

**TOWN OF CABOT, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2018**

TOWN OF CABOT, VERMONT  
AUDIT REPORT  
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Independent Auditor's Report

Selectboard  
Town of Cabot, Vermont  
P.O. Box 36  
Cabot, Vermont 05647

***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 Cabot, Vermont, as of and for the six (6) months ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Cabot, Vermont's basic financial statements as listed in the Table of Contents.

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

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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.

***Opinions***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cabot, Vermont, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the six (6) months then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

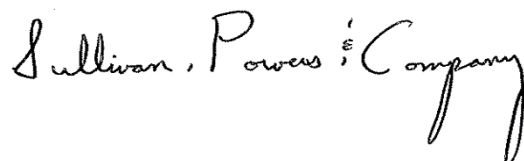
***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7, the budgetary comparison information on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability on Schedule 2 and the Schedule of Contributions on Schedule 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with "Government Auditing Standards", we have also issued our report dated February 12, 2019 on our consideration of the Town of Cabot, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Cabot, Vermont's internal control over financial reporting and compliance.

February 12, 2019  
Montpelier, Vermont  
VT Lic. #92-000180



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

The Town of Cabot (the "Town") herein sets forth an overview and analysis of its financial operations for the period ended June 30, 2018.

***Financial Highlights***

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources on June 30, 2018 by \$8,770,652 (*net position*).
- The Town's total net position decreased by \$239,922. Of this amount, net position attributable to governmental activities decreased by \$189,459. Net position attributable to business-type activities decreased by \$50,463.
- The General Fund had a current year deficit of \$51,931 decreasing its fund balance to a deficit of \$(22,722).
- The Cabot Community Investment Fund had a current year deficit of \$115,976 reducing its fund balance to \$1,952,892.

***Overview of the Town's Financial Statements:***

The annual financial report consists of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town of Cabot's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town of Cabot's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the two reported as net position.

The *statement of activities* presents information showing how the Town's net position changed during the past fiscal year. The *statement of activities* is on the full accrual basis (i.e. all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows) whereas the *statement of revenues, expenditures and changes in fund balance governmental funds* is on the modified accrual basis (i.e. revenue is recognized when it becomes measurable and available as net current position and expenditures are recognized when the related liability is incurred). Thus in the *statement of activities* revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements combine information from governmental funds (which are supported primarily by tax dollars) with information from enterprise funds which are supported by user fees and charges (*business-type activities*). The governmental activities of the Town of Cabot include general government, highways and streets, public safety, culture and recreation, community development and cemetery. The business-type activities of the Town include water operations and wastewater treatment operations. The government-wide financial statements can be found in Exhibits A and B of this report.

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

**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 has two types of funds: governmental funds and proprietary funds. The proprietary funds of the Town are all Enterprise Funds. Fund financial statements can be found in Exhibits C through H of this report.

**Notes to the financial statements.** The notes provide additional information that is necessary for an understanding of the information in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements in this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This supplementary information includes combining statements for various funds. The supplementary information can be found immediately following the notes to the financial statements.

**Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Current and Other Assets	\$ 2,533,403	\$ 3,019,652	\$ 128,219	\$ 134,235	\$ 2,661,622	\$ 3,153,887
Capital Assets	4,413,147	4,454,089	4,699,352	4,414,065	9,112,499	8,868,154
Total Assets	<u>6,946,550</u>	<u>7,473,741</u>	<u>4,827,571</u>	<u>4,548,300</u>	<u>11,774,121</u>	<u>12,022,041</u>
Deferred Outflows of Resources	51,923	75,107	0	0	51,923	75,107
Current Liabilities	99,811	515,590	325,618	0	425,429	515,590
Long-term Liabilities	1,698,866	1,693,578	881,199	877,083	2,580,065	2,570,661
Total Liabilities	<u>1,798,677</u>	<u>2,209,168</u>	<u>1,206,817</u>	<u>877,083</u>	<u>3,005,494</u>	<u>3,086,251</u>
Deferred Inflows of Resources	49,898	323	0	0	49,898	323
Net Investment in Capital Assets	2,826,501	2,965,694	3,549,566	3,461,982	6,376,067	6,427,676
Restricted	2,414,295	2,461,752	0	0	2,414,295	2,461,752
Unrestricted/(Deficit)	(90,898)	(88,089)	71,188	209,235	(19,710)	121,146
Total Net Position	<u>\$ 5,149,898</u>	<u>\$ 5,339,357</u>	<u>\$ 3,620,754</u>	<u>\$ 3,671,217</u>	<u>\$ 8,770,652</u>	<u>\$ 9,010,574</u>

As stated above, Assets and Deferred Outflows of Resources exceeded Liabilities and Deferred Inflows of Resources by \$8,770,652 and \$9,010,574 as of June 30, 2018 and December 31, 2017, respectively.

The largest portion of the Town's net position (\$6,376,067) are in its investment in capital assets (73%). These assets are used to provide services to its citizens (e.g. land, buildings, equipment, infrastructure). Therefore, these assets are not available for future spending. A portion (\$2,414,295) of the Town's assets are subject to restrictions on how they may be used (e.g. highway maintenance, community development and cemetery).

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

Statement of Activities (Change in Net Position)

	Governmental Activities		Business-type Activities		Total	
	FY2018 (6 Months)	FY2017	FY2018 (6 Months)	FY2017	FY2018 (6 Months)	FY2017
Revenues						
Program Revenues						
Charges for services	\$ 22,826	\$ 46,695	\$ 108,773	\$ 221,188	\$ 131,599	\$ 267,883
Operating grants and contributions	84,871	254,775	0	10,144	84,871	264,919
Capital grants and contributions	15,697	437,746	14,671	15,983	30,368	453,729
General Revenues						
Property taxes	526,626	1,060,015	0	0	526,626	1,060,015
Interest on Delinquent Taxes	5,624	21,734	0	0	5,624	21,734
General State Grants	0	101,022	0	0	0	101,022
Unrestricted investment earnings/(Loss)	(23,133)	140,132	(7,094)	39,828	(30,227)	179,960
Other revenues	2,487	2,691	0	0	2,487	2,691
Total Revenues	<u>634,998</u>	<u>2,064,810</u>	<u>116,350</u>	<u>287,143</u>	<u>751,348</u>	<u>2,351,953</u>
Expenses						
Governmental activities						
General Government	220,103	484,955	0	0	220,103	484,955
Public Safety	58,281	83,101	0	0	58,281	83,101
Highways and Streets	446,186	722,721	0	0	446,186	722,721
Culture and Recreation	45,580	88,449	0	0	45,580	88,449
Community Development	33,798	40,151	0	0	33,798	40,151
Cemetery	8,573	24,056	0	0	8,573	24,056
Interest on Long-term Debt	11,936	52,963	0	0	11,936	52,963
Business-type activities						
Water	0	0	24,285	77,798	24,285	77,798
Wastewater	0	0	142,528	270,720	142,528	270,720
Total Expenses	<u>824,457</u>	<u>1,496,396</u>	<u>166,813</u>	<u>348,518</u>	<u>991,270</u>	<u>1,844,914</u>
Change in net position	(189,459)	568,414	(50,463)	(61,375)	(239,922)	507,039
Net position - Beginning of Year	<u>5,339,357</u>	<u>4,770,943</u>	<u>3,671,217</u>	<u>3,732,592</u>	<u>9,010,574</u>	<u>8,503,535</u>
Net position - End of Year	<u>\$5,149,898</u>	<u>\$5,339,357</u>	<u>\$3,620,754</u>	<u>\$3,671,217</u>	<u>\$8,770,652</u>	<u>\$9,010,574</u>

**Governmental activities.** Governmental activities decreased the Town's net position by \$189,459 in FY18. The primary reason is the amount of depreciation in this period was more than the investment in capital outlays.

**Business-type activities.** Business-type activities decreased the Town's net position by \$50,463. Specifically, the Water Fund had a current year surplus of \$22,184, whereas the Sewer Fund had a current year deficit of \$72,647. The sewer deficit was due to rates being inadequate to support both operational costs and debt service obligations.

The Cabot Water Fund had a GAAP basis net position increase of \$22,184 in FY18. This surplus was derived primarily from non-operating revenues of \$14,677 in addition to the operating income of \$7,507.



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

The Sewer Fund had a GAAP basis net position decrease of \$72,647. This decrease was the result of an operating loss of \$58,286 in addition to non-operating expenses of \$14,361. Unrestricted net position (resources available to meet future obligations) were \$145,305 on June 30, 2018.

***Financial Analysis of Major Governmental Funds***

**The General Fund**

The General Fund balance decreased \$51,931 from \$29,209 at the end of fiscal year 2017 to a deficit of \$(22,722) at the end of fiscal year 2018.

On the revenue side, the Town received an unbudgeted Highway Grant of \$12,000 and unbudgeted reappraisal income from the State of Vermont in the amount of \$8,503.

On the expense side, the Town spent \$109,169 more than expected on the General Fund Budget and the Highway spent \$34,640 less than expected. The majority of the over-expenditures on the General budget was the result of an unbudgeted deficit funding loan payment of \$90,454.

**The Cabot Community Investment Fund**

The Cabot Community Investment Fund balance decreased \$115,976 from \$2,068,868 at the end of fiscal year 2017 to \$1,952,892 at the end of fiscal year 2018.

**Other Fund**

The Town has the following other reserve fund at June 30, 2018:

Cemetery Fund	<u>\$138,344</u>
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**Restricted Net Position and Restricted Fund Balances**

The restricted net position was \$2,414,295 on June 30, 2018. These funds are reserved for specific future expenses, such as highway maintenance, community development, cemetery and other purposes.

**Capital Assets**

Governmental Capital Assets decreased \$40,942 in FY18, net of depreciation. Major capital additions for the year were as follows:

- (a) Purchase of a property for the Fire Department (\$96,582)

Business-Type Capital Assets increased \$285,287 in FY18, net of depreciation. Major capital additions for the year were as follows:

- (a) Replacement of Danville Hill Water Line (\$356,963)

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

### ***Long Term Debt***

All of the long-term debt identified below is a general obligation of the Town of Cabot. As of June 30, 2018, the town has three outstanding bonds it pays which were for Highway Improvements, a Pumper Truck, and a Rescue Truck. The outstanding balance on these bonds is \$390,000. The town had five outstanding notes for Highway Garage Improvements, Highway Equipment, Willey Building Improvements, Paving and the Fire Department property. The outstanding balance on these notes as of June 30, 2018 is \$894,990. The Town has three capital lease obligations totaling \$303,405 - \$5,622 for a GMC Truck; \$150,618 for a 2017 Highway truck and \$147,165 for a 2018 Highway Truck.

The Combined Cabot Water and wastewater System had a bond balance (current plus non current balance) of \$881,199 that was used for system improvements. The Water System had a bond balance of \$496,235 and the Sewer System had a bond balance of \$384,964.

### ***Economic Factors and Next Year's Budgets and Rates***

The Town of Cabot Selectboard established a budget committee in 2016 to work on annual budgets with input from local citizens. The town gave approval in March, 2017 to change to a fiscal year reporting cycle similar to the State of Vermont. To accomplish this transition, the Selectboard worked throughout the fall and winter of 2016 building two budgets:

- Transitional budget for Jan 1, 2018-June 30, 2018 for approval on November 7, 2017. Those amounts were \$288,200 for the General Fund, and \$358,815 for the Highway Fund. A total of \$647,015 was approved by Australian Ballot on November 7, 2017.
- The new fiscal year budget for July 1, 2018-June 30, 2019 was presented on March 6, 2018 for approval at Town Meeting. Those amounts were \$717,300 for the General Fund and \$796,500 for the Highway Fund for a grand total of \$1,513,800 which was approved by Australian Ballot on March 6, 2018.
- The municipal tax rate from the new fiscal year July 1, 2018-June 30, 2019 and the approved General Fund and Highway Fund budgets resulted in a Municipal Tax Rate of 0.6291.

The Selectboard continues to monitor the expenses of the town and will soon start the budget process in November of 2018 to prepare a budget for the fiscal year 2019-2020 that begins on July 1, 2019.

The following factors were considered in the development of budgets for FY19:

- **General Fund:** The voters approved a General Fund budget of \$717,300 of which \$449,358 was to be raised by taxes.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Cabot, Vermont's financial condition. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Cabot, P.O. Box 36, Cabot, Vermont, 05647.

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

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 90,148	\$ 161,828	\$ 251,976
Investments	1,538,869	390,059	1,928,928
Receivables	112,701	56,937	169,638
Loans Receivable	262,301	0	262,301
Internal Balances	480,605	(480,605)	0
Prepaid Expenses	5,397	0	5,397
Inventory	43,382	0	43,382
Capital Assets:			
Land	265,684	167,341	433,025
Construction in Progress	41,353	393,870	435,223
Other Capital Assets, (Net of Accumulated Depreciation)	4,106,110	4,138,141	8,244,251
Total Assets	<u>6,946,550</u>	<u>4,827,571</u>	<u>11,774,121</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>51,923</u>	<u>0</u>	<u>51,923</u>
Total Deferred Outflows of Resources	<u>51,923</u>	<u>0</u>	<u>51,923</u>
<u>LIABILITIES</u>			
Accounts Payable	36,454	132,031	168,485
Accrued Payroll and Benefits Payable	7,333	0	7,333
Unearned Revenue	34,662	0	34,662
Due to Delinquent Tax Collector	4,939	0	4,939
Line of Credit Payable	0	193,587	193,587
Accrued Interest Payable	16,423	0	16,423
Noncurrent Liabilities:			
Due within One Year	264,914	51,118	316,032
Due in More than One Year	1,433,952	830,081	2,264,033
Total Liabilities	<u>1,798,677</u>	<u>1,206,817</u>	<u>3,005,494</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	45,839	0	45,839
Deferred Inflows of Resources Related to the Town's Participation in VMERS	<u>4,059</u>	<u>0</u>	<u>4,059</u>
Total Deferred Inflows of Resources	<u>49,898</u>	<u>0</u>	<u>49,898</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	2,826,501	3,549,566	6,376,067
Restricted for:			
Community Development	2,215,193	0	2,215,193
Cemetery	138,344	0	138,344
Other Purposes	60,758	0	60,758
Unrestricted/(Deficit)	<u>(90,898)</u>	<u>71,188</u>	<u>(19,710)</u>
Total Net Position	<u>\$ 5,149,898</u>	<u>\$ 3,620,754</u>	<u>\$ 8,770,652</u>

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

TOWN OF CABOT, VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE SIX (6) MONTHS ENDED JUNE 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 220,103	\$ 14,862	\$ 14,786	\$ 0	\$ (190,455)	\$ 0	\$ (190,455)
Public Safety	58,281	791	0	0	(57,490)	0	(57,490)
Highways and Streets	446,186	1,233	66,237	15,697	(363,019)	0	(363,019)
Culture and Recreation	45,580	0	3,848	0	(41,732)	0	(41,732)
Community Development	33,798	3,020	0	0	(30,778)	0	(30,778)
Cemetery	8,573	2,920	0	0	(5,653)	0	(5,653)
Interest on Long-term Debt	11,936	0	0	0	(11,936)	0	(11,936)
Total Governmental Activities	<u>824,457</u>	<u>22,826</u>	<u>84,871</u>	<u>15,697</u>	<u>(701,063)</u>	<u>0</u>	<u>(701,063)</u>
Business-type Activities:							
Water	24,285	31,792	0	14,671	0	22,178	22,178
Wastewater	142,528	76,981	0	0	0	(65,547)	(65,547)
Total Business-type Activities	<u>166,813</u>	<u>108,773</u>	<u>0</u>	<u>14,671</u>	<u>0</u>	<u>(43,369)</u>	<u>(43,369)</u>
Total Primary Government	<u>\$ 991,270</u>	<u>\$ 131,599</u>	<u>\$ 84,871</u>	<u>\$ 30,368</u>	<u>(701,063)</u>	<u>(43,369)</u>	<u>(744,432)</u>
General Revenues:							
Property Taxes					526,626	0	526,626
Interest on Delinquent Taxes					5,624	0	5,624
Unrestricted Investment Earnings/(Loss)					(23,133)	(7,094)	(30,227)
Other Revenues					2,487	0	2,487
Total General Revenues					<u>511,604</u>	<u>(7,094)</u>	<u>504,510</u>
Change in Net Position					(189,459)	(50,463)	(239,922)
Net Position - January 1, 2018					<u>5,339,357</u>	<u>3,671,217</u>	<u>9,010,574</u>
Net Position - June 30, 2018					<u>\$ 5,149,898</u>	<u>\$ 3,620,754</u>	<u>\$ 8,770,652</u>

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

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

	General Fund	Cabot Community Investment Fund	Non-Major Governmental Fund Cemetery Fund	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 50,117	\$ 34,394	\$ 5,637	\$ 90,148
Investments	22,316	1,388,565	127,988	1,538,869
Receivables	112,701	0	0	112,701
Loans Receivable	0	262,301	0	262,301
Due from Other Funds	0	0	4,719	4,719
Advances to Other Funds	0	529,933	0	529,933
Prepaid Expenses	5,397	0	0	5,397
Inventory	43,382	0	0	43,382
 Total Assets	 <u>\$ 233,913</u>	 <u>\$ 2,215,193</u>	 <u>\$ 138,344</u>	 <u>\$ 2,587,450</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 36,454	\$ 0	\$ 0	\$ 36,454
Accrued Payroll and Benefits Payable	7,333	0	0	7,333
Due to Other Funds	4,614	0	0	4,614
Advances from Other Funds	49,433	0	0	49,433
Unearned Revenue	34,662	0	0	34,662
Due to Delinquent Tax Collector	4,939	0	0	4,939
 Total Liabilities	 <u>137,435</u>	 <u>0</u>	 <u>0</u>	 <u>137,435</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Prepaid Property Taxes	45,839	0	0	45,839
Unavailable Property Taxes and Interest	57,000	0	0	57,000
Unavailable Grants	16,361	0	0	16,361
Unavailable Loans Receivable	0	262,301	0	262,301
 Total Deferred Inflows of Resources	 <u>119,200</u>	 <u>262,301</u>	 <u>0</u>	 <u>381,501</u>
<u>FUND BALANCES</u>				
Nonspendable	48,779	0	11,100	59,879
Restricted	19,125	1,952,892	127,244	2,099,261
Unassigned/(Deficit)	(90,626)	0	0	(90,626)
 Total Fund Balances/(Deficit)	 <u>(22,722)</u>	 <u>1,952,892</u>	 <u>138,344</u>	 <u>2,068,514</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 233,913</u>	 <u>\$ 2,215,193</u>	 <u>\$ 138,344</u>	
 Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:				
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.				4,413,147
Other Assets are not Available to Pay for Current-Period Expenditures and, Therefore, are Deferred in the Funds.				335,662
Long-term and Accrued Liabilities, Including Bonds Payable and the Net Pension Liability, are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds.				(1,715,289)
Deferred Outflows of Resources related to the Town's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.				<u>47,864</u>
Net Position of Governmental Activities				<u>\$ 5,149,898</u>

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

TOWN OF CABOT, VERMONT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE SIX (6) MONTHS ENDED JUNE 30, 2018

	General Fund	Cabot Community Investment Fund	Non-Major Governmental Fund Cemetery Fund	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 540,626	\$ 0	\$ 0	\$ 540,626
Interest on Delinquent Taxes	5,624	0	0	5,624
Intergovernmental	93,413	0	0	93,413
Charges for Services	11,475	0	2,520	13,995
Permits, Licenses and Fees	9,337	0	0	9,337
Fines and Forfeits	791	0	0	791
Loan Repayments	0	745	0	745
Loan Interest Income	0	520	0	520
Investment Income/(Loss)	312	(23,885)	440	(23,133)
Donations	3,458	0	0	3,458
Other	2,828	442	400	3,670
<b>Total Revenues</b>	<b>667,864</b>	<b>(22,178)</b>	<b>3,360</b>	<b>649,046</b>
<b>Expenditures:</b>				
General Government	203,374	0	0	203,374
Public Safety	37,157	0	0	37,157
Highways and Streets	315,030	0	0	315,030
Culture and Recreation	45,226	0	0	45,226
Community Development	0	93,798	0	93,798
Cemetery	0	0	8,573	8,573
Capital Outlay:				
Public Safety	96,582	0	0	96,582
Highways and Streets	4,930	0	0	4,930
Culture and Recreation	10,201	0	0	10,201
Debt Service:				
Principal	90,000	0	0	90,000
Interest	7,295	0	0	7,295
<b>Total Expenditures</b>	<b>809,795</b>	<b>93,798</b>	<b>8,573</b>	<b>912,166</b>
Excess/(Deficiency) of Revenues Over Expenditures	(141,931)	(115,976)	(5,213)	(263,120)
<b>Other Financing Sources/(Uses):</b>				
Proceeds from Long-term Debt	100,000	0	0	100,000
Transfers In	0	0	10,000	10,000
Transfers Out	(10,000)	0	0	(10,000)
<b>Total Other Financing Sources/(Uses)</b>	<b>90,000</b>	<b>0</b>	<b>10,000</b>	<b>100,000</b>
<b>Net Change in Fund Balances</b>	<b>(51,931)</b>	<b>(115,976)</b>	<b>4,787</b>	<b>(163,120)</b>
Fund Balances - January 1, 2018	29,209	2,068,868	133,557	2,231,634
Fund Balances/(Deficit) - June 30, 2018	\$ (22,722)	\$ 1,952,892	\$ 138,344	\$ 2,068,514

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

TOWN OF CABOT, VERMONT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE SIX (6) MONTHS ENDED JUNE 30, 2018

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

Net change in fund balances - total government funds (Exhibit D)	\$ (163,120)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$111,713) is allocated over their estimated useful lives and reported as depreciation expense (\$152,655). This is the amount by which depreciation exceeded capital outlays in the current period.	(40,942)
The issuance of long-term debt (\$100,000) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$90,000) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	(10,000)
The issuance of loans receivable (\$60,000) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$745) provides current financial resources to governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of loans receivable. In addition, the Town reduced the discount on loans receivable by \$2,500.	61,755
Governmental funds report employer pension contributions as expenditures (\$6,764). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$23,998) is reported as pension expense. The Town utilized the latest valuation report for the prior year resulting in all current year contributions being deferred.	(17,234)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(10,303)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(9,615)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ (189,459)</u>

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

TOWN OF CABOT, VERMONT  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018

	Water Fund	Wastewater Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 35,796	\$ 126,032	\$ 161,828
Investments	0	390,059	390,059
Receivables	14,224	42,713	56,937
Due from Other Funds	3,358	0	3,358
Total Current Assets	53,378	558,804	612,182
Noncurrent Assets:			
Capital Assets:			
Land	23,678	143,663	167,341
Construction in Progress	393,870	0	393,870
Vehicles, Machinery and Equipment	5,500	0	5,500
Buildings, Distribution and Collection Systems	1,354,122	4,955,539	6,309,661
Less: Accumulated Depreciation	(501,789)	(1,675,231)	(2,177,020)
Total Noncurrent Assets	1,275,381	3,423,971	4,699,352
Total Assets	1,328,759	3,982,775	5,311,534
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	127,495	4,536	132,031
Due to Other Funds	0	3,463	3,463
Line of Credit Payable	193,587	0	193,587
General Obligation Bonds Payable - Current Portion	27,734	23,384	51,118
Total Current Liabilities	348,816	31,383	380,199
Noncurrent Liabilities:			
Advances from Other Funds	0	480,500	480,500
General Obligation Bonds Payable - Noncurrent Portion	468,501	361,580	830,081
Total Noncurrent Liabilities	468,501	842,080	1,310,581
Total Liabilities	817,317	873,463	1,690,780
<u>NET POSITION</u>			
Net Investment in Capital Assets	585,559	2,964,007	3,549,566
Unrestricted/(Deficit)	(74,117)	145,305	71,188
Total Net Position	\$ 511,442	\$ 3,109,312	\$ 3,620,754

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



TOWN OF CABOT, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE SIX (6) MONTHS ENDED JUNE 30, 2018

	Water Fund	Wastewater Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Operating Revenues:			
Charges for Services	\$ 31,602	\$ 76,668	\$ 108,270
Interest and Penalties	<u>190</u>	<u>313</u>	<u>503</u>
 Total Operating Revenues	 <u>31,792</u>	 <u>76,981</u>	 <u>108,773</u>
Operating Expenses:			
Administrative Fees	1,000	4,500	5,500
Utilities	2,009	16,043	18,052
Supplies	218	532	750
Insurances	465	3,560	4,025
Telephone	341	576	917
Professional Services	675	2,550	3,225
Miscellaneous Expenses	115	1,148	1,263
Dues and Fees	76	715	791
Contract Services	3,306	26,187	29,493
Repairs and Maintenance	2,356	9,611	11,967
Chemicals	0	2,798	2,798
Sludge Disposal	0	9,095	9,095
Depreciation	<u>13,724</u>	<u>57,952</u>	<u>71,676</u>
 Total Operating Expenses	 <u>24,285</u>	 <u>135,267</u>	 <u>159,552</u>
Operating Income/(Loss)	<u>7,507</u>	<u>(58,286)</u>	<u>(50,779)</u>
Non-Operating Revenues/(Expenses):			
Investment Income/(Loss)	6	(7,100)	(7,094)
Grant Income - Negative Interest	14,671	0	14,671
Interest Expense	<u>0</u>	<u>(7,261)</u>	<u>(7,261)</u>
 Total Non-Operating Revenues/(Expenses)	 <u>14,677</u>	 <u>(14,361)</u>	 <u>316</u>
Change in Net Position	22,184	(72,647)	(50,463)
Net Position - January 1, 2018	<u>489,258</u>	<u>3,181,959</u>	<u>3,671,217</u>
Net Position - June 30, 2018	<u>\$ 511,442</u>	<u>\$ 3,109,312</u>	<u>\$ 3,620,754</u>

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

TOWN OF CABOT, VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE SIX (6) MONTHS ENDED JUNE 30, 2018

	Water Fund	Wastewater Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Receipts from Customers and Users	\$ 31,511	\$ 74,027	\$ 105,538
Payments for Goods and Services	(9,516)	(68,279)	(77,795)
Payments for Interfund Services	(1,000)	(4,500)	(5,500)
Net Cash Provided by Operating Activities	<u>20,995</u>	<u>1,248</u>	<u>22,243</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
(Increase)/Decrease in Due from Other Funds	(2,239)	0	(2,239)
Increase/(Decrease) in Due to Other Funds	0	1,230	1,230
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(2,239)</u>	<u>1,230</u>	<u>(1,009)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Proceeds from Line of Credit	193,587	0	193,587
Proceeds from Long-term Debt	49,605	0	49,605
Acquisition and Construction of Capital Assets	(229,513)	0	(229,513)
Principal Paid on General Obligation Bonds Payable	(27,734)	(3,084)	(30,818)
Interest Paid on General Obligation Bonds Payable	0	(7,261)	(7,261)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(14,055)</u>	<u>(10,345)</u>	<u>(24,400)</u>
<b>Cash Flows From Investing Activities:</b>			
Receipt of Interest and Dividends	6	6,058	6,064
Net Decrease in Investments	0	9,090	9,090
Net Cash Provided by Investing Activities	<u>6</u>	<u>15,148</u>	<u>15,154</u>
Net Increase in Cash	4,707	7,281	11,988
Cash - January 1, 2018	<u>31,089</u>	<u>118,751</u>	<u>149,840</u>
Cash - June 30, 2018	<u>\$ 35,796</u>	<u>\$ 126,032</u>	<u>\$ 161,828</u>
<b>Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:</b>			
Operating Income/(Loss)	\$ 7,507	\$ (58,286)	\$ (50,779)
Depreciation	13,724	57,952	71,676
(Increase)/Decrease in Receivables	(281)	(2,954)	(3,235)
Increase/(Decrease) in Accounts Payable	45	4,536	4,581
Net Cash Provided by Operating Activities	<u>\$ 20,995</u>	<u>\$ 1,248</u>	<u>\$ 22,243</u>

The Town recognized a forgiveness of debt in the Water Fund as a result of negative interest in the amount of \$14,671 from the State of Vermont.

There was \$127,450 of capital acquisitions in the Water Fund included in accounts payable at June 30, 2018.

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

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

The Town of Cabot, Vermont, (herein the "Town") operates under a Selectboard form of government and provides the following services as authorized by its charter: public safety, highways and streets, health and social services, culture and recreation, community/economic development, cemetery, public improvements, planning and zoning, water, wastewater and general administrative services.

At Town Meeting, on March 7, 2017, the Town voted to change from a calendar year-end to a June fiscal year-end. To accomplish the change in year-end, the Town operated on a six month period from January 1, 2018 through June 30, 2018.

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

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

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

This report includes all of the activity of the Town of Cabot, 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, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

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

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

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

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

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

Cabot Community Investment Fund – This fund provides financial resources to local individuals and groups for activities and projects that serve to strengthen the economic, cultural, educational, environmental and social well-being of the Cabot community.

The Town reports on the following major enterprise funds:

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

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

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

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

**C. Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., total net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

**D. Basis of Accounting**

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

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

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

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

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

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

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

**E. Use of Estimates**

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

**F. 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 withdrawals are shown as due to other funds.

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

**2. Investments**

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

**3. Receivables**

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

**4. Internal Balances**

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as “advances to/from other funds”. All other outstanding balances between funds are reported as “due from/to other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

**5. Inventories and Prepaid Expenses**

Inventory quantities are determined by a physical count and are valued at the lower of cost or market. Inventories in the governmental funds consist of materials.

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

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

**6. Pensions**

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

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

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

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

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

**8. Capital Assets**

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

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

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

	Capitalization Threshold	Estimated Service Life
Land	\$ 1,000	Not Depreciated
Buildings and Building Improvements	5,000	20-75 Years
Vehicles, Machinery and Equipment	2,500	5-15 Years
Infrastructure	5,000	10-50 Years
Distribution and Collection Systems	5,000	50-100 Years

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

**9. Compensated Absences**

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



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

**10. Long-term Liabilities**

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

**11. Fund Equity**

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

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

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

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

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

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

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

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The budget was approved by the voters by Australian ballot on November 7, 2017. Any budget changes require voter approval. There were no budget changes during the period. The budget presented herein is for the Town's "General Fund" only and does not include the unbudgeted capital expenditures and related funding.

**B. Excess of Expenditures Over Appropriations**

For the period ended June 30, 2018, expenditures in the General Fund exceeded appropriations by \$74,529. These over-expenditures were partially funded by excess revenues, however, resulted in a deficit.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

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

Cash:	
Deposits with Financial Institutions	\$ 106,057
Deposits with Investment Company	145,819
Cash on Hand	<u>100</u>
Total Cash	<u>251,976</u>
Investments:	
Certificates of Deposit	37,604
Corporate Bonds	845,782
Mutual Funds – Mixed Holdings	112,700
Common Stock	<u>932,842</u>
Total Investments	<u>1,928,928</u>
Total Cash and Investments	<u>\$2,180,904</u>

The Town has four (4) certificates of deposit at various banks ranging from \$5,210 to \$15,309 with interest rates ranging from 0.40% to 0.85%. All certificates of deposit mature by fiscal year 2020.

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**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 corporate bonds, mutual funds and common stock are in the name of the Town and are not exposed to custodial credit risk. The following table shows the custodial credit risk of the Town's cash and certificates of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$ <u>289,480</u>	\$ <u>466,894</u>

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

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$106,057
Cash – Deposits with Investment Company	145,819
Investments – Certificates of Deposit	<u>37,604</u>
Total	\$ <u>289,480</u>

**Interest Rate Risk**

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

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity. Corporate bonds are shown at their actual maturity.

Investment Type	Remaining Maturity			Total
	Less Than 1 Year	1 to 5 Years	5 to 10 Years	
Corporate Bonds	\$ <u>215,207</u>	\$ <u>600,303</u>	\$ <u>30,272</u>	\$ <u>845,782</u>

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**Credit Risk**

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

Investment Type	Standard and Poor's Rating as of June 30, 2018								Total
	A+	A	A-	BBB+	BBB	BB+	BB	Unrated	
Corporate Bonds	\$ 189,065	\$ 29,856	\$ 211,229	\$ 100,178	\$ 269,659	\$ 10,029	\$ 29,775	\$ 5,991	\$ 845,782

**Concentration of Credit Risk**

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town's certificates of deposit and common stock are not subject to concentration of credit risk disclosure. The mutual funds are open-ended and, therefore, are also excluded from the concentration of credit risk analysis. The Town has \$129,090 (15%) of their corporate bonds invested in United Health Group, Inc., \$126,296 (15%) of their corporate bonds invested in FedEx Corporation, \$114,957 (14%) of their corporate bonds invested in Haliburton Co. and \$100,178 (12%) of their corporate bonds invested in American International Group, Inc. There are no other investments in any one issuer that represent more than 5% of total investments.

**Fair Value**

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

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

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

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

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

Description	Total	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Corporate Bonds	\$ 845,782	\$ 845,782	\$ 0	\$ 0
Common Stock	932,842	932,842	0	0
Mutual Funds - Mixed Holdings	112,700	112,700	0	0
Total	\$ <u>1,891,324</u>	\$ <u>1,891,324</u>	\$ <u>0</u>	\$ <u>0</u>

**B. Receivables**

Receivables as of June 30, 2018, as reported in the statement of net position, are as follows:

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes Receivable	\$ 61,737	\$ 0	\$ 61,737
Interest Receivable	3,626	0	3,626
Penalties Receivable	4,939	0	4,939
Grants Receivable	34,360	0	34,360
Accounts Receivable	8,039	0	8,039
Billed Services	0	56,937	56,937
Total	\$ <u>112,701</u>	\$ <u>56,937</u>	\$ <u>169,638</u>

**C. Loans Receivable**

Loans receivable as of June 30, 2018 are as follows:

Loan Receivable, Cabot Commons, LP, Interest at 0%, Deferred Until January 2, 2035 at which Time all Principal is Due, Secured by Mortgage	\$195,000
Loan Receivable, Cabot Commons, LP, Interest at 0%, Annual Principal Payments of \$2,000 Required, Due December 1, 2054, Secured by Mortgage	74,000
Loan Receivable, Cabot Commons, LP, Interest at 3%, Monthly Principal and Interest Payments of \$208 Required, Due November 15, 2035, Secured by Mortgage	33,845

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Loan Receivable, Cabot Community Association, Interest at 0.01%, Monthly Principal and Interest Payments of \$167 Required, Due May 31, 2048, Secured by Mortgage	\$ 60,000
Loan Receivable, Small Business Loan. This Loan is Currently in Default, Secured by Real Property	<u>3,456</u>
Total	366,301
Less: Discount on Loans Receivable	<u>(104,000)</u>
Reported Value as of June 30, 2018	<u>\$ 262,301</u>

A discount of \$104,000 has been recorded to accurately reflect the present value of the loans receivable that have a 0% interest rate. The Town has imputed a 3% interest rate on these loans which was the average market rate at the time the loans were issued.

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 169,102	\$ 96,582	\$ 0	\$ 265,684
Construction in Progress	<u>36,423</u>	<u>4,930</u>	<u>0</u>	<u>41,353</u>
Total Capital Assets, Not Being Depreciated	<u>205,525</u>	<u>101,512</u>	<u>0</u>	<u>307,037</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,824,144	10,201	0	1,834,345
Vehicles, Machinery and Equipment	1,711,825	0	0	1,711,825
Infrastructure	<u>2,405,808</u>	<u>0</u>	<u>0</u>	<u>2,405,808</u>
Totals	<u>5,941,777</u>	<u>10,201</u>	<u>0</u>	<u>5,951,978</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	454,751	20,108	0	474,859
Vehicles, Machinery and Equipment	728,379	63,650	0	792,029
Infrastructure	<u>510,083</u>	<u>68,897</u>	<u>0</u>	<u>578,980</u>
Totals	<u>1,693,213</u>	<u>152,655</u>	<u>0</u>	<u>1,845,868</u>
Total Capital Assets, Being Depreciated	<u>4,248,564</u>	<u>(142,454)</u>	<u>0</u>	<u>4,106,110</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,454,089</u>	<u>\$ (40,942)</u>	<u>\$ 0</u>	<u>\$ 4,413,147</u>

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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 167,341	\$ 0	\$ 0	\$ 167,341
Construction in Progress	36,907	356,963	0	393,870
Total Capital Assets, Not Being Depreciated	<u>204,248</u>	<u>356,963</u>	<u>0</u>	<u>561,211</u>
Capital Assets, Being Depreciated:				
Vehicles, Machinery and Equipment	5,500	0	0	5,500
Buildings, Distribution and Collection Systems	6,309,661	0	0	6,309,661
Totals	<u>6,315,161</u>	<u>0</u>	<u>0</u>	<u>6,315,161</u>
Less Accumulated Depreciation for:				
Vehicles, Machinery and Equipment	581	183	0	764
Buildings, Distribution and Collection Systems	2,104,763	71,493	0	2,176,256
Totals	<u>2,105,344</u>	<u>71,676</u>	<u>0</u>	<u>2,177,020</u>
Total Capital Assets, Being Depreciated	<u>4,209,817</u>	<u>(71,676)</u>	<u>0</u>	<u>4,138,141</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,414,065</u>	<u>\$ 285,287</u>	<u>\$ 0</u>	<u>\$ 4,699,352</u>

Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 11,815	Water	\$ 13,724
Public Safety	21,124	Wastewater	<u>57,952</u>
Highways and Streets	119,276		
Culture and Recreation	<u>440</u>		
Total Depreciation Expense - Governmental Activities	<u>\$ 152,655</u>	Total Depreciation Expense - Business-type Activities	<u>\$ 71,676</u>

**E. Interfund Balances and Activity**

The composition of 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	\$ 4,614
Non-Major Governmental Fund - Cemetery Fund	4,719	0
Water Fund	3,358	0
Wastewater Fund	<u>0</u>	<u>3,463</u>
Total	<u>\$ 8,077</u>	<u>\$ 8,077</u>

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

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$ 0	\$ 49,433
Cabot Community Investment Fund	529,933	0
Wastewater Fund	<u>0</u>	<u>480,500</u>
Total	<u>\$ 529,933</u>	<u>\$ 529,933</u>

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

Advance to the General Fund from the Cabot Community Investment Fund for Willey Building Improvements, Interest at 0%, The Town Makes Annual Principal Payments of \$8,300 and Anticipates Payoff in 2023	\$ 49,433
Advance to the Wastewater Fund from the Cabot Community Investment Fund for Investment (\$405,500) and Water System Improvements (\$75,000), Interest at 0%, Repayment Deferred Until November, 2031 at Which Time all Principal is Due	<u>480,500</u>
Total Advances to/from Other Funds	<u>\$529,933</u>

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	Cemetery Fund	\$ <u>10,000</u>	Appropriation
Total		<u>\$ 10,000</u>	

**F. Deferred Outflows of Resources**

Deferred outflows of resources in the governmental activities consists of \$1,377 from the difference between the expected and actual experience, \$15,770 from the difference between the projected and actual investment earnings, \$19,821 from changes in assumptions, and \$1,601 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$13,354 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$51,923.

**G. Unearned Revenue**

Unearned revenue in the General Fund consists of \$34,662 of grant revenue received in advance.



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**H. Deferred Inflows of Resources**

Deferred inflows of resources in the governmental activities consists of \$45,839 of prepaid property taxes, \$2,344 from the difference between the expected and actual experience and \$1,715 from changes in the Town’s proportional share of contributions related to the Town’s participation in the Vermont Municipal Employee’s Retirement System (VMERS). Total deferred inflows of resources in the governmental activities is \$49,898.

Deferred inflows of resources in the General Fund consists of \$57,000 of delinquent property taxes and interest on those taxes and \$16,361 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$45,839 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$119,200.

Deferred inflows of resources in the Cabot Community Investment Fund consists of \$262,301 of loans receivable.

**I. Line of Credit**

The Town has a line of credit with Passumpsic Savings Bank. The terms and activity is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Line of Credit, Passumpsic Bank, Danville Hill Water Project, \$800,000 Available, Interest at 1.78%, Due February 1, 2019	\$ <u>0</u>	\$ <u>193,587</u>	\$ <u>0</u>	\$ <u>193,587</u>
Total	\$ <u>0</u>	\$ <u>193,587</u>	\$ <u>0</u>	\$ <u>193,587</u>

**J. Long-term Liabilities**

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

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 20 year bonds. Refunding bonds are issued for various terms based on the debt service of the debt refunded.

The Town has notes payable to finance various capital projects and equipment purchases through local banks.

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

The State of Vermont offers a number of no and negative 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 and wastewater projects.

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

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

Long-term liabilities outstanding as of June 30, 2018 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Highway Improvements, Principal Payments Ranging from \$40,000 to \$55,000 Payable on November 15 Annually, Interest Ranging from 0.913% to 3.223% Payable on May 15 and November 15, Due November, 2024	\$ 335,000	\$ 0	\$ 0	\$ 335,000
Bond Payable, Vermont Municipal Bond Bank, Pumper Truck, Principal Payments Ranging from \$10,000 to \$15,000 Payable on November 1 Annually, Interest Ranging from 1.49% to 1.76% Payable on May 1 and November 1, Due November, 2021	40,000	0	0	40,000
Bond Payable, Vermont Municipal Bond Bank, Rescue Truck, Principal Payments of \$15,000 Payable on November 15 Annually, Interest Ranging from 3.9% to 4.01% Payable on May 15 and November 15, Due November, 2018	15,000	0	0	15,000

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Union Bank, Highway Garage Improvements, Principal and Interest Payments of \$24,789 Payable on September 25 Annually, Interest at 2.5%, Due September, 2025	\$ 177,731	\$ 0	\$ 0	\$ 177,731
Note Payable, Community Bank, N.A., Highway Equipment, Principal Payments of \$56,632 Plus Interest Payable on July 22 Annually, Interest at 1.97%, Due July, 2022	283,159	0	0	283,159
Note Payable, Union Bank, Willey Building Improvements, Principal and Interest Payments of \$19,178 Payable on July 3 Annually, Interest at 2.15%, Due July, 2022	90,000	0	0	90,000
Note Payable, Union Bank, Deficit Funding, Principal Payments of \$90,000 Plus Interest Payable on December 29 Annually, Interest at 1.1%, Due December, 2018. This Note was Paid Off During the Year.	90,000	0	90,000	0
Note Payable, Union Bank, Paving, Principal and Interest Payments of \$28,456 Payable on November 15 Annually, Interest at 2.89%, Due November, 2027	244,100	0	0	244,100
Note Payable, Union Bank, Fire Department Property, Principal and Interest Payments of \$26,256 Payable on July 1 Annually, Interest at 1.99%, Due July, 2022	0	100,000	0	100,000
Capital Lease Payable, Ally Financial, Highway GMC Truck, Principal and Interest Payments of \$5,999 Payable on August 22 Annually, Interest at 6.69%, Due and Paid August, 2018	5,622	0	0	5,622

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Lease Payable, Kansas State Bank, Highway Truck, Principal and Interest Payments of \$22,432 Payable on July 26 Annually, Interest at 2.87%, Due July, 2021	\$ 150,618	\$ 0	\$ 0	\$ 150,618
Capital Lease Payable, Kansas State Bank, Highway Truck, Principal and Interest Payments of \$16,595 Payable on July 19 Annually with a Final Payment of \$60,000 Payable on August 19, 2024, Interest at 3.71%, Due August, 2024	<u>147,165</u>	<u>0</u>	<u>0</u>	<u>147,165</u>
Total Governmental Activities	<u>\$1,578,395</u>	<u>\$100,000</u>	<u>\$90,000</u>	<u>\$1,588,395</u>

Business-type Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal Payments Payments of \$27,734 Payable on January 1 Annually, Interest at -3.0%, Due January, 2031. The Town will Recognize Grant Income Annually for the Amount of Forgiven Principal as a Result of the Negative Interest	\$489,035	\$ 0	\$42,405	\$446,630
Bond Payable, State of Vermont Special Environmental Revolving Fund, Danville Hill Water Project, Authorized to \$53,500 but Eligible for \$15,000 Principal Forgiveness, Principal Payments of \$7,700 Payable on December 1 Annually Beginning December 1, 2022, 0% Interest, Due December, 2026	0	49,605	0	49,605
Bond Payable, Vermont Municipal Bond Bank, Wastewater System Improvements, Principal Payments Ranging from \$19,532 to \$33,505 Payable on November 1 Annually, Interest Ranging from 3.93% to 4.09% Payable on May 1 and November 1, Due November, 2031	369,538	0	0	369,538

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Wastewater System Improvements, Principal Payments of \$3,084 Payable on June 1 Annually, 0% Interest, Due June, 2023	\$ 18,510	\$ 0	\$ 3,084	\$ 15,426
Total Business-type Activities	<u>\$877,083</u>	<u>\$49,605</u>	<u>\$45,489</u>	<u>\$881,199</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General Obligation Bonds Payable	\$ 390,000	\$ 0	\$ 0	\$ 390,000	\$ 80,000
Notes Payable	884,990	100,000	90,000	894,990	139,888
Capital Leases Payable	303,405	0	0	303,405	45,026
Compensated Absences Payable	10,815	4,974	0	15,789	0
Net Pension Liability	104,368	0	9,686	94,682	0
Total Governmental Activities Long-term Liabilities	<u>\$ 1,693,578</u>	<u>\$ 104,974</u>	<u>\$ 99,686</u>	<u>\$ 1,698,866</u>	<u>\$ 264,914</u>
<b>Business-type Activities</b>					
General Obligation Bonds Payable	\$ 877,083	\$ 49,605	\$ 45,489	\$ 881,199	\$ 51,118
Total Business-type Activities Long-term Liabilities	<u>\$ 877,083</u>	<u>\$ 49,605</u>	<u>\$ 45,489</u>	<u>\$ 881,199</u>	<u>\$ 51,118</u>

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

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

Debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Capital Leases</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 219,888	\$ 30,798	\$ 45,026	\$ 51,118	\$ 12,183
2020	201,868	26,429	39,027	51,916	13,725
2021	203,896	21,962	39,027	52,745	12,896
2022	205,976	17,240	114,027	53,415	12,034
2023	171,848	12,314	16,595	62,011	11,139
2024-2028	281,514	18,936	93,190	297,748	40,978
2029-2032	0	0	0	209,238	12,040
Total	1,284,990	127,679	346,892	778,191	114,995
Less: Imputed Interest	0	0	(43,487)	0	0
Plus: Principal to be Forgiven (To be Converted to Grant)	0	0	0	103,008	0
Total	<u>\$ 1,284,990</u>	<u>\$ 127,679</u>	<u>\$ 303,405</u>	<u>\$ 881,199</u>	<u>\$ 114,995</u>

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

**K. Fund Balances**

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

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

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

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

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

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

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

The fund balances in the following fund is nonspendable as follows:

Major Fund

General Fund:

Nonspendable Prepaid Expenses	\$ 5,397
Nonspendable Inventories	<u>43,382</u>
Total General Fund	<u>48,779</u>

TOWN OF CABOT, VERMONT  
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JUNE 30, 2018

Non-Major Funds

Permanent Fund:	
Nonspendable Cemetery Fund Principal – Estimated	\$ <u>11,100</u>
Total Nonspendable Fund Balances	\$ <u>59,879</u>

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

Major Funds

General Fund:	
Restricted for Library Playground Improvements by Donations (Source of Revenue is Donations)	\$ 4,450
Restricted for Records Restoration Expenses by Statute (Source of Revenue is Restoration Fees)	11,176
Restricted for Lister Education Expenses by Statute (Source of Revenue is Grant Revenue)	1,750
Restricted for Fire Department Property Purchase by Unspent Bond Proceeds (Source of Revenue is Bond Proceeds)	<u>1,749</u>
Total General Fund	<u>19,125</u>

Cabot Community Investment Fund:	
Restricted for Community Development by Grant Agreement (Source of Revenue is Grant Revenue)	<u>1,952,892</u>

Non-Major Fund

Permanent Fund:	
Restricted for Cemetery Expenses by Sale of Lots	<u>127,244</u>
Total Restricted Fund Balances	\$ <u>2,099,261</u>

The unassigned deficit in the General Fund of \$90,626 will be funded by the collection of grant receivables and future tax revenues.

**L. Restricted and Designated Net Position**

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

Governmental Activities:	
Inventories Restricted for Highway Use by Statute	\$ 43,382
Restricted for Library Playground Improvements by Donations	4,450
Restricted for Records Restoration Expenses by Statute	11,176
Restricted for Lister Education Expenses by Statute	1,750
Restricted for Community Development by Grant Agreement	2,215,193
Restricted for Cemetery Expenses by Sale of Lots	<u>138,344</u>
Total Governmental Activities	\$ <u>2,414,295</u>

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

Business-type Activities:	
Designated for Wastewater Operations	\$ <u>145,305</u>
Total Business-type Activities	\$ <u>145,305</u>

The unrestricted deficit in the Water Fund of \$74,117 will be funded in future years with additional revenues.

**V. OTHER INFORMATION**

**A. PENSION PLAN**

**Defined Benefit Plan**

**The Vermont Municipal Employees' Retirement System (VMERS)**

**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 CABOT, 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 0.0781% resulting in a net pension liability of \$94,682. 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, 2018, the Town's proportion of 0.0781% was a decrease of 0.003% from the prior year.

For the period ended June 30, 2018, the Town recognized pension expense of \$23,998.

As of June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,377	\$ 2,344
Difference between projected and actual investment earnings on pension assets	15,770	0
Changes in assumptions	19,821	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,601	1,715
Town's required employer contributions made subsequent to the measurement date	13,354	0
	\$ 51,923	\$ 4,059

The required contributions made subsequent to the measurement date includes \$6,590 of contributions made from July 1, 2017 to December 31, 2017.

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

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$13,354 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2019	\$13,417
2020	17,702
2021	4,509
2022	<u>(1,118)</u>
Total	<u>\$34,510</u>

**Summary of System Provisions**

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

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Group A – Average annual compensation during highest five (5) consecutive years.

Service Retirement Allowance:

Eligibility – Group A – The earlier of age 65 with five (5) years of service or age 55 with thirty-five (35) years of service.

Amount – Group A – 1.4% of AFC times service.

Maximum benefit is 60% of AFC for Group A. 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 A.

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

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

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

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 A, 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 A, 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 2% for Group A.

Member Contributions – Group A – 2.5%.

Employer Contributions – Group A – 4.0%.

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 A – 98% of RP-2014 blended 60% Blue Collar Employee, 40% Healthy Employee with generational projection using Scale SSA-2017.

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

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

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

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 1.15% per annum for Group A 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 A 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 CABOT, 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>
\$169,048	\$94,682	\$33,007

**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. 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 risk 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 rate setting 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.

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

**C. 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.

**D. PROPERTY TAXES**

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are due in one installment on March 29<sup>th</sup>. The penalty rate is eight percent (8%) after the March 29<sup>th</sup> payment. Interest is charged at one percent (1%) per month for the first three months and one and a half percent (1-1/2%) per month for each month thereafter. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale. The tax rates for 2018 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	0.1314	0.1314
Highway	<u>0.1732</u>	<u>0.1732</u>
Total	<u>0.3046</u>	<u>0.3046</u>

The Town changed from a calendar year-end to a June fiscal year-end. To accomplish the change in year-end, the Town billed a six (6) month tax rate.

**E. SUBSEQUENT EVENTS**

On July 2, 2018, the Town approved a loan agreement with the Union Bank for the purchase of a loader in the amount of \$141,755 with an interest rate of 2.39% and a maturity date of July 1, 2025.

TOWN OF CABOT, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE SIX (6) MONTHS ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues:</b>			
Property Taxes	\$ 518,665	\$ 443,929	\$ (74,736)
Clerk Fees	8,500	7,351	(1,149)
Library Income	100	3,398	3,298
Records Restoration Fees	1,200	1,536	336
Delinquent Taxes	40,000	96,697	56,697
Interest	3,500	5,936	2,436
Municipal Planning Grant Income	0	5,998	5,998
Lister Education Grant Income	0	285	285
Miscellaneous Income	6,000	2,045	(3,955)
Water/Wastewater Administration Charges	0	5,500	5,500
Masonic Hall Fees	2,500	3,780	1,280
Reappraisal Income	0	8,503	8,503
Recreation Committee	200	450	250
Sheriff Fines	300	791	491
Willey Building Rental Income	650	2,195	1,545
Highway Miscellaneous Income	400	1,233	833
State Highway Aid	65,000	66,237	1,237
Highway Grant Income	0	12,000	12,000
	<u>647,015</u>	<u>667,864</u>	<u>20,849</u>
<b>Total Revenues</b>			
<b>Expenditures:</b>			
<b>General:</b>			
Payroll	75,000	78,398	(3,398)
Payroll Taxes	8,000	9,431	(1,431)
Special Service Appropriations	19,000	19,000	0
Audit	17,000	11,525	5,475
Legal	5,000	11,125	(6,125)
Computer	500	2,148	(1,648)
Conservation Commission	500	0	500
Constable	500	580	(80)
County Tax	14,000	6,844	7,156
Debt Collector Expense	4,000	2,091	1,909
Dues & Subscriptions	5,000	1,803	3,197
Fire Department Bond Interest	1,400	936	464
Fire Department Operations	21,000	24,579	(3,579)
General Expense	1,600	1,519	81
Health Insurance	11,000	10,366	634
Insurance	10,000	8,313	1,687
Interest Expense	0	1,690	(1,690)
Library Expense	40,000	48,741	(8,741)

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF CABOT, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE SIX (6) MONTHS ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
General/(Cont'd):			
Lister Expense	\$ 4,000	\$ 3,516	\$ 484
Masonic Hall Expense	5,000	4,204	796
Meetings/Elections	1,000	1,455	(455)
Office Expenses	2,700	6,460	(3,760)
Office Supplies	900	1,054	(154)
Planning Commission	600	469	131
Pound Keeper	500	0	500
Recreation Committee Operations	6,400	6,686	(286)
Selectboard Miscellaneous	1,000	494	506
Sheriff	3,000	1,909	1,091
Solid Waste/Recycle Center	3,600	4,179	(579)
Tax Reduction Loan	0	90,454	(90,454)
Village Expenses	5,000	17,139	(12,139)
Willey Building Expenses	20,000	18,922	1,078
Zoning Administration	1,000	1,339	(339)
	<u>288,200</u>	<u>397,369</u>	<u>(109,169)</u>
Total General			
Highway:			
Payroll	105,000	99,257	5,743
Payroll Taxes	12,000	11,203	797
Audit/Legal	500	0	500
Bridges	1,000	700	300
Building Maintenance	2,000	1,354	646
Chloride	8,500	12,408	(3,908)
Clothing Allowance	600	587	13
Cold Patch/Paving	2,000	858	1,142
Culverts	8,000	2,944	5,056
Equipment Lease	0	1,800	(1,800)
Equipment Repair	15,000	30,135	(15,135)
Fuel Expense for Equipment	22,000	26,484	(4,484)
Garage Supplies	5,000	2,503	2,497
Garage Repairs	0	2,091	(2,091)
Gravel	50,000	37,821	12,179
Health Insurance	24,000	18,946	5,054
Oil/Propane	4,500	1,005	3,495
Hired/Rented Equipment	10,000	7,900	2,100
Insurance	21,000	14,488	6,512
Miscellaneous	2,000	1,322	678
New Equipment	5,000	0	5,000
Paving Bond Interest	4,215	3,372	843

See Disclaimer in Accompanying Independent Auditor's Report.



TOWN OF CABOT, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE SIX (6) MONTHS ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway/(Cont'd):			
Salt	\$ 32,000	\$ 29,932	\$ 2,068
Sand	10,000	3,800	6,200
Signs & Guardrails	8,000	3,946	4,054
Tires	3,000	1,623	1,377
Town Garage Bond Interest	0	843	(843)
Transportation Planning	1,000	0	1,000
Utilities	2,500	1,923	577
Highway Grant Expenses	0	4,930	(4,930)
Total Highway	358,815	324,175	34,640
Total Expenditures	647,015	721,544	(74,529)
Excess/(Deficiency) of Revenues Over Expenditures	\$ 0	(53,680)	\$ (53,680)
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Unbudgeted Proceeds from Long-term Debt		100,000	
Unbudgeted Fire Department Property Purchase		(98,251)	
Net Change in Fund Balance		(51,931)	
Fund Balance - January 1, 2018		29,209	
Fund Balance - June 30, 2018		\$ (22,722)	

The reconciling items are due to unbudgeted capital expenditures and related funding.

TOWN OF CABOT, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 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	0.0781%	0.0811%	0.0821%	0.0795%
Town's Proportionate Share of the Net Pension Liability	\$ 94,682	\$ 104,368	\$ 63,269	\$ 7,253
Town's Covered Employee Payroll	\$ 333,852	\$ 321,605	\$ 310,635	\$ 311,775
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	28.3605%	32.4522%	20.3676%	2.3264%
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 CABOT, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 VMERS DEFINED BENEFIT PLAN  
 FOR THE SIX (6) MONTHS ENDED JUNE 30, 2018

	<u>2018*</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 6,764	\$ 12,865	\$ 12,426	\$ 12,471
Contributions in Relation to the Actuarially Determined Contributions	<u>6,764</u>	<u>12,865</u>	<u>12,426</u>	<u>12,471</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 169,109	\$ 321,605	\$ 310,635	\$ 311,775
Contributions as a Percentage of Town's Covered Employee Payroll	4.000%	4.000%	4.000%	4.000%

**Notes to Schedule**

Valuation Date: June 30, 2017

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

\*Six Months

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

CERTIFIED PUBLIC ACCOUNTANTS

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

Selectboard  
Town of Cabot, Vermont  
P.O. Box 36  
Cabot, Vermont 05647

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 Cabot, Vermont as of and for the six (6) months ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Cabot, Vermont's basic financial statements and have issued our report thereon dated February 12, 2019.

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

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

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

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 Cabot, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2018-1 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2018-2 to be a significant deficiency.

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

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

We also noted certain other matters that we reported to the management of the Town of Cabot, Vermont in a separate letter dated February 12, 2019.

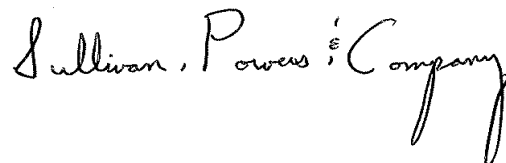
### ***Town of Cabot, Vermont's Response to Deficiencies in Internal Control***

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

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

February 12, 2019  
Montpelier, Vermont  
VT Lic. #92-000180



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

Deficiencies in Internal Control:

Material Weaknesses:

2018-1 Reconciliation of Balance Sheet Accounts

*Criteria:*

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

*Condition:*

The Town did not have internal controls in place to ensure that all balance sheets accounts were reconciled to supporting documentation at year-end.

*Cause:*

Unknown.

*Effect:*

A number of balance sheet accounts such as accounts receivable, loans receivable, prepaid expenses, inventory, capital assets, accumulated depreciation, accounts payable, accrued payroll and benefits payable, notes and capital leases payable and deferred inflows of resources were not reconciled prior to the audit to the actual balances at year-end which resulted in various adjustments to revenues and expenditures/expenses.

*Recommendation:*

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

Significant Deficiencies:

2018-2 Authorization and Support for General Journal Entries

*Criteria:*

Internal controls should be in place that requires appropriate officials to authorize all adjustments to the books of original entry. Each journal entry should have supporting documentation showing where the amounts come from and why the journal entry is being made. This should be attached or referenced to the journal entry.

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

*Condition:*

The Town has not implemented controls to require authorization of adjustments to the books of original entry. Also, the Town has begun attaching some documentation for the journal entries, however, the documentation was not sufficient to show where the amounts come from and why the journal entries are being made.

*Cause:*

Unknown.

*Effect:*

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

*Recommendation:*

We recommend that the Town implement controls that requires appropriate officials to authorize all general journal entries so as not to circumvent the original approval process. We also recommend that the Town attach or reference sufficient supporting documentation to all journal entries.

Michael Hogan, Chair, Select Board  
Fred Ducharme, Vice Chair, Select Board  
Jack Daniels, Select Board  
Ted Domey, Select Board  
Bernard Shatney, Select Board

**TOWN OF CABOT**  
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Cabot, Vermont 05647

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March 4, 2019

Sullivan, Powers & Company  
77 Barre Street  
Montpelier, VT 05601

Material Weakness – 2018-1 Reconciliation of Balance Sheet Accounts

We are working on internal procedures to mitigate this issue.

Material Weakness – 2018-2 Authorization and Support for General Journal Entries

We are working on internal procedures to mitigate this issue.

Respectfully,



Michael J. Hogan  
Chair, Cabot Selectboard