

**TOWN OF CABOT, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Donald J. Murray, CPA

INDEPENDENT AUDITOR'S REPORT

To the Selectboard
Town of Cabot
Cabot, Vermont

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 year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town'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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year 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 management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

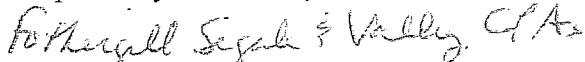
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Budget to Actual comparison for the General Fund expenditures for the Selectmen and Highway in Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Schedules 1 and 2 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 1 and 2 are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2015 on our consideration of the Town's internal control over financial reporting and 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 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's internal control over financial reporting and compliance.

Respectfully submitted,


FOTHERGILL SEGALE & VALLEY, CPAs
Montpelier, Vermont

Vermont Public Accountancy License #110

August 18, 2015

TOWN OF CABOT, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014

Our discussion and analysis of the Town of Cabot, Vermont's financial performance provides an overview of the Town's financial activities for the year ended December 31, 2014. Please read it in conjunction with the Town's financial statements which begin on page 10. Some 2013 numbers have been restated as described in Note 13.

Financial Highlights

Government-Wide Statements

- Net position of our governmental activities decreased by \$112,167 or about 2%. The net position of our business-type activities increased by \$46,052 or about 1%.
- The cost of all of the Town's programs was \$1,688,647 in 2014, compared to \$1,548,538 in 2013, with no new programs added this year.

Fund Statements

- The General Fund reported an increase in fund balance this year of \$195,976, which was \$338,057 better than what was budgeted. This compares to a \$403,986 decrease in 2013.
- The restricted fund balance was \$275,513 and is restricted for the town garage, records restoration, reappraisal and lister education. The committed fund balance of \$15,077 is for the fire department. The assigned fund balance of \$35,559 is for the library, the Masonic Hall and the Willey Building. The nonspendable fund balance of \$15,527 is for prepaid expenses.
- The UDAG Fund reported a decrease in fund balance this year of \$308,476 compared to the \$216,167 increase in the prior year.
- The Cemetery Fund reported an increase in fund balance this year of \$9,226, from a balance of \$93,624 to \$102,850.
- The Wastewater Fund reported an increase in net position of \$17,014 in 2014, compared to a decrease of \$50,740 in 2013, resulting in an ending net position of \$3,377,072.
- The Water Fund reported an increase in net position of \$29,038 in 2014, compared to an increase of \$30,664 in 2013, resulting in an ending net position of \$417,371.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits A and B) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of

TOWN OF CABOT, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014
(Continued)

the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and change in net position. You can think of the Town's net position – the difference between assets and liabilities – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall financial health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- Governmental activities – The Town's basic services are reported in the General Fund, including the highway department (public works), general administration, community development and culture and recreation. Property taxes and state and federal grants finance most of these activities.
- Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's wastewater and water systems are reported here.

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds begins on Exhibit C and provides detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. The Town's two categories of funds – governmental and proprietary – use different accounting approaches.

- Governmental fund – The Town's basic services are reported in the governmental fund, which focuses on how money flows into and out of that fund and the balance left at year-end that is available for spending. This fund is reported using a measurement focus called current financial resources, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental fund in Exhibits D and F that are included in the financial statements.
- Proprietary fund – When the Town charges customers for the services it provides – whether to outside customers or to other funds of the Town – these services are generally reported in a proprietary fund. A proprietary fund is reported in the same way that all business-type activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise fund (a type of proprietary fund) is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as the statement of cash flows.

TOWN OF CABOT, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014
(Continued)

The Town as a Whole

The Town's combined net position decreased by \$66,115 from a year ago – decreasing from a restated balance of \$8,497,617 to \$8,431,502. The prior year was restated due to a missed payable in the UDAG Fund as discussed in Note 13. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

Table 1
Net Position

	Governmental Activities		Business-type Activities		Total	
	(Restated)				(Restated)	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 3,016,298	\$ 3,298,593	\$ 139,798	\$ 11,756	\$ 3,156,096	\$ 3,310,349
Capital assets, net of depr	2,386,922	1,887,703	4,776,349	4,917,596	7,163,271	6,805,299
Total assets	5,403,220	5,186,296	4,916,147	4,929,352	10,319,367	10,115,648
Long-term liabilities	676,438	185,000	1,074,809	1,146,377	1,751,247	1,331,377
Other liabilities	89,723	252,070	46,895	34,584	136,618	286,654
Total liabilities	766,161	437,070	1,121,704	1,180,961	1,887,865	1,618,031
Net position:						
Invested in capital assets, net of debt	1,716,461	1,702,703	3,217,855	3,290,719	4,934,316	4,993,422
Restricted	2,777,789	2,907,252	0	0	2,777,789	2,907,252
Unrestricted	142,809	139,271	576,588	457,672	719,397	596,943
Total net position	\$ 4,637,059	\$ 4,749,226	\$ 3,794,443	\$ 3,748,391	\$ 8,431,502	\$ 8,497,617

Net position of the Town's governmental activities decreased by about 2% in 2014 (\$4,637,059 compared to \$4,749,226). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$139,271 to \$142,809 in 2014. Restricted net position decreased from \$2,907,252 to \$2,777,789 in 2014.

The net position of our business-type activities increased by \$46,052 in 2014 (\$3,794,443 compared to \$3,748,391).

TOWN OF CABOT, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014
(Continued)

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2014	(Restated) 2013	Change	2014	2013	Change
REVENUES						
Program revenues:						
Charges for services	\$ 66,009	\$ 58,962	\$ 7,047	\$ 269,259	\$ 254,040	\$ 15,219
Operating grants and contributions	172,500	162,178	10,322	20,165	27,647	(7,482)
Capital grants and contributions	17,035	343,648	(326,613)	0	0	0
General revenues:						
Property taxes	958,979	740,933	218,046	0	0	0
Interest and pen. on del taxes	19,786	18,765	1,021	0	0	0
Earnings (loss) on investments	50,266	263,615	(213,349)	48,533	(20,010)	68,543
Total revenues	<u>1,284,575</u>	<u>1,588,101</u>	<u>(303,526)</u>	<u>337,957</u>	<u>261,677</u>	<u>76,280</u>
PROGRAM EXPENSES						
General government	569,397	511,980	57,417	0	0	0
Public works	727,306	645,274	82,032	0	0	0
Community development	57,911	72,903	(14,992)	0	0	0
Culture and recreation	33,403	28,908	4,495	0	0	0
Interest on debt	8,725	7,720	1,005	0	0	0
Water system	0	0	0	49,177	44,039	5,138
Wastewater	0	0	0	242,728	237,714	5,014
Total program expenses	<u>1,396,742</u>	<u>1,266,785</u>	<u>129,957</u>	<u>291,905</u>	<u>281,753</u>	<u>10,152</u>
INCREASE (DECREASE) IN NET POSITION						
	<u>\$ (112,167)</u>	<u>\$ 321,316</u>	<u>\$ (433,483)</u>	<u>\$ 46,052</u>	<u>\$ (20,076)</u>	<u>\$ 66,128</u>

Governmental Activities

The decrease in net position for governmental activities was \$112,167 in 2014, compared to an increase of \$321,316 in 2013.

The cost of all governmental activities this year was \$1,396,742. However, as shown in the Statement of Activities on Exhibit B, the amount that our taxpayers ultimately financed for these activities through Town taxes was only \$1,141,198 because some of the cost was paid by those who directly benefited from the programs (\$66,009) or by other governments and organizations that subsidized certain programs with grants and contributions (\$189,535).

The increase in property tax revenue was due to an increase in the budget and the amount of taxes needed to be raised in taxes. There was a decrease in capital grants and contributions due to fewer grants being requested than in the previous year. Earnings on investments decreased mostly due to a decrease in unrealized gains. Public works expenses increased mostly due to filling a long-term vacant position and increased health insurance costs. The general government expenses increased due to increased costs for health insurance and audit and legal and due to increased wages.

TOWN OF CABOT, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014
(Continued)

Business-Type Activities

The net position for business type activities increased by \$46,052 in 2014.

The cost of all business-type activities this year was \$291,905. However, the amount that our taxpayers ultimately financed for these activities was \$2,481 because most of the cost was paid by those who directly benefited from the programs (\$269,259) or by other governments and organizations that subsidized certain programs with grants and contributions (\$20,165).

Table 3 presents the cost of each of the Town's four largest programs – general government, public works (highway), community development (UDAG), and culture and recreation – as well as each program's net cost (total cost less program revenues). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	(Restated) 2013	2014	(Restated) 2013
General government	\$ 569,397	\$ 511,980	\$ 528,389	\$ 460,329
Public works	727,306	645,274	527,728	145,665
Community development	57,911	72,903	57,911	72,903
Culture and recreation	33,403	28,908	18,445	15,380
All others	8,725	7,720	8,725	7,720
Totals	\$ 1,396,742	\$ 1,266,785	\$ 1,141,198	\$ 701,997

The Town's Funds

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$1,956,990, which is lower than last year's total restated fund balance of \$2,060,264. Included in this year's total decrease in fund balance of \$103,274 is an increase of \$195,976 in the General Fund, a decrease of \$308,476 in the UDAG Fund, and an increase of \$9,226 in the Cemetery Fund.

General Fund Budgetary Highlights

The Town's General Fund's activity compared to budget is reported on Exhibit G and Schedules 1 and 2. Some of the larger variances were as follows:

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Grant income	\$ 1,025,000	\$ 66,782	\$ (958,218)
Expenditures:			
Wages - Selectboard	138,500	162,841	(24,341)
Capital outlays - Highway	1,720,000	547,222	1,172,778
Highway	624,700	596,824	27,876
Library	54,648	21,307	33,341
Masonic Hall	52,100	7,805	44,295

TOWN OF CABOT, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014
(Continued)

Grant funds were lower than budget due to the Town Garage project that the Town budgeted to receive Federal/State funding for but has not yet been approved by the grantor. Selectboard wages were over budget due to hiring of a Road Commissioner and the extra hours worked relating to the new Town garage and grants. Capital outlays were under budget due to the Town garage project that was budgeted to be completed in 2014 but was not done. Overall, the Town budgeted a deficit in the General Fund of \$142,081 but ended up with a \$195,976 surplus for 2014. This was a result of unspent funds related to the Town Garage project, unbudgeted delinquent tax penalties and interest monies and lease proceeds, and expenditures being underspent in the highway department and for the Library.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2014, the Town had \$7,163,271 invested in a broad range of capital assets, including land, land improvement, buildings and improvements, vehicles, equipment and infrastructure, net of accumulated depreciation. (See Table 4 below) This amount represents a net increase (including additions and deductions) of \$357,972.

Table 4
Capital Assets at Year-End
(Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 109,102	\$ 42,152	\$ 167,341	\$ 167,341	\$ 276,443	\$ 209,493
Construction in progress	35,437	0	0	0	35,437	0
Plants	0	0	4,609,008	4,750,255	4,609,008	4,750,255
Buildings and impr.	256,123	198,900	0	0	256,123	198,900
Land improvements	31,301	0	0	0	31,301	0
Vehicles	513,416	565,992	0	0	513,416	565,992
Machinery and equip.	25,911	4,736	0	0	25,911	4,736
Infrastructure	1,415,632	1,075,923	0	0	1,415,632	1,075,923
Totals	<u>\$ 2,386,922</u>	<u>\$ 1,887,703</u>	<u>\$ 4,776,349</u>	<u>\$ 4,917,596</u>	<u>\$ 7,163,271</u>	<u>\$ 6,805,299</u>

This year's major additions for governmental activities were paving of Route 215, the purchase of land for the new town garage, office equipment, equipment for the fire department, improvements to the recreation field, a highway truck and improvements to the park and ride. There were no additions to the business-type activities.

Debt Administration

At December 31, 2014, the Town had \$1,748,455 in notes outstanding versus \$1,331,377 on December 31, 2013 – an increase of \$417,078 – as shown in Table 5.

TOWN OF CABOT, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014
(Continued)

Table 5
Outstanding Debt at Year-End

	Governmental Activities	Business-Type Activities	Total
Balance - December 31, 2013	\$ 185,000	\$ 1,146,377	\$ 1,331,377
Proceeds	526,460	0	526,460
Principal payments	(40,999)	(68,383)	(109,382)
Balance - December 31, 2014	<u>\$ 670,461</u>	<u>\$ 1,077,994</u>	<u>\$ 1,748,455</u>

Economic Factors and Next Year's Budgets and Rates

When adopting the budget for the 2015 year, the Selectboard based their figures on previous year spending and departmental budget requests. The tax rate is set based on the voter approved budget amount for taxes divided by the Grand List.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Treasurer at Town of Cabot, PO Box 36, Cabot, Vermont 05647.

TOWN OF CABOT, VERMONT
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 343,649	\$ 145,182	\$ 488,831
Investments	1,717,862	406,696	2,124,558
Receivables	123,988	41,136	165,124
Loans Receivable	332,129	0	332,129
Unbilled user fees	0	2,193	2,193
Prepaid Expenses	15,527	27,734	43,261
Internal Balances	483,143	(483,143)	0
Capital Assets			
Land	109,102	167,341	276,443
Construction in Process	35,437	0	35,437
Other Capital Assets, (Net of Accumulated Depreciation)	2,242,383	4,609,008	6,851,391
Total Assets	<u>5,403,220</u>	<u>4,916,147</u>	<u>10,319,367</u>
<u>LIABILITIES</u>			
Accounts Payable	48,289	13,380	61,669
Due to School District	34,999	0	34,999
Accrued Payroll and Benefits Payable	5,435	0	5,435
Accrued user fees	0	30,330	30,330
Other current liabilities	1,000	0	1,000
Accrued compensated absences	5,977	0	5,977
Bonds and notes payable due within one year	94,630	67,629	162,259
Bonds and notes payable due after one year	575,831	1,010,365	1,586,196
Total Liabilities	<u>766,161</u>	<u>1,121,704</u>	<u>1,887,865</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt Restricted	1,716,461	3,217,855	4,934,316
Cemetery	102,850	0	102,850
Community Development	2,399,426	0	2,399,426
Lister education	2,757	0	2,757
Records restoration	7,109	0	7,109
Reappraisal	65,534	0	65,534
Town garage	200,113	0	200,113
Unrestricted	142,809	576,588	719,397
Total Net Position	<u>\$ 4,637,059</u>	<u>\$ 3,794,443</u>	<u>\$ 8,431,502</u>

See Notes to Financial Statements.

TOWN OF CABOT, VERMONT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	Program Revenues				Net (Expenses) Revenues 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							
Governmental Activities:							
General Government	\$ 569,397	\$ 32,563	\$ 8,445	\$ 0	\$ (528,389)	\$ 0	\$ (528,389)
Public Works	727,306	18,488	164,055	17,035	(527,728)	0	(527,728)
Community Development	57,911	0	0	0	(57,911)	0	(57,911)
Culture and Recreation	33,403	14,958	0	0	(18,445)	0	(18,445)
Interest on Long-Term Debt	8,725	0	0	0	(8,725)	0	(8,725)
Total Governmental Activities	<u>1,396,742</u>	<u>66,009</u>	<u>172,500</u>	<u>17,035</u>	<u>(1,141,198)</u>	<u>0</u>	<u>(1,141,198)</u>
Business-Type Activities:							
Water	49,177	58,050	20,165	0	0	29,038	29,038
Wastewater	242,728	211,209	0	0	0	(31,519)	(31,519)
Total Business-Type Activities	<u>291,905</u>	<u>269,259</u>	<u>20,165</u>	<u>0</u>	<u>0</u>	<u>(2,481)</u>	<u>(2,481)</u>
Total	<u>\$ 1,688,647</u>	<u>\$ 335,268</u>	<u>\$ 192,665</u>	<u>\$ 17,035</u>	<u>(1,141,198)</u>	<u>(2,481)</u>	<u>(1,143,679)</u>
General Revenues:							
Property taxes					958,979	0	958,979
Interest and penalties on delinquent taxes					19,786	0	19,786
Net investment income (loss)					50,266	48,533	98,799
Total general revenues					<u>1,029,031</u>	<u>48,533</u>	<u>1,077,564</u>
Change in Net Position					(112,167)	46,052	(66,115)
Net Position - January 1, 2014 (restated)					<u>4,749,226</u>	<u>3,748,391</u>	<u>8,497,617</u>
Net Position - December 31, 2014					<u>\$ 4,637,059</u>	<u>\$ 3,794,443</u>	<u>\$ 8,431,502</u>

See Notes to Financial Statements.

TOWN OF CABOT, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Major Funds		Nonmajor Fund	Totals
	General Fund	UDAG	Cemetery Fund	
ASSETS				
Cash and cash equivalents	\$ 256,374	\$ 49,713	\$ 37,562	\$ 343,649
Investments	0	1,665,719	52,143	1,717,862
Cash held by tax collector	14,799	0	0	14,799
Prepaid expenses	15,527	0	0	15,527
Taxes, interest and penalty receivable	96,513	0	0	96,513
Accounts receivable - State	4,900	0	0	4,900
Accounts receivable - other	7,776	0	0	7,776
Loans receivable	0	332,129	0	332,129
Advances to other funds	0	554,833	0	554,833
Due from other funds	190,848	0	13,145	203,993
Total assets	\$ 586,737	\$2,602,394	\$ 102,850	\$ 3,291,981
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 46,671	\$ 1,618	\$ 0	\$ 48,289
Accrued wages	5,435	0	0	5,435
Due to other funds	0	201,350	0	201,350
Due to School	34,999	0	0	34,999
Deposits held for others	1,000	0	0	1,000
Advances from other funds	74,333	0	0	74,333
Total liabilities	162,438	202,968	0	365,406
Deferred Inflows of Resources				
Unavailable revenue - property taxes	82,623	0	0	82,623
Unavailable revenue - loans	0	886,962	0	886,962
Total deferred inflows of resources	82,623	886,962	0	969,585
Fund Balances				
Nonspendable - prepaids	15,527	0	0	15,527
Restricted	275,513	1,512,464	102,850	1,890,827
Committed	15,077	0	0	15,077
Assigned	35,559	0	0	35,559
Total fund balances	341,676	1,512,464	102,850	1,956,990
Total liabilities, deferred inflows of resources and fund balances	\$ 586,737	\$2,602,394	\$ 102,850	\$ 3,291,981

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	1,956,990
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements.</p>		2,386,922
<p>Unavailable revenue for property taxes (\$82,623) and loans (\$886,962) is recognized on an accrual basis in the statement of net position, not for the modified cash basis.</p>		969,585
<p>Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the fund statements. Long-term liabilities at year end consist of:</p>		
Bonds and notes payable		(670,461)
Accrued compensated absences		(5,977)
		(676,438)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	4,637,059

TOWN OF CABOT, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014

EXHIBIT E

	Major Funds		Nonmajor Fund	Totals
	General Fund	UDAG	Cemetery Fund	
Revenues				
Property taxes	\$ 941,487	\$ 0	\$ 0	\$ 941,487
State aid highways	132,726	0	0	132,726
Delinquent tax penalties & interest	19,786	0	0	19,786
Licenses, fees & permits	21,601	0	0	21,601
Investment income (loss)	10,209	37,847	2,210	50,266
Loan repayments	0	13,248	0	13,248
Rental income	7,556	0	0	7,556
Diesel reimbursement	15,740	0	0	15,740
Library income	3,321	0	0	3,321
Other	13,276	0	7,015	20,291
Grant income	66,782	0	0	66,782
Reappraisal - Act 60	8,445	0	0	8,445
Total revenues	<u>1,240,929</u>	<u>51,095</u>	<u>9,225</u>	<u>1,301,249</u>
Expenditures				
Current:				
Selectmen	474,724	0	0	474,724
Highway	596,824	0	0	596,824
Willey Building	36,762	0	0	36,762
Library expenses	21,307	0	0	21,307
Cemetery	0	0	19,769	19,769
Community grants	0	33,899	0	33,899
Community loans	0	11,413	0	11,413
Scholarship grants	0	9,750	0	9,750
Other	0	2,849	0	2,849
Total current	<u>1,129,617</u>	<u>57,911</u>	<u>19,769</u>	<u>1,207,297</u>
Debt service:				
Principal - Selectmen	35,000	0	0	35,000
Principal - Highway	5,999	0	0	5,999
Interest - Selectmen	5,347	0	0	5,347
Interest - Highway	3,378	0	0	3,378
Total debt service	<u>49,724</u>	<u>0</u>	<u>0</u>	<u>49,724</u>
Capital outlays:				
Selectmen	43,329	0	0	43,329
Highway	547,222	0	0	547,222
Willey Building	83,411	0	0	83,411
Total capital outlays	<u>673,962</u>	<u>0</u>	<u>0</u>	<u>673,962</u>
Total expenditures	<u>1,853,303</u>	<u>57,911</u>	<u>19,769</u>	<u>1,930,983</u>
Excess Revenues (Expenditures)	<u>(612,374)</u>	<u>(6,816)</u>	<u>(10,544)</u>	<u>(629,734)</u>
Other Financing Sources (Uses)				
Bond proceeds	500,000	0	0	500,000
Lease proceeds	26,460	0	0	26,460
Transfers in	301,660	0	19,770	321,430
Transfers out	(19,770)	(301,660)	0	(321,430)
Total other financing sources (uses)	<u>808,350</u>	<u>(301,660)</u>	<u>19,770</u>	<u>526,460</u>
Net Change in Fund Balances	195,976	(308,476)	9,226	(103,274)
Fund Balances - January 1, 2014 (Restated)	<u>145,700</u>	<u>1,820,940</u>	<u>93,624</u>	<u>2,060,264</u>
Fund Balances - December 31, 2014	<u>\$ 341,676</u>	<u>\$ 1,512,464</u>	<u>\$ 102,850</u>	<u>\$ 1,956,990</u>

See Notes to Financial Statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (103,274)

Amounts reported for governmental activities in the statement of activities are different because:

Some revenues are not collected for several months after the Town's year end; they are not considered "available" revenue in the fund statements.

Change in unavailable revenue consists of the following:

Property taxes (\$17,492), Grants \$20,918, Loans \$13,248 (16,674)

Receipt of bond and lease proceeds is other financing sources in the governmental funds; but this represents an increase in long-term liabilities in the statement of net position. (526,460)

Repayment of notes principal is an expenditure in the governmental funds; but the repayment reduces long-term liabilities in the statement of net position. 40,999

In the statement of activities, accrued compensated absences are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). This year compensated absences earned was more than what was paid by \$5,977. (5,977)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost (\$673,962) of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$174,743). This is the amount by which depreciation was less than capital outlays in the current period. 499,219

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (112,167)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET

GENERAL FUND

YEAR ENDED DECEMBER 31, 2014

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 952,665	\$ 941,487	\$ (11,178)
State aid highway	130,000	132,726	2,726
Delinquent tax penalties & interest	0	19,786	19,786
Licenses, fees & permits	27,500	21,601	(5,899)
Interest & dividends	10,000	10,209	209
Rental income	6,500	7,556	1,056
Diesel reimbursement	10,000	15,740	5,740
Grant income	1,025,000	66,782	(958,218)
Library income	0	3,321	3,321
Other	1,000	13,276	12,276
Reappraisal - Act 60	8,000	8,445	445
Total revenues	<u>2,170,665</u>	<u>1,240,929</u>	<u>(929,736)</u>
Expenditures			
Current:			
Selectmen	478,498	474,724	3,774
Highway	624,700	596,824	27,876
Library	54,648	21,307	33,341
Willey Building	45,000	36,762	8,238
Total current	<u>1,202,846</u>	<u>1,129,617</u>	<u>73,229</u>
Debt service:			
Principal - Selectmen	35,000	35,000	0
Principal - Highway	0	5,999	(5,999)
Interest - Selectmen	5,400	5,347	53
Interest - Highway	6,000	3,378	2,622
Total debt service	<u>46,400</u>	<u>49,724</u>	<u>(3,324)</u>
Capital outlays:			
Selectmen	17,500	43,329	(25,829)
Highway	1,720,000	547,222	1,172,778
Willey Building	83,000	83,411	(411)
Total capital outlays	<u>1,820,500</u>	<u>673,962</u>	<u>1,146,538</u>
Total expenditures	<u>3,069,746</u>	<u>1,853,303</u>	<u>1,216,443</u>
Excess Revenues (Expenditures)	<u>(899,081)</u>	<u>(612,374)</u>	<u>286,707</u>
Other Financing Sources (Uses)			
Bond proceeds	500,000	500,000	0
Lease proceeds	0	26,460	26,460
Transfers in	277,000	301,660	24,660
Transfers out	(20,000)	(19,770)	230
Total other financing sources (uses)	<u>757,000</u>	<u>808,350</u>	<u>51,350</u>
Net Change in Fund Balance	<u>\$ (142,081)</u>	<u>195,976</u>	<u>\$ 338,057</u>
Fund Balance - January 1, 2014		<u>145,700</u>	
Fund Balance - December 31, 2014		<u>\$ 341,676</u>	

TOWN OF CABOT, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

EXHIBIT H

	Wastewater Fund	Water Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 130,515	\$ 14,667	\$ 145,182
Investments	406,696	0	406,696
Accounts receivable	28,920	12,216	41,136
Unbilled user fees	0	2,193	2,193
Prepaid expenses	0	27,734	27,734
Due from other funds	0	542	542
Total current assets	<u>566,131</u>	<u>57,352</u>	<u>623,483</u>
Non-Current Assets			
Land	143,663	23,678	167,341
Plant, net of depreciation	3,644,329	964,679	4,609,008
Total non-current assets	<u>3,787,992</u>	<u>988,357</u>	<u>4,776,349</u>
Total assets	<u>4,354,123</u>	<u>1,045,709</u>	<u>5,399,832</u>
LIABILITIES			
Current Liabilities			
Accounts payable	9,323	4,057	13,380
Accrued user fees	30,330	0	30,330
Due to other funds	3,185	0	3,185
Bond and notes payable due within one year	21,167	46,462	67,629
Total current liabilities	<u>64,005</u>	<u>50,519</u>	<u>114,524</u>
Noncurrent Liabilities			
Advances from other funds	480,500	0	480,500
Bonds and notes payable due after one year	432,546	577,819	1,010,365
Total noncurrent liabilities	<u>913,046</u>	<u>577,819</u>	<u>1,490,865</u>
Total liabilities	<u>977,051</u>	<u>628,338</u>	<u>1,605,389</u>
NET POSITION			
Unrestricted	523,293	53,295	576,588
Invested in capital assets, net of related debt	2,853,779	364,076	3,217,855
Total net position	<u>\$ 3,377,072</u>	<u>\$ 417,371</u>	<u>\$ 3,794,443</u>

TOWN OF CABOT, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

EXHIBIT I

	Wastewater Fund	Water Fund	Total
OPERATING REVENUES			
Charges for services	\$ 206,620	\$ 57,910	\$ 264,530
Other fees and charges	4,589	140	4,729
Total operating revenues	211,209	58,050	269,259
OPERATING EXPENSES			
Operation and maintenance	102,380	13,325	115,705
Contracted services	3,055	8,288	11,343
Administration fees	5,679	508	6,187
Depreciation	114,191	27,056	141,247
Total operating expenses	225,305	49,177	274,482
OPERATING INCOME (LOSS)	(14,096)	8,873	(5,223)
NONOPERATING REVENUES (EXPENSES)			
Unrealized gain on investments	25,438	0	25,438
Grant income	0	20,165	20,165
Interest expense	(17,423)	0	(17,423)
Interest/dividend income	23,095	0	23,095
Net nonoperating revenues	31,110	20,165	51,275
CHANGE IN NET POSITION	17,014	29,038	46,052
NET POSITION - JANUARY 1, 2014	3,360,058	388,333	3,748,391
NET POSITION - DECEMBER 31, 2014	\$ 3,377,072	\$ 417,371	\$ 3,794,443

TOWN OF CABOT, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

EXHIBIT J

	Wastewater Fund	Water Fund
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Cash received from customers	\$ 202,687	\$ 56,720
Cash payments to suppliers for goods and services	(102,468)	(45,805)
Net cash from operating activities	100,219	10,915
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash payments from other funds	3,137	3,058
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from capital grants	0	20,165
Principal paid on capital debt	(20,484)	(47,899)
Interest paid on capital debt	(17,423)	0
Net cash to capital and related financing activities	(37,907)	(27,734)
CASH FLOWS FROM (TO) INVESTING ACTIVITIES		
Purchase of investments	(86,677)	0
Interest on cash and investments	23,095	0
Net cash to investing activities	(63,582)	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,867	(13,761)
CASH AND CASH EQUIVALENTS - JANUARY 1, 2014	128,648	28,428
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2014	\$ 130,515	\$ 14,667
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM (TO) OPERATING ACTIVITIES		
Income (loss) from operations	\$ (14,096)	\$ 8,873
Adjustments to reconcile income (loss) from operations to net cash flow from operating activities		
Depreciation	114,191	27,056
(Increase) decrease in accounts receivable	(4,952)	(2,703)
(Increase) decrease in unbilled user fees	0	654
(Increase) decrease in prepaid expenses	0	(27,734)
Increase (decrease) in accrued user fees	(3,570)	0
Increase (decrease) in accounts payable	8,646	4,049
Net cash provided by operating activities	\$ 100,219	\$ 10,195

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

The Town of Cabot (the Town) is a unit of local government organized under the statutes of the State of Vermont. In 2011, the Town merged with the Village of Cabot, however reference to the governmental entity in these statements remains as the Town but include activity for both the Town and the Village. The Town is governed by a five member Select Board. The Town provides various services as authorized and funded by State government or Town voters.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

The Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:

A Management Discussion and Analysis (MD&A) section providing narrative analysis of the Town's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Town's activities.

- A change in the fund financial statements to focus on major funds, as defined.

GASB Statement No. 38 establishes and modifies certain financial statement note disclosure requirements to make the financial statements more useful in the context of GASB Statement No. 34 reporting model. The Statement had an impact on the presentation of the notes to the financial statements, but no impact on net assets.

Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity are set forth in GASB 14 as amended by GASB 39, and Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

Based on the criteria, the Town has no component units.

Basic Financial Statements – Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (focusing on the Town's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. The Town's public works (highways), culture and recreation, community development (UDAG) and general administrative services are classified as governmental activities. The Town's water and wastewater services are classified as business-type activities.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's governmental functions and business-type activities. The functions are also supported by general government revenue (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, including operating and capital grants and contributions. Program revenue must be directly associated with the governmental function (public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary grants while capital grants and contribution column reflects capital specific grants and contributions.

The net costs (by governmental function or business-type activity) are normally covered by general revenues (property taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by major fund within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental category or enterprise type. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category/type or the governmental and enterprise funds combined) for the determination of major funds. The Town's major funds consist of the General Fund, the UDAG Fund, the Wastewater Fund and the Water Fund. The Cemetery Fund is the only non-major fund of the Town. The General Fund is the main operating fund of the Town. The UDAG Fund accounts for the money granted to the Town from the U.S. Department of Housing and Urban Development to be loaned or granted to community members or businesses to foster economic and social development of the Town. The Wastewater Fund accounts for the activity of the wastewater treatment plant and the Water Fund accounts for the activity of the water system.

The Town reports on the following governmental funds:

General Fund is the main operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This fund classification consists of the UDAG Fund and the Cemetery Fund.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, and cash flows. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Wastewater Fund and the Water Fund are Enterprise Funds.

Measurement Focus

The accounting and financial reporting 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 and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Fund equity is segregated into invested in capital assets, net of related debt; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when transactions occur and expenses are recognized when incurred.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end for property taxes and six months for other revenue (grants and loans). Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, compensated absences, claims and judgments, and certain prepaids, which are recognized when due/paid.

Government-wide and Proprietary Fund Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Net position is divided into three components:

Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consist of assets that are restricted by the Town's creditors, enabling legislation, by grantors, and by other contributors.

Unrestricted net position – all other net position is reported in this category.

Unavailable Revenue

Unavailable revenue consists of the following:

General Fund – Delinquent taxes not collected within sixty (60) days after year end and other receivables not collected within six months after year end.

UDAG Fund – Long-term loan receivables.

Deferred Inflows of Resources

Deferred inflows of resources reflect an increase in net position that applies to a future period(s). The Town will recognize the related revenues when a future event occurs. The Town has two items which occur because governmental fund revenues are not recognized until available (collected not later than sixty days after the end of the Town's fiscal year for property taxes, and six months for all other revenues) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, unavailable property tax revenue and unavailable loans are reported in the governmental funds balance sheet. The Town did not have deferred inflows of resources to report in its government-wide or proprietary fund financial statements for the current year.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Fund Equity*

GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions” provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted fund balances - Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. federal and state grants, bondholders, trust and trustee accounts).

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the Town’s Selectboard. Formal action must be taken prior to the end of the fiscal year (e.g. capital projects, compensated absences). The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned fund balances - Indicates the portion of fund equity that is set aside with the intent to be used for a specific purpose by the Selectboard, or body or official that has been given the authority to assign funds (e.g. encumbrances, subsequent budgets). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances - Indicates the portion of fund equity that has not been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

After approval of the fund balance policy, the Selectboard can establish (and modify or rescind) fund balance commitments by passage of a resolution. This is typically done through a simple majority vote. Assigned fund balance is established by the Selectboard through a majority vote, and must be recorded in the minutes, as intended for specific purpose (such as the purchase of capital assets, construction, debt service or other purposes).

When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied in the following order:

1. Committed
2. Assigned
3. Unassigned

Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Investments*

Investments are carried at fair value, (quoted market price, or the best available estimate).

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	20 – 50 years
Land improvements	20 years
Vehicles	5 – 15 years
Machinery and equipment	3 – 15 years
Infrastructure	10 – 50 years

GASB No. 34 requires the Town to report and depreciate new general infrastructure assets prospectively starting July 1, 2003. General infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

Accrued Compensated Absences

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these amounts. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

Budgetary Accounting

The Town employs a formal budgetary process as a management control device during the year for the General Fund. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual, presents comparisons of the budget with actual data. The budget numbers shown are on the same basis as the financial statements.

The Town is not legally required to adopt a budget for funds other than the General Fund. Therefore, a budgetary comparison is not presented for those funds.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Interfund Activities*

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion) or “advances to/from other funds” (i.e., the non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds, as reported in the fund financial statements, are offset by a fund reserve account (restricted, committed or assigned fund balance) in the applicable funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Prepaid Expenses

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Treasurer is authorized to invest excess deposits and investments according to policies set by the Selectboard.

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. As of December 31, 2014, \$37,281 of the government’s bank balance of \$459,713 was exposed to custodial credit risk. A summary of the Town’s custodial credit risk is as follows:

	Bank Balance
Insured by FDIC or SIPC	\$ 331,559
Uninsured, collateralized	90,873
Uninsured, uncollateralized	37,281
Total	<u>\$ 459,713</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)*Investments*

Investments at December 31, 2014 were as follows:

	<u>Fair Value</u>	<u>Maturity Date</u>	<u>Rating</u>
Mutual funds	\$ 133,910	n/a	
Common stocks	1,119,905	n/a	1 (S&P)
Corporate bonds	545,814	1/2015-11/2027	A- to AA+
Government bonds	324,929	2/2021-12/2038	
	<u>\$2,124,558</u>		

Credit Risk – Investments. The Town has an investment policy that limits its investment choices to policies set by the Selectboard.

Investment income is comprised of the following components for the year ended December 31, 2014:

	<u>Interest and Dividends</u>	<u>Realized and Unrealized Gains (Losses)</u>	<u>Investment Fees and Expenses</u>	<u>Total</u>
Governmental Funds				
General Fund	\$ 10,209	\$ 0	\$ 0	\$ 10,209
UDAG	39,754	10,508	(12,415)	37,847
Other governmental	2,466	(256)	0	2,210
Proprietary Fund				
Wastewater Fund	23,095	25,438	0	48,533
Total	<u>\$ 75,524</u>	<u>\$ 35,690</u>	<u>\$ (12,415)</u>	<u>\$ 98,799</u>

NOTE 3 - PROPERTY TAXES

Property taxes in the Town of Cabot support the School District, the Highway Fund and the General Fund. Taxes are assessed in July and are due in November. All late payments are subject to an 8% penalty, and interest is calculated at 1% per month for the first 3 months and 1.5% per month thereafter.

NOTE 4 - RECEIVABLES

Receivable balances as of December 31, 2014 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Net Receivables</u>
Delinquent taxes receivable	\$ 96,513	\$ 0	\$ 96,513
Cash held by tax collector	14,799	0	14,799
Accounts receivable - State	4,900	0	4,900
Accounts receivable - other	7,776	41,136	48,912
	<u>\$ 123,988</u>	<u>\$ 41,136</u>	<u>\$ 165,124</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 5 - UDAG LOANS RECEIVABLE/ADVANCES TO OTHER FUNDS

The UDAG loan receivables (\$332,129) and advances to other funds (\$554,833), total \$886,962 which are approved by the UDAG committee and are due from Cabot businesses and residents. There are two advances and five loans outstanding. The advances consist of \$480,500 to the Wastewater Fund, interest free, for about 30 years and \$74,333 to the General Fund. The three largest loans are to the Cabot Commons and total \$313,921. The terms of the loans range from 1 year to 30 years with interest from 0% to 6%. One loan, comprised of less than 1% of the total loans outstanding, is in default and the Town has taken legal action to secure payment by obtaining a lien on a personal residence.

NOTE 6 - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the year:

	Balance December 31, 2013	Additions	(Depreciation)	Balance December 31, 2014
<i>Governmental activities</i>				
Capital assets not depreciated				
Land	\$ 42,152	\$ 66,950	\$ 0	\$ 109,102
CIP - Buildings and improvements	0	35,437	0	35,437
Total capital assets not being deprec.	<u>\$ 42,152</u>	<u>\$ 102,387</u>	<u>\$ 0</u>	<u>\$ 144,539</u>
Capital assets being depreciated				
Buildings and improvements	\$ 531,489	\$ 83,411	\$ 0	\$ 614,900
Land improvements	0	31,966	0	31,966
Equipment	344,541	27,429	0	371,970
Vehicles	909,545	26,460	0	936,005
Infrastructure	1,272,974	402,309	0	1,675,283
Total capital assets being deprec.	<u>3,058,549</u>	<u>571,575</u>	<u>0</u>	<u>3,630,124</u>
Less accumulated depreciation for:				
Buildings and improvements	(332,589)	0	(26,188)	(358,777)
Land improvements	0	0	(665)	(665)
Equipment	(339,805)	0	(6,254)	(346,059)
Vehicles	(343,553)	0	(79,036)	(422,589)
Infrastructure	(197,051)	0	(62,600)	(259,651)
Total accum. Depreciation	<u>(1,212,998)</u>	<u>0</u>	<u>(174,743)</u>	<u>(1,387,741)</u>
Total capital assets, net of deprec.	<u>\$ 1,845,551</u>	<u>\$ 571,575</u>	<u>\$ (174,743)</u>	<u>\$ 2,242,383</u>
<i>Business-type activities</i>				
Capital assets not depreciated - land				
	<u>\$ 167,341</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 167,341</u>
Capital assets being depreciated - plant				
	\$ 6,292,856	\$ 0	\$ 0	\$ 6,292,856
Accum. depreciation - plant	(1,542,601)	0	(141,247)	(1,683,848)
Total plant, net of deprec.	<u>\$ 4,750,255</u>	<u>\$ 0</u>	<u>\$ (141,247)</u>	<u>\$ 4,609,008</u>

Depreciation for the governmental activities was charged to general government for \$41,684, public works for \$128,768 and culture & recreation for \$4,291. Depreciation for the proprietary funds consisted of \$114,191 for the Wastewater Fund and \$27,056 for the Water Fund.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 7 - INTERFUND ACTIVITY

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them in accordance with budgetary authorizations. \$19,770 was transferred to the Cemetery Fund from the General Fund per budget authorization. UDAG transferred \$301,660 to the General Fund.

The composition of due from/(to) other funds at December 31, 2014 are as follows:

Fund:	Due from other funds	Due to other funds
General Fund	\$ 190,848	\$ 0
UDAG	0	201,350
Cemetery Fund	13,145	0
Wastewater Fund	0	3,185
Water Fund	542	0
Total	<u>\$ 204,535</u>	<u>\$ 204,535</u>

The composition of advances to/(from) other funds at December 31, 2014 were as follows:

	Advances to other funds	Advances from other funds
Governmental funds		
General Fund	\$ 0	\$ 74,333
UDAG	554,833	0
Total governmental funds	<u>554,833</u>	<u>74,333</u>
Proprietary funds		
Wastewater Fund	0	480,500
Total	<u>\$ 554,833</u>	<u>\$ 554,833</u>

NOTE 8 - SHORT-TERM DEBT

In December 2013, the Town received a tax anticipation line of credit from Passumpsic Savings Bank for \$504,000 with an interest rate of .975%, due February 1, 2014.

In February 2014, the Town received a tax anticipation note from People's United Bank for \$980,000 with an interest rate of 1.15%, due December 31, 2014.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 8 - SHORT-TERM DEBT (Continued)

The following is a summary of changes in short-term debt for the year ended December 31, 2014 for the governmental activities.

Balance at January 1, 2014	\$ 200,000
Loan proceeds	980,000
Loan payments	<u>(1,180,000)</u>
Balance at December 31, 2014	<u><u>\$ 0</u></u>

Interest on short-term debt of \$10,184 was paid in 2014.

NOTE 9 - LONG-TERM LIABILITIES

Long-term debt at December 31, 2014 consisted of the following:

Governmental

Note payable to Vermont Bond Bank with yearly principal reduction of \$45,000 until 12/1/10, \$40,000 to 12/1/13 then \$15,000 until 12/1/18, interest changing semiannually with an initial rate of 3.835% (not to exceed 4.01%).	\$ 60,000
Bond payable to Vermont Bond Bank with yearly principal reduction of \$55,000 until 11/15/18, \$50,000 to 11/15/22 then \$40,000 until 11/15/24, interest changing semiannually with rates ranging from .513 to 3.223%.	500,000
Note payable to Ally Financial with yearly principal and interest payments of \$5,999 starting August 2014 until August 2018, interest at 6.69%.	20,461
Note payable to Vermont Bond Bank with yearly principal reduction of \$20,000 until 11/15/16, \$15,000 until 11/15/18, then \$10,000 until 11/15/21. Interest charged semiannually with an initial rate of .904% (not to exceed 3.514%).	<u>90,000</u>
Total	670,461
Amount due within one year	<u>(94,630)</u>
Amount due after one year	<u><u>\$ 575,831</u></u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 9 - LONG-TERM LIABILITIES (Continued)

Proprietary

		Due within one year
<u>Wastewater Fund</u>		
Bond payable with Vermont Bond Bank, semi-annual payments of \$34,822 starting 2012 until 2031, interest at 3.9%.	\$ 425,946	\$ 18,082
Note payable with Vermont Municipal Bond Bank, annual payments of \$3,085 starting June 2004 until 2023, interest at 0%.	27,767	3,085
Total wastewater fund	<u>453,713</u>	<u>21,167</u>
<u>Water Fund</u>		
Note payable to Vermont Bond Bank at -3% interest due in annual installments on January 1 beginning in 2002 through 2031. Yearly payments of \$27,734 through 2021, then \$27,542 through 2031. Grant income recognized annually for the amount of forgiven principal as a result of negative interest.	624,281	46,462
Total	<u>\$1,077,994</u>	<u>\$ 67,629</u>

The Town also has entered into a five year loan with the Vermont Environmental Protection Agency for \$14,400 at 0% interest with annual payments of \$2,880 beginning October 2018. As of August 18, 2015 no amounts have been drawn on that loan.

Long-term debt will mature approximately as follows:

	Governmental			Proprietary		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 94,630	\$ 15,976	\$ 110,606	\$ 67,629	\$ 16,740	\$ 84,369
2016	89,939	14,379	104,318	66,946	16,029	82,975
2017	90,270	12,684	102,954	66,333	15,290	81,623
2018	85,622	10,678	96,300	65,788	14,522	80,310
2019	60,000	8,525	68,525	65,315	13,726	79,041
2020-2024	250,000	20,685	270,685	292,674	55,516	348,190
2025-2029	0	0	0	298,879	30,308	329,187
2030-2034	0	0	0	154,430	3,902	158,332
Total	<u>\$ 670,461</u>	<u>\$ 82,927</u>	<u>\$ 753,388</u>	<u>\$ 1,077,994</u>	<u>\$ 166,033</u>	<u>\$ 1,244,027</u>

The following is a summary of changes of long-term liabilities for the year ended December 31, 2014:

	Governmental	Proprietary	Total
Balance at December 31, 2013	\$ 185,000	\$ 1,146,377	\$ 1,331,377
Proceeds	526,460	0	526,460
Increases in accrued vacation	5,977	0	5,977
Principal payments	(40,999)	(68,383)	(109,382)
Balance at December 31, 2014	<u>\$ 676,438</u>	<u>\$ 1,077,994</u>	<u>\$ 1,754,432</u>

Interest of \$26,148 was paid on long-term debt in 2014.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 10 – UNAVAILABLE REVENUE

Unavailable revenue of \$886,962 in the UDAG fund represents loan repayments to be received in future years. The total amount of the loan receivable is recorded as unavailable revenue and is recognized as revenue when received. Unavailable revenue in the General Fund consists of \$82,623 of property taxes not received within sixty days after year end.

NOTE 11 – RESTRICTED/COMMITTED/ASSIGNED FUND BALANCES

The restricted and assigned fund balances in the General Fund consist of the following:

	Restricted	Committed	Assigned
FD sinking fund	\$ 0	\$ 15,077	\$ 0
Library	0	0	13,148
Masonic Hall	0	0	16,381
Willey Building	0	0	6,030
Town garage	200,113	0	0
Reappraisal	65,534	0	0
Listers education	2,757	0	0
Land records	7,109	0	0
Totals	<u>\$ 275,513</u>	<u>\$ 15,077</u>	<u>\$ 35,559</u>

NOTE 12 - PENSION PLAN

All employees of the Town of Cabot are eligible for coverage by the Vermont Municipal Employees' Retirement System (VMERS). VMERS is a cost sharing multiple-employer public employees' retirement system. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The Town and the employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

There are three levels of contributions and benefits in the System called Group A, Group B and Group C. Employee contributions are 2.5%, 4.625% and 9.375% of gross pay and employer contributions are 4%, 5.125% and 6.625% of gross pay for Group A, Group B, and Group C plan members, respectively.

All employees of the Town are covered under Plan A. Employees are eligible for normal retirement after reaching age 65, provided they have completed five (5) years of service. Early retirement at a reduced payment is available as early as age 55, provided the employee has completed the five (5) years of service.

Covered wages paid under the plan were \$267,350 out of total wages of \$349,611. Contributions by the Town of Cabot were \$10,803 in 2014, \$8,356 in 2013, and \$7,970 in 2012.

The law requires the retirement fund to remain in actuarial balance. This guarantees to the members the availability of funds to pay their benefits when they retire.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 13 - PRIOR PERIOD ADJUSTMENT

The UDAG Fund's fund balance and net position of the Governmental Activities as of January 1, 2014 were restated as follows to account for articles approved in 2013 for UDAG spending that did not happen by year end.

	UDAG Fund Balance	Governmental Activities Net Position
As originally reported	\$ 1,843,703	\$ 3,748,391
Accounts payable	(22,763)	(22,763)
As restated	<u>\$ 1,820,940</u>	<u>\$ 3,725,628</u>

NOTE 14 - COMMITMENTS

In 1995, the UDAG committee agreed to grant the School \$250,000. These funds will be used to help remodel the School. The funds are to stay in the Town of Cabot UDAG name and be invested in U.S. government securities. The money will be disbursed to the School on an annual basis over a fourteen-year period according to the maturities of the various bonds purchased.

From time to time the Town enters into finance and maintenance agreements with the State of Vermont, Agency of Transportation, for various cost sharing arrangements relating to bridge and road projects. Generally, the Town bears certain percentages of the total costs relating to preliminary and construction engineering costs, right-of-way costs, utility costs, and final construction costs.

In 2011, the Town entered into a five year maintenance agreement with Utility Partners for routine operation and maintenance of the wastewater treatment facilities. The agreement may be extended for an additional five year term. The annual fee under the agreement is \$46,640 for the first two years, thereafter adjustments made according with the Consumer Price Index. The future minimum payments under the agreement are as follows:

2015	\$ 46,640
2016	46,640
Total	<u>\$ 93,280</u>

NOTE 15 - 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; and injuries to employees. The Town maintains commercial insurance coverage covering each of those risks of loss through the Vermont League of Cities and Towns. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(Continued)

NOTE 16 – BUDGETED DEFICIT

The Town elected to budget expenditures in excess of revenues by \$142,081 in the General Fund in order to reduce the prior year fund balance. This is reflected as a budgeted deficiency in revenues over expenditures on Exhibit G.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 18, 2015, the date which the financial statements were available for issue.

In January 2015, the Town entered into an agreement to purchase a parcel of land adjacent to the Town Hall for \$60,000.

In July 2015, the Town obtained a loan for \$396,423 to purchase highway equipment. The loan has an interest rate of 1.97% and payments being July 2016 through July 2022.

TOWN OF CABOT, VERMONT
 SCHEDULE OF EXPENDITURES - SELECTMEN
 BUDGET TO ACTUAL
 YEAR ENDED DECEMBER 31, 2014

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures - Selectmen			
Current:			
Appropriations	\$ 37,198	\$ 44,048	\$ (6,850)
Audit and legal	25,000	34,704	(9,704)
Computer	1,500	1,393	107
Conservation Commission	400	0	400
County tax	13,000	12,335	665
Delinquent tax collection fees	14,500	14,070	430
Dues and subscriptions	5,200	5,645	(445)
Employee benefits	13,600	16,821	(3,221)
Fire Department	36,500	44,310	(7,810)
Insurance	14,000	11,941	2,059
Interest on short-term debt	9,000	10,184	(1,184)
General	7,200	4,811	2,389
Health	40,000	36,135	3,865
Listers	5,000	6,624	(1,624)
Masonic Hall	52,100	7,805	44,295
Meeting elections	5,000	4,103	897
Miscellaneous	10,000	3,228	6,772
Office	4,000	4,782	(782)
Pound keeper	1,000	479	521
Planning Commission	15,000	7,389	7,611
Recreation department	7,000	7,743	(743)
Records restoration	5,000	3,521	1,479
Solid waste	2,500	2,080	420
Supplies	2,700	2,561	139
Tax maps	2,000	0	2,000
Tax sale	0	6,643	(6,643)
Village	11,600	18,528	(6,928)
Wages	138,500	162,841	(24,341)
Total current	<u>478,498</u>	<u>474,724</u>	<u>3,774</u>
Debt service:			
Principal	35,000	35,000	0
Interest	5,400	5,347	53
Total debt service	<u>40,400</u>	<u>40,347</u>	<u>53</u>
Capital outlays:			
Office equipment	5,000	5,895	(895)
Fire Department equipment	7,500	21,534	(14,034)
Rec. field improvements	5,000	15,900	(10,900)
Total capital outlays	<u>17,500</u>	<u>43,329</u>	<u>(25,829)</u>
Total expenditures - Selectmen	<u>\$ 536,398</u>	<u>\$ 558,400</u>	<u>\$ (22,002)</u>

TOWN OF CABOT, VERMONT
 SCHEDULE OF EXPENDITURES - HIGHWAY
 BUDGET TO ACTUAL
 YEAR ENDED DECEMBER 31, 2014

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures - Highway			
Current:			
Chloride	\$ 16,000	\$ 12,704	\$ 3,296
Clothing Allowance	2,000	2,000	0
Cold patch/paving	3,000	1,451	1,549
Culverts	8,000	8,163	(163)
Gravel	95,000	94,058	942
Bridges	5,000	1,567	3,433
Salt and sand	70,000	65,523	4,477
Fuel	60,000	65,365	(5,365)
Employee benefits	16,300	19,644	(3,344)
Equipment repairs	35,000	40,551	(5,551)
Garage supplies	6,000	5,071	929
Guardrails and signs	6,000	4,693	1,307
Health insurance	49,000	35,644	13,356
Highway furnace oil	5,200	5,976	(776)
Hired equipment	8,000	12,488	(4,488)
Insurance	26,000	25,561	439
Miscellaneous	8,000	7,049	951
New equipment	5,000	2,333	2,667
Paving	5,000	1,138	3,862
Sheriff	10,000	6,514	3,486
Tires	8,000	7,516	484
Transportation planning	20,000	1,745	18,255
Utilities	3,200	3,573	(373)
Wages	155,000	166,497	(11,497)
Total current	<u>624,700</u>	<u>596,824</u>	<u>27,876</u>
Debt service:			
Principal	0	5,999	(5,999)
Interest	6,000	3,378	2,622
Total debt service	<u>6,000</u>	<u>9,377</u>	<u>(3,377)</u>
Capital outlays:			
Route 215 paving	405,000	402,309	2,691
Town Garage project	1,300,000	102,387	1,197,613
Park & ride paving/lighting	15,000	16,066	(1,066)
Truck	0	26,460	(26,460)
Total capital outlays	<u>1,720,000</u>	<u>547,222</u>	<u>1,172,778</u>
Total expenditures - Highway	<u>\$2,350,700</u>	<u>\$ 1,153,423</u>	<u>\$1,197,277</u>

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Donald J. Murray, CPA

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*

To the Selectboard
Town of Cabot
Cabot, Vermont

We have audited, 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, 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 year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as 2014-1 and 2014-2 to be material weaknesses.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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*.

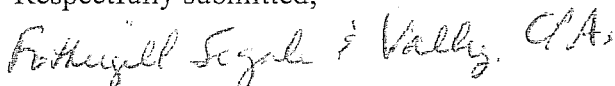
The Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



FOTHERGILL SEGALE & VALLEY, CPAs

Montpelier, Vermont

Vermont Public Accountancy License #110

August 18, 2015

TOWN OF CABOT, VERMONT
SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2014

INTERNAL CONTROL FINDINGS

Material Weaknesses

2014-1 During the audit, it was discovered that the depreciation for the proprietary funds (Water and Wastewater) were recorded twice. This resulted in a combined understatement of net position of \$141,247. We recommend reconciling all of the balance sheet accounts at year end to ensure that all adjusting entries have been properly recorded to ensure that the financial reports provided to the Selectboard contain accurate information. A comparison of current year to prior year financial reports is also a good tool to use to identify items that may have been misposted or omitted inadvertently.

Response:

The Town will reconcile all balance sheet amounts at year-end. The Town will also compare the current year to previous final report to ensure no items misposted or omitted inadvertently.

2014-2 During 2014, the Town purchased a new highway vehicle for which it obtained a loan. On the fund statements, which is how the Town maintains its books, the proceeds should be recorded as revenue, just as debt proceeds such as bonds are recorded. The offsetting cost of the vehicle should also be recorded as an expenditure in the Town's books.

Response:

On purchases such as a new vehicle, the proceeds will be recorded as revenue, and the off-setting costs of the vehicle will be recorded as an expenditure.