079	0	55,079
Unrestricted Investment Earnings					2,783	4,418	7,201
Other Revenues					5	0	5
Transfers:					<u>(25,000)</u>	<u>25,000</u>	<u>0</u>
Total General Receipts and Transfers					<u>925,337</u>	<u>29,418</u>	<u>954,755</u>
Change in Net Position					(124,639)	118,894	(5,745)
Net Position - July 1, 2017					<u>789,424</u>	<u>602,086</u>	<u>1,391,510</u>
Net Position - June 30, 2018					<u>\$ 664,785</u>	<u>\$ 720,980</u>	<u>\$ 1,385,765</u>

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

TOWN OF NORTH HERO, VERMONT
STATEMENT OF MODIFIED CASH BASIS ASSETS, LIABILITIES AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Highway Fund	Non-Major Governmental Funds	Total
<u>ASSETS</u>				
Cash	\$ 779,244	\$ 0	\$ 0	\$ 779,244
Investments	79,024	0	29,997	109,021
Due from Other Funds	<u>0</u>	<u>171,290</u>	<u>157,850</u>	<u>329,140</u>
Total Assets	<u>\$ 858,268</u>	<u>\$ 171,290</u>	<u>\$ 187,847</u>	<u>\$ 1,217,405</u>
<u>LIABILITIES</u>				
Due to Other Funds	\$ 472,224	\$ 0	\$ 0	\$ 472,224
Due to Others	<u>120</u>	<u>0</u>	<u>0</u>	<u>120</u>
Total Liabilities	<u>472,344</u>	<u>0</u>	<u>0</u>	<u>472,344</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Prepaid Property Taxes	<u>80,276</u>	<u>0</u>	<u>0</u>	<u>80,276</u>
Total Deferred Inflows of Resources	<u>80,276</u>	<u>0</u>	<u>0</u>	<u>80,276</u>
<u>FUND BALANCES</u>				
Restricted	0	171,290	70,811	242,101
Committed	0	0	80,969	80,969
Assigned	61,600	0	36,067	97,667
Unassigned	<u>244,048</u>	<u>0</u>	<u>0</u>	<u>244,048</u>
Total Fund Balances	<u>305,648</u>	<u>171,290</u>	<u>187,847</u>	<u>664,785</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 858,268</u>	<u>\$ 171,290</u>	<u>\$ 187,847</u>	<u>\$ 1,217,405</u>

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

TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Highway Fund	Non-Major Governmental Funds	Total
Cash Receipts:				
Property Taxes	\$ 565,596	\$ 306,732	\$ 0	\$ 872,328
Penalties and Interest on Delinquent Taxes	20,142	0	0	20,142
Intergovernmental	58,157	51,780	9,863	119,800
Charges for Services	15,615	0	0	15,615
Permits, Licenses and Fees	42,403	0	0	42,403
Investment Income	1,963	402	418	2,783
Donations	345	0	3,577	3,922
Other	5	0	0	5
Total Cash Receipts	704,226	358,914	13,858	1,076,998
Cash Disbursements:				
General Government	441,844	0	0	441,844
Public Safety	100,577	0	0	100,577
Highways and Streets	0	154,951	0	154,951
Culture and Recreation	27,843	0	34,408	62,251
Cemetery	6,081	0	0	6,081
Capital Outlay:				
Public Safety	0	0	112,959	112,959
Highways and Streets	0	278,101	110,835	388,936
Debt Service:				
Principal	0	0	19,873	19,873
Total Cash Disbursements	576,345	433,052	278,075	1,287,472
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	127,881	(74,138)	(264,217)	(210,474)
Other Financing Sources/(Uses):				
Proceeds from Long-term Debt	0	0	110,835	110,835
Transfers In	0	0	83,389	83,389
Transfers Out	(83,389)	(25,000)	0	(108,389)
Total Other Financing Sources/(Uses)	(83,389)	(25,000)	194,224	85,835
Net Change in Fund Balances	44,492	(99,138)	(69,993)	(124,639)
Fund Balances - July 1, 2017	261,156	270,428	257,840	789,424
Fund Balances - June 30, 2018	\$ 305,648	\$ 171,290	\$ 187,847	\$ 664,785

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

TOWN OF NORTH HERO, VERMONT
STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2018

	Water Fund
<u>ASSETS</u>	
Investments	\$ 638,211
Due from Other Funds	122,691
Total Assets	\$ 760,902
<u>LIABILITIES</u>	
Prepaid Water Fees	39,922
Total Liabilities	39,922
<u>NET POSITION</u>	
Unrestricted	720,980
Total Net Position	720,980
Total Liabilities and Net Position	\$ 760,902

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

TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Water Fund
Operating Receipts:	
Charges for Services	\$ 540,172
Late Fees	1,824
Miscellaneous	529
Total Operating Receipts	542,525
Operating Disbursements:	
Salaries and Benefits	14,130
Contracted Services	103,404
Utilities	33,920
Repairs and Maintenance	26,203
Machinery and Equipment	21,832
Chemicals	10,865
Dues and Fees	13,465
Insurances	1,443
Materials and Supplies	1,466
Other	825
Total Operating Disbursements	227,553
Operating Income	314,972
Non-Operating Receipts/(Disbursements):	
Investment Income	4,418
Equivalent Residential Unit (ERU) Fees	24,000
Bond Principal Payments	(187,765)
Bond Interest Payments	(61,731)
Total Non-Operating Receipts/(Disbursements)	(221,078)
Net Income Before Other Financing Sources	93,894
Other Financing Sources:	
Transfers In	25,000
Total Other Financing Sources	25,000
Change in Net Position	118,894
Net Position - July 1, 2017	602,086
Net Position - June 30, 2018	\$ 720,980

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

TOWN OF NORTH HERO, VERMONT
STATEMENT OF FIDUCIARY MODIFIED CASH BASIS NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

	Agency Fund
	Pelots Bay Restoration Committee Fund
<u>ASSETS</u>	
Due from Other Funds	\$ <u>20,393</u>
Total Assets	<u>20,393</u>
<u>LIABILITIES</u>	
Due to Others	<u>20,393</u>
Total Liabilities	<u>20,393</u>
<u>NET POSITION</u>	
Total Net Position	\$ <u><u>0</u></u>

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

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

The Town of North Hero, Vermont, (herein the "Town") operates under a Selectboard form of government and provides the following services as authorized by State statutes: public safety, highways and streets, culture and recreation, cemetery, health and social services, water services, public improvements, planning and zoning, and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note I.D., these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

This report includes all of the activity of the Town of North Hero, Vermont. The financial reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other entities that should be combined with the financial statements of the Town.

B. Basis of Presentation

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

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

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

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. Governmental activities generally are financed through property taxes, intergovernmental receipts, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The Town reports on the following major governmental funds:

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

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

The Town reports on the following major enterprise fund:

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

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

Additionally, the Town reports the following fund type:

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

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

C. Measurement Focus

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

Governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Their reported fund balances (modified cash basis fund balances) are considered a measure of available spendable resources and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., receipts and other financing sources) and decreases (i.e., disbursements and other financing uses) in modified cash basis fund balances.

D. Basis of Accounting

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

The Town's policy is to prepare its financial statements generally on the basis of cash receipts and disbursements; consequently, certain revenue and related assets are recognized when received rather than when earned, and certain expenditures and related liabilities are recognized when paid rather than when the obligation is incurred. The exceptions to this are that the Town records investments at cost as assets, due to others for monies collected on behalf of other organizations and water fees paid in advance as liabilities and property taxes paid in advance as deferred inflows of resources.

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

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

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

1. Cash

Cash balances of Town funds are deposited with and invested by the Town Treasurer. The Town considers all short-term investments of ninety (90) days or less to be cash equivalents.

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

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

2. Investments

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

3. Fund Equity

Fund equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in government-wide and proprietary fund financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances in governmental fund financial statements are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

4. Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as "advances to/from other funds". All other outstanding balances between funds are reported as "due from/to other funds."

5. Deferred Outflows/Inflows of Resources

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

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The General Fund and Highway Fund budgets are approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget changes during the year. The budget presented herein is for the Town's "General Fund" only and does not include the Emergency Management Fund and Cemetery Fund activity this is included with the General Fund.

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

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2018, expenditures in the Highway Fund exceeded appropriations by \$96,620. These over-expenditures were funded by available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments as of June 30, 2018 consist of the following:

Cash:	
Deposits with Financial Institutions	\$ 779,025
Cash on Hand	<u>219</u>
Total Cash	779,244
Investments:	
Certificates of Deposit	<u>747,232</u>
Total Cash and Investments	<u>\$1,526,476</u>

The Town has six (6) certificates of deposit ranging from of \$1,329 to \$406,755 with interest rates ranging from 0.4% to 1.5%. All certificates of deposit 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 following table shows the custodial credit risk of the Town's cash and certificates of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 500,000	\$ 500,000
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	<u>1,026,257</u>	<u>1,062,581</u>
Total	<u>\$1,526,257</u>	<u>\$1,562,581</u>

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

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

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$ 779,025
Investments – Certificates of Deposit	<u>747,232</u>
Total	<u>\$1,526,257</u>

Interest Rate Risk

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

Credit Risk

Generally, credit risk that is the risk an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town does not have any policy to limit the exposure to credit risk. The Town’s certificates of deposit are not subject to credit risk disclosure.

Concentration of Credit Risk

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

B. Interfund Balances and Activity

Interfund balances as of June 30, 2018 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$472,224
Highway Fund	171,290	0
Non-Major Governmental Funds	157,850	0
Water Fund	122,691	0
Agency Fund – Pelots Bay Restoration Committee Fund	<u>20,393</u>	<u>0</u>
Total	<u>\$472,224</u>	<u>\$472,224</u>

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

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Library Trustees Fund	\$ 33,630	Appropriation
General Fund	North Station Renovation Fund	10,000	Appropriation
General Fund	North Station Renovation Fund	14,759	Additional Capital Project Funding
General Fund	Water Fund	25,000	Appropriation
Highway Fund	Capital Equipment Fund	<u>25,000</u>	Appropriation
Total		<u>\$108,389</u>	

C. Fund Balances

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

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

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.

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

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

Major Funds

Highway Fund:

Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes and State Highway Aid)	<u>\$171,290</u>
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Non-Major Funds

Capital Projects Funds:

Restricted for Highway Equipment Expenditures by Statute (Source of Revenue is Highway Property Taxes)	<u>70,811</u>
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Total Restricted Fund Balances	<u>\$242,101</u>
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The fund balances in the following funds are committed as follows:

Non-Major Funds

Special Revenue Fund:

Committed for Library Trustees Expenses by the Voters	\$61,892
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Capital Projects Fund:

Committed for North Station Renovation Expenditures by the Voters	<u>19,077</u>
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Total Committed Fund Balances	<u>\$80,969</u>
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The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:

Assigned to Reduce Property Taxes in Fiscal Year 2019	\$ 30,000
Assigned for Parks and Recreation Expenses	1,329
Assigned for Emergency Management Expenses	4,289
Assigned for Cemetery Expenses	<u>25,982</u>

Total General Fund	<u>61,600</u>
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Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses	<u>36,067</u>
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Total Assigned Fund Balances	<u>\$ 97,667</u>
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TOWN OF NORTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

The General Fund unassigned fund balance includes \$73,405 of emergency reserves as approved by the voters.

D. Restricted and Designated Net Position

The restricted net position in the governmental activities includes the restricted fund balances of \$242,101.

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

Water Fund:

Designated for Water Operations	\$ 82,769
Designated for Water Capital Expenditures	<u>638,211</u>
Total Water Fund	<u>\$720,980</u>

IV. OTHER INFORMATION

A. PENSION PLAN

Defined Benefit Plan

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2018, the retirement system consisted of 423 participating employers.

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

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

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

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

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

As of June 30, 2017, the measurement date selected by the State of Vermont, VMERS was funded at 83.64% and had a plan fiduciary net position of \$619,510,342 and a total pension liability of \$740,665,894 resulting in a net position liability of \$121,155,552. As of June 30, 2018, the Town's proportionate share of this was 0.0542% resulting in a net pension liability of \$65,720. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. As of June 30, 2017, the Town's proportion of 0.0542% was an increase of 0.0051 from its proportion measured as of June 30, 2016.

Summary of System Provisions

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

Creditable Service – Service as a member plus purchased service.

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

Service Retirement Allowance:

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

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

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

Early Retirement Allowance:

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

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

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

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

Disability Retirement Allowance:

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

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

Death Benefit:

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

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

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

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

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

Member Contributions – Group B – 4.875%.

Employer Contributions – Group B – 5.50%.

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

Significant Actuarial Assumptions and Methods

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation, a decrease from 7.95% in the prior year.

Salary increases: 5% per year.

Mortality – The mortality tables were updated for the current year from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement:

Death in Active Service: Group B – 98% of RP-2014 blended 60% Blue Collar Employee, 40% Healthy Employee with generational projection using Scale SSA-2017.

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

Healthy Post-Retirement: Group B – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational projection using Scale SSA-2017.

Disabled Post-Retirement: Group B – RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017.

Spouse’s Age: Females three years younger than males.

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.30% per annum for Group B members, a decrease from 1.8% in the prior year (beginning at normal retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group B who receive a disability retirement benefit). The January 1, 2018 COLA is assumed to be 0.75%.

Actuarial Cost Method: Entry age actuarial cost method. Entry age is the age at date of employment or, if date is unknown, current age minus years of service. Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary, with normal cost determined using the plan of benefits applicable to each participant.

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

Inflation: 2.50%, a decrease from 3% in the prior year.

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	16%	6.07%
Non-US Equity	16%	7.42%
Global Equity	9%	6.85%
Real Estate	8%	4.62%
Private Markets	15%	7.80%
Hedge Funds	8%	3.95%
Risk Parity	4%	4.84%

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

Discount Rate – The discount rate used to measure the total pension liability was 7.50%, a decrease from 7.95% in the prior year. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System’s projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%):

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$117,339	\$65,720	\$22,911

Additional Information

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

B. CONTINGENT LIABILITIES

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

C. PROPERTY TAXES

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are collected four (4) times per year. During the tax year ended June 30, 2018, taxes became due and payable on August 20, 2017, November 20, 2017, February 20, 2018 and May 20, 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	.2914	.2914
Veterans	.0007	.0007
Education – Local Share	<u>1.2185</u>	<u>1.5396</u>
Total	<u>1.5106</u>	<u>1.8317</u>

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

D. RISK MANAGEMENT

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

The Town is also a member of the Vermont League of Cities and Towns Employment Resource and Benefits Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employment benefits for Vermont municipalities and is owned by the participating members. The agreement does not permit the Trust to make additional assessments to its members. The Town has only elected unemployment coverage with the Trust.

E. LONG-TERM DEBT

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

The 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 no-interest revolving loan programs to utilize for predetermined purposes. The Town has borrowed money from the State of Vermont Special Environmental Revolving Fund for water projects.

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

Long-term debt outstanding as of June 30, 2018 was as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Lease Payable, Kansas State Bank, 2015 International Truck, Principal and Interest Payments of \$19,873 Payable on December 26 Annually, Interest at 3.02%, Due December, 2022	\$ <u>0</u>	\$ <u>110,835</u>	\$ <u>19,873</u>	\$ <u>90,962</u>
Total Governmental Activities	\$ <u>0</u>	\$ <u>110,835</u>	\$ <u>19,873</u>	\$ <u>90,962</u>

Business-type Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Water System Improvements, Principal Payments of \$20,000 Payable on December 1 Annually, Interest Ranging from 3.86% to 5.00% Payable on June 1 and December 1, Due December, 2022	\$ 150,000	\$ 0	\$ 20,000	\$ 130,000
Bond Payable, Vermont Municipal Bond Bank, Water System Improvements, Principal Payments Ranging from \$95,000 to \$180,000 Payable on November 1 Annually, Interest at 3.09% Payable on May 1 and November 1, Due November, 2026	1,430,000	0	110,000	1,320,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal Payments of \$21,159 Payable on July 1 Annually, 0% Interest, Due July, 2024	148,111	0	21,159	126,952
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal Payments of \$27,222 Payable on July 1 Annually, 0% Interest, Due July, 2025	217,778	0	27,222	190,556

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal Payments of \$9,384 Payable on January 1 Annually, 0% Interest, Due January, 2034	\$ <u>159,523</u>	\$ <u>0</u>	\$ <u>9,384</u>	\$ <u>150,139</u>
Total Business-type Activities	\$ <u>2,105,412</u>	\$ <u>0</u>	\$ <u>187,765</u>	\$ <u>1,917,647</u>

Maturities are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>		
	<u>Capital Leases</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 19,873	\$ 197,765	\$ 54,672	\$ 252,437
2020	19,873	202,765	46,771	249,536
2021	19,873	212,765	(43,483)	169,282
2022	19,873	217,765	(68,930)	148,835
2023	19,873	232,764	(31,673)	201,091
2024-2028	0	797,524	(16,723)	780,801
2029-2033	0	46,916	0	46,916
2034	<u>0</u>	<u>9,383</u>	<u>0</u>	<u>9,383</u>
Total	99,365	1,917,647	(59,366)	1,858,281
Less: Imputed Interest	<u>(8,403)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 90,962</u>	<u>\$ 1,917,647</u>	<u>\$ (59,366)</u>	<u>\$ 1,858,281</u>

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

F. OPERATING LEASE

The Town leases space in the Town office from the North Hero School District for \$37,800 per year. The lease expires in fiscal year 2019.

TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Cash Receipts:			
Current Taxes	\$ 546,912	\$ 565,596	\$ 18,684
Interest - Late Payment	4,500	3,413	(1,087)
Interest on Delinquent Taxes	12,000	7,085	(4,915)
Delinquent Tax Penalty	14,000	9,644	(4,356)
Current Use	13,500	15,123	1,623
State Taxes/PILOT	46,400	39,956	(6,444)
Judicial Fines/Other	3,000	2,005	(995)
Equalization Grant Income	0	3,078	3,078
Recordings/Vault	16,500	12,007	(4,493)
Record Restoration	4,000	2,979	(1,021)
Act 68 Administration Billing	9,000	8,544	(456)
Liquor Licenses	500	485	(15)
Dog Licenses	1,000	1,268	268
Office Income	6,000	6,423	423
Building Applications	8,500	12,986	4,486
Conditional Use Variance	1,750	1,200	(550)
Zoning Regulations	3,000	2,650	(350)
Site Plan Applications	2,500	400	(2,100)
Parks & Recreation Programs	5,000	5,526	526
Interest on Investments	2,075	1,908	(167)
Miscellaneous	1,000	5	(995)
	<u>701,137</u>	<u>702,281</u>	<u>1,144</u>
Total Cash Receipts			
Cash Disbursements:			
Salaries:			
Clerk/Treasurer	56,338	56,338	0
Assistant Clerk/Treasurer	28,496	30,425	(1,929)
Delinquent Tax Collector	4,000	4,000	0
Selectboard Stipend	6,250	6,250	0
Selectboard Clerk	2,750	2,500	250
Health Insurance	29,668	20,478	9,190
FICA/Medicare	7,944	7,456	488
Retirement	9,632	11,212	(1,580)
Unemployment Insurance	1,299	792	507
Selectboard Meetings/Travel	200	0	200
	<u>146,577</u>	<u>139,451</u>	<u>7,126</u>
Total Salaries			

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TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Listers Office:			
Salaries	\$ 23,000	\$ 16,923	\$ 6,077
911 Coordinator	150	165	(15)
FICA	1,771	1,279	492
Tax Mapping Contract	2,000	2,252	(252)
Professional & Other Services	1,900	550	1,350
Legal	500	5,115	(4,615)
Computer Expense	1,500	1,538	(38)
Telephone	1,000	930	70
Postage	250	225	25
Advertising	200	309	(109)
Printing/Copy	50	0	50
Meetings/Travel	1,200	1,370	(170)
Supplies	300	117	183
Other	100	0	100
	<u>33,921</u>	<u>30,773</u>	<u>3,148</u>
Total Listers Office			
Auditors:			
Postage	400	0	400
Advertising	50	0	50
Printing/Copy	1,350	1,398	(48)
	<u>1,800</u>	<u>1,398</u>	<u>402</u>
Total Auditors			
Zoning:			
Administrator	6,000	6,000	0
Clerical	2,700	2,647	53
FICA	666	606	60
Legal	1,000	0	1,000
Computer Expense	500	0	500
Postage	200	100	100
Printing/Copy	75	0	75
Meetings/Travel	300	120	180
Inspection Fees	500	0	500
	<u>11,941</u>	<u>9,473</u>	<u>2,468</u>
Total Zoning			

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TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Planning Commission:			
Clerk	\$ 300	\$ 0	\$ 300
FICA	25	0	25
Consulting & Technical Writing	500	0	500
Legal	500	0	500
Computer Expense	150	0	150
Postage	150	47	103
Advertising	100	91	9
Meetings/Travel	750	0	750
Supplies	100	0	100
	<u>2,575</u>	<u>138</u>	<u>2,437</u>
Total Planning Commission			
Development Review Board:			
Clerk	1,500	1,000	500
FICA	345	106	239
Legal	2,500	2,429	71
Postage	600	425	175
Advertising	1,000	301	699
Copy/Printing	200	0	200
Meetings/Travel	750	0	750
Supplies	750	100	650
Findings of Fact	3,000	825	2,175
	<u>10,645</u>	<u>5,186</u>	<u>5,459</u>
Total Development Review Board			
General Office Operations:			
Record Restoration	3,500	3,500	0
Non-legal Services	4,500	4,840	(340)
Service Contracts	4,500	2,762	1,738
Janitorial Expenses	4,000	2,583	1,417
Equipment Repair	750	0	750
Rent	37,800	37,800	0
Improvements	2,500	2,584	(84)
Telephone	3,500	2,931	569
Postage	3,500	1,314	2,186
Advertising & Notices	1,600	312	1,288
Printing/Copying	1,000	557	443
Meetings/Travel	1,100	1,151	(51)
Supplies	5,000	2,808	2,192
Equipment Repair	4,500	4,402	98
Computer/Equipment	5,000	2,430	2,570
	<u>82,750</u>	<u>69,974</u>	<u>12,776</u>
Total General Office Operations			

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TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Parks and Recreation:			
Salaries	\$ 8,250	\$ 7,975	\$ 275
FICA	631	610	21
Utilities	450	410	40
Water	310	310	0
Maintenance	3,150	853	2,297
Advertising	550	290	260
Equipment and Supplies	0	63	(63)
Programs	9,300	6,755	2,545
Improvements	9,300	7,321	1,979
Total Parks and Recreation	31,941	24,587	7,354
Library Building:			
Water	850	850	0
Electricity	1,300	987	313
Fuel/Propane	2,000	1,294	706
Maintenance/Repairs	3,250	125	3,125
Total Library Building	7,400	3,256	4,144
Public Safety:			
Constable/Animal Control	2,000	2,000	0
Grand Isle Rescue	11,500	11,500	0
NH Fire Department	28,000	28,000	0
Sheriff Department	51,480	51,385	95
Grand Isle Mutual Aid	11,400	5,326	6,074
Public Safety Insurance	2,915	2,366	549
Total Public Safety	107,295	100,577	6,718
Solid Waste:			
Monitoring Lab	1,100	645	455
NWSWD Dues	804	805	(1)
Total Solid Waste	1,904	1,450	454
Insurances:			
Worker's Compensation	1,102	1,315	(213)
Bonds for Public Officials	2,900	2,912	(12)
Commercial Insurance	5,265	4,668	597
Total Insurances	9,267	8,895	372

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TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
General Expenses:			
Audit	\$ 8,361	\$ 7,854	\$ 507
Animal Control & Licensing	850	1,670	(820)
Legal & Professional Services	6,900	9,825	(2,925)
Computer Service	1,000	0	1,000
County Tax	89,400	88,320	1,080
NWRPC Dues	840	840	0
VLCT	1,895	1,895	0
Special Projects	1,000	116	884
Transfer to North Station Renovation Fund	0	14,759	(14,759)
Gifts and Awards	1,000	1,226	(226)
	<u>111,246</u>	<u>126,505</u>	<u>(15,259)</u>
Total General Expenses			
Appropriations:			
American Red Cross	250	250	0
Lake Champlain Islands Economic Development	1,850	1,850	0
Central Vermont Agency on Aging	1,000	1,000	0
Champlain Islands Parent Child Center	1,500	1,500	0
Visiting Nurse Association	6,750	6,750	0
Island Arts	1,950	1,950	0
NW Unit Special Investigations	1,000	1,000	0
Voices Against Violence	1,000	1,000	0
ICAR	500	500	0
Center for Independent Living	310	310	0
Franklin County Animal Rescue	300	0	300
Green Up Vermont	50	50	0
Champlain Islands Food Shelf	1,500	1,500	0
NH Historical Society	4,000	4,000	0
VT Trails and Greenway Co.	85	0	85
The Family Center of NWV	600	600	0
VT Division of the Blind	100	100	0
Pelots Bay Restoration Committee	10,000	10,000	0
NH Elementary Facility Use Fee	31,000	31,000	0
Water Appropriation	25,000	25,000	0
Cemetery Appropriation	9,500	9,500	0
Library Appropriation	33,630	33,630	0
North Station Renovation	10,000	10,000	0
	<u>141,875</u>	<u>141,490</u>	<u>385</u>
Total Appropriations			
Total Cash Disbursements	<u>701,137</u>	<u>663,153</u>	<u>37,984</u>
Excess of Cash Receipts Over Cash Disbursements	\$ <u>0</u>	39,128	\$ <u>39,128</u>

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TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Cash Basis of Accounting:			
Emergency Management Fund Investment Income		\$ 17	
Cemetery Fund Transfer In		9,500	
Cemetery Fund Sale of Lots		1,545	
Cemetery Fund Investment Income		38	
Cemetery Fund Donations		345	
Cemetery Expenses		(6,081)	
Net Change in Fund Balance		44,492	
Fund Balance - July 1, 2017		261,156	
Fund Balance - June 30, 2018		\$ 305,648	

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

TOWN OF NORTH HERO, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Cash Receipts:			
Highway Taxes	\$ 306,732	\$ 306,732	\$ 0
Highway Aid	52,200	51,780	(420)
Interest	500	402	(98)
Water Department Labor Charges	2,000	0	(2,000)
	<u>361,432</u>	<u>358,914</u>	<u>(2,518)</u>
Cash Disbursements:			
Public Works Personnel:			
Salaries/Benefits/Retire/Overtime	83,974	67,138	16,836
Labor Highway	2,200	0	2,200
Uniforms	2,000	1,305	695
Mileage	500	44	456
Education/Training	500	0	500
Outside Labor	1,500	2,700	(1,200)
	<u>90,674</u>	<u>71,187</u>	<u>19,487</u>
Garage:			
Water - Town Garage	1,700	1,700	0
Water - Oman Station	850	850	0
Maintenance/Repairs	2,500	4,344	(1,844)
Construction/Renovations	2,500	5,373	(2,873)
Telephone	2,200	1,978	222
Electricity	2,600	1,932	668
Fuel/Propane	8,000	3,516	4,484
	<u>20,350</u>	<u>19,693</u>	<u>657</u>
Town Equipment:			
Plow Parts	1,500	413	1,087
Sander Parts	500	45	455
Lawn Care Equipment	1,000	3,765	(2,765)
Labor Maintenance/Repair Equipment	1,500	3,179	(1,679)
Maintenance & Repairs	2,500	140	2,360
Service Truck Repairs	3,500	2,909	591
Truck Parts	1,500	5,855	(4,355)
Tires & Repairs	2,500	2,280	220
Supplies/Tools	2,000	1,350	650
	<u>16,500</u>	<u>19,936</u>	<u>(3,436)</u>

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TOWN OF NORTH HERO, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway Maintenance:			
Equipment Hire	\$ 2,000	\$ 66	\$ 1,934
Ditching/Deferred Maintenance	15,000	0	15,000
Diesel/Gas	15,000	8,222	6,778
Salt/Sand	14,000	8,930	5,070
Stone/Rock	3,500	9,879	(6,379)
Chloride	200	0	200
Cold Patch	500	0	500
Resurfacing	75,000	215,021	(140,021)
Culverts	2,000	325	1,675
Roadside Mowing	5,000	2,200	2,800
Nuisance Animals	500	0	500
Tree Trimming	3,000	0	3,000
MUTCD Signs	2,500	0	2,500
Total Highway Maintenance	138,200	244,643	(106,443)
Highway Construction:			
Paving & Construction	47,500	42,866	4,634
Stone/Rock	4,000	18,805	(14,805)
Professional Services	3,500	1,409	2,091
Total Highway Construction	55,000	63,080	(8,080)
Highway Insurance:			
Unemployment Insurance	663	373	290
Workman's Compensation	5,252	5,663	(411)
Vehicle Insurance	5,456	5,277	179
Commercial Package	4,337	3,200	1,137
Total Highway Insurance	15,708	14,513	1,195
Transfer to Capital Equipment Fund:	25,000	25,000	0
Total Cash Disbursements	361,432	458,052	(96,620)
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	\$ <u>0</u>	(99,138)	\$ <u>(99,138)</u>
Fund Balance - July 1, 2017		<u>270,428</u>	
Fund Balance - June 30, 2018		<u>\$ 171,290</u>	

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TOWN OF NORTH HERO, VERMONT
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2018

	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.0542%	0.0491%	0.0532%	0.0520%
Town's Proportionate Share of the Net Pension Liability	\$ 65,720	\$ 63,203	\$ 41,007	\$ 4,750
Town's Covered Employee Payroll	\$ 155,441	\$ 161,068	\$ 135,709	\$ 138,326
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	42.2797%	39.2399%	30.2169%	3.4339%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.64%	80.95%	87.42%	98.32%

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 1.50% to 1.15% for Group A members and from 1.80% to 1.3% for Group B, C and D 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 NORTH HERO, VERMONT
 SCHEDULE OF CONTRIBUTIONS
 VMERS 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)	\$ 8,549	\$ 8,859	\$ 7,464	\$ 7,435
Contributions in Relation to the Actuarially Determined Contributions	<u>8,549</u>	<u>8,859</u>	<u>7,464</u>	<u>7,435</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 155,441	\$ 161,068	\$ 135,709	\$ 138,326
Contributions as a Percentage of Town's Covered Employee Payroll	5.500%	5.500%	5.500%	5.375%

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 NORTH HERO, VERMONT
 COMBINING SCHEDULE OF MODIFIED CASH BASIS ASSETS,
 LIABILITIES AND FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total
<u>ASSETS</u>	<u> </u>	<u> </u>	<u> </u>
Investments	\$ 29,997	\$ 0	\$ 29,997
Due from Other funds	<u>67,962</u>	<u>89,888</u>	<u>157,850</u>
 Total Assets	 <u>\$ 97,959</u>	 <u>\$ 89,888</u>	 <u>\$ 187,847</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:			
Restricted	0	70,811	70,811
Committed	61,892	19,077	80,969
Assigned	<u>36,067</u>	<u>0</u>	<u>36,067</u>
 Total Fund Balances	 <u>97,959</u>	 <u>89,888</u>	 <u>187,847</u>
 Total Liabilities and Fund Balances	 <u>\$ 97,959</u>	 <u>\$ 89,888</u>	 <u>\$ 187,847</u>

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TOWN OF NORTH HERO, VERMONT
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total
Cash Receipts:			
Intergovernmental	\$ 9,863	\$ 0	\$ 9,863
Investment Income	216	202	418
Donations	<u>3,577</u>	<u>0</u>	<u>3,577</u>
Total Cash Receipts	<u>13,656</u>	<u>202</u>	<u>13,858</u>
Cash Disbursements:			
Culture and Recreation	34,408	0	34,408
Capital Outlay:			
Public Safety	0	112,959	112,959
Highways and Streets	0	110,835	110,835
Debt Service:			
Principal	<u>0</u>	<u>19,873</u>	<u>19,873</u>
Total Cash Disbursements	<u>34,408</u>	<u>243,667</u>	<u>278,075</u>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>(20,752)</u>	<u>(243,465)</u>	<u>(264,217)</u>
Other Financing Sources:			
Proceeds from Long-term Debt	0	110,835	110,835
Transfers In	<u>33,630</u>	<u>49,759</u>	<u>83,389</u>
Total Other Financing Sources	<u>33,630</u>	<u>160,594</u>	<u>194,224</u>
Net Change in Fund Balances	12,878	(82,871)	(69,993)
Fund Balances - July 1, 2017	<u>85,081</u>	<u>172,759</u>	<u>257,840</u>
Fund Balances - June 30, 2018	<u>\$ 97,959</u>	<u>\$ 89,888</u>	<u>\$ 187,847</u>

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TOWN OF NORTH HERO, VERMONT
 COMBINING SCHEDULE OF MODIFIED CASH BASIS ASSETS,
 LIABILITIES AND FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	Reappraisal Fund	Library Trustees Fund	Total
<u>ASSETS</u>			
Investments	\$ 0	\$ 29,997	\$ 29,997
Due from Other Funds	36,067	31,895	67,962
Total Assets	\$ 36,067	\$ 61,892	\$ 97,959
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
Fund Balances:			
Committed	0	61,892	61,892
Assigned	36,067	0	36,067
Total Fund Balances	36,067	61,892	97,959
Total Liabilities and Fund Balances	\$ 36,067	\$ 61,892	\$ 97,959

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TOWN OF NORTH HERO, VERMONT
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Reappraisal Fund	Library Trustees Fund	Total
Cash Receipts:			
Intergovernmental	\$ 9,163	\$ 700	\$ 9,863
Investment Income	45	171	216
Donations	0	3,577	3,577
Total Cash Receipts	<u>9,208</u>	<u>4,448</u>	<u>13,656</u>
Cash Disbursements:			
Culture and Recreation	<u>0</u>	<u>34,408</u>	<u>34,408</u>
Total Cash Disbursements	<u>0</u>	<u>34,408</u>	<u>34,408</u>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>9,208</u>	<u>(29,960)</u>	<u>(20,752)</u>
Other Financing Sources:			
Transfers In	<u>0</u>	<u>33,630</u>	<u>33,630</u>
Total Other Financing Sources	<u>0</u>	<u>33,630</u>	<u>33,630</u>
Net Change in Fund Balances	9,208	3,670	12,878
Fund Balances - July 1, 2017	<u>26,859</u>	<u>58,222</u>	<u>85,081</u>
Fund Balances - June 30, 2018	<u>\$ 36,067</u>	<u>\$ 61,892</u>	<u>\$ 97,959</u>

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TOWN OF NORTH HERO, VERMONT
 COMBINING SCHEDULE OF MODIFIED CASH BASIS ASSETS,
 LIABILITIES AND FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2018

	North Station Renovation Fund	Capital Equipment Fund	Total
<u>ASSETS</u>			
Due from Other Funds	\$ <u>19,077</u>	\$ <u>70,811</u>	\$ <u>89,888</u>
Total Assets	\$ <u><u>19,077</u></u>	\$ <u><u>70,811</u></u>	\$ <u><u>89,888</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balances:			
Restricted	0	70,811	70,811
Committed	<u>19,077</u>	<u>0</u>	<u>19,077</u>
Total Fund Balances	<u>19,077</u>	<u>70,811</u>	<u>89,888</u>
Total Liabilities and Fund Balances	\$ <u><u>19,077</u></u>	\$ <u><u>70,811</u></u>	\$ <u><u>89,888</u></u>

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TOWN OF NORTH HERO, VERMONT
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS
 AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	North Station Renovation Fund	Capital Equipment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Cash Receipts:			
Investment Income	\$ <u> 97</u>	\$ <u> 105</u>	\$ <u> 202</u>
Total Cash Receipts	<u> 97</u>	<u> 105</u>	<u> 202</u>
Cash Disbursements:			
Capital Outlay:			
Public Safety	112,959	0	112,959
Highways and Streets	0	110,835	110,835
Debt Service:			
Principal	<u> 0</u>	<u> 19,873</u>	<u> 19,873</u>
Total Cash Disbursements	<u> 112,959</u>	<u> 130,708</u>	<u> 243,667</u>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u> (112,862)</u>	<u> (130,603)</u>	<u> (243,465)</u>
Other Financing Sources:			
Proceeds from Long-term Debt	0	110,835	110,835
Transfers In	<u> 24,759</u>	<u> 25,000</u>	<u> 49,759</u>
Total Other Financing Sources	<u> 24,759</u>	<u> 135,835</u>	<u> 160,594</u>
Net Change in Fund Balances	(88,103)	5,232	(82,871)
Fund Balances - July 1, 2017	<u> 107,180</u>	<u> 65,579</u>	<u> 172,759</u>
Fund Balances - June 30, 2018	\$ <u><u> 19,077</u></u>	\$ <u><u> 70,811</u></u>	\$ <u><u> 89,888</u></u>

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TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND NET POSITION
BUDGET AND ACTUAL - BUDGETARY BASIS
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Cash Receipts:			
Town Allocation	\$ 25,000	\$ 25,000	\$ 0
Water User Fees	537,411	540,172	2,761
Water User Late Fees	510	1,824	1,314
Miscellaneous Fees & Other Income	600	529	(71)
Interest Income	125	238	113
	<u>563,646</u>	<u>567,763</u>	<u>4,117</u>
Cash Disbursements:			
Water Salaries:			
Salaries/Benefits/Retire/Health Ins.	15,920	14,130	1,790
	<u>15,920</u>	<u>14,130</u>	<u>1,790</u>
Operations:			
Contracted Services	96,400	100,904	(4,504)
Water Testing	6,500	6,570	(70)
Equipment Maintenance	15,000	10,907	4,093
Distribution Line Maintenance	30,000	13,383	16,617
Public Works Distribution Expense	1,000	0	1,000
Chemicals	15,000	10,865	4,135
Materials	1,786	0	1,786
Electricity	32,500	29,291	3,209
Office Expense	1,500	684	816
Plant Equipment	20,000	20,760	(760)
Office Equipment	1,200	1,072	128
Miscellaneous	250	321	(71)
	<u>221,136</u>	<u>194,757</u>	<u>26,379</u>
Buildings and Grounds:			
Engineering	1,500	2,500	(1,000)
Utilities	4,000	3,336	664
Building Maintenance	15,000	1,913	13,087
Supplies	500	157	343
	<u>21,000</u>	<u>7,906</u>	<u>13,094</u>

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TOWN OF NORTH HERO, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND NET POSITION
BUDGET AND ACTUAL - BUDGETARY BASIS
WATER FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
General Expenses:			
Accounting	\$ 3,000	\$ 4,590	\$ (1,590)
Legal Fees	500	0	500
Permits & Licenses	2,350	2,050	300
Telephone	1,300	1,293	7
Postage	1,000	625	375
Advertising	500	504	(4)
Dues	300	255	45
General Insurances	2,140	1,443	697
Total General Expenses	11,090	10,760	330
Debt & Capital Funding:			
Water System Capitalization	45,000	125,000	(80,000)
Bond Principal Payment	187,765	187,765	0
Bond Interest Payment	61,735	61,731	4
Total Debt & Capital Funding	294,500	374,496	(79,996)
Total Cash Disbursements	563,646	602,049	(38,403)
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	\$ 0	(34,286)	\$ (34,286)
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Cash Basis of Accounting:			
Water Reserve Fund - Equivalent Residential Unit (ERU) Fees		24,000	
Water Reserve Fund - Interest Income		4,180	
Water Reserve Fund - Transfer In		125,000	
Change in Modified Cash Basis Net Position - Exhibit F		\$ 118,894	

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Sullivan, Powers & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
www.sullivanpowers.com

Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
VT Lic. #92-000180

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Hero, Vermont, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of North Hero, Vermont's basic financial statements, and have issued our report thereon dated January 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of North Hero, Vermont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of North Hero, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of North Hero, Vermont's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of North Hero, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards".

However, we noted certain other matters that we have reported to the Town of North Hero, Vermont in a separate letter dated January 9, 2019

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of North Hero, Vermont's internal control or on compliance. This report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of North Hero, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

January 9, 2019
Montpelier, Vermont
VT Lic. #92-000180

