

**TOWN OF CABOT, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2015**

TABLE OF CONTENTS

		<u>Page Number</u>
INDEPENDENT AUDITOR'S REPORT		1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS		3 - 9
BASIC FINANCIAL STATEMENTS		
GOVERNMENT-WIDE FINANCIAL STATEMENTS		
Statement of Net Position	Exhibit A	10
Statement of Activities	Exhibit B	11
FUND FINANCIAL STATEMENTS		
Balance Sheet – Governmental Funds	Exhibit C	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	Exhibit D	13
Statement of Revenues, Expenditures and Change in Fund Balances – Governmental Funds	Exhibit E	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Change in Fund Balances to the Statement of Activities	Exhibit F	15
Statement of Revenues, Expenditures and Change in Fund Balance – Compared to Budget - General Fund	Exhibit G	16
Statement of Net Position – Proprietary Funds	Exhibit H	17
Statement of Revenues, Expenses and Change in Net Position – Proprietary Funds	Exhibit I	18
Statement of Cash Flows – Proprietary Funds	Exhibit J	19
NOTES TO FINANCIAL STATEMENTS		20 - 38
SUPPLEMENTARY INFORMATION		
Schedule of Expenditures – Selectmen - Budget to Actual	Schedule 1	39
Schedule of Expenditures – Highway - Budget to Actual	Schedule 2	40
Schedules of Town's Proportionate Share of Net Pension Liability and Town Contributions	Schedule 3	41
INTERNAL CONTROL AND COMPLIANCE REPORT		
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 <i>Government Auditing Standards</i>		42– 43
Schedule of Findings and Responses		44

FOTHERGILL SEGALE & VALLEY

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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, 2015, 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 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 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

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December 31, 2015, 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 and the Town's proportionate share of net pension liability and Town Contributions in Schedule 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town'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 December 8, 2016 on our consideration of the Town'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 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

December 8, 2016

TOWN OF CABOT, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015

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, 2015. Please read it in conjunction with the Town's financial statements which begin on page 10.

Financial Highlights

Government-Wide Statements

- Net position of our governmental activities increased by \$330,809 or about 7%. The net position of our business-type activities decreased by \$23,231 or less than 1%.
- The cost of all of the Town's programs was \$1,731,093 in 2015, compared to \$1,688,647 in 2014, with no new programs added this year.

Fund Statements

- The General Fund reported a decrease in fund balance this year of \$310,283, which was \$67,962 better than what was budgeted. This compares to a \$195,976 increase in 2014.
- The restricted fund balance was \$178,783 and is restricted for the town garage, records restoration, reappraisal and lister education. The committed fund balance of \$15,125 is for the fire department. The nonspendable fund balance of \$47,253 consists of highway inventory on hand at year end.
- The UDAG Fund reported an increase in fund balance this year of \$23,092 compared to the \$308,476 decrease in the prior year.
- The Cemetery Fund reported an increase in fund balance this year of \$2,701, from a balance of \$102,850 to \$105,551.
- The Wastewater Fund reported a decrease in net position of \$73,759 in 2015, compared to an increase of \$17,014 in 2014, resulting in an ending net position of \$3,303,313.
- The Water Fund reported an increase in net position of \$50,528 in 2015, compared to an increase of \$29,038 in 2014, resulting in an ending net position of \$467,899.

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

TOWN OF CABOT, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

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, 2015
(Continued)

The Town as a Whole

The Town's combined net position increased by \$307,578 from a year ago – increasing from a restated balance of \$8,412,127 to \$8,719,705. The 2014 balances were restated to implement GASB 68. Net position for the governmental activities decreased from a balance of \$4,637,059 to \$4,617,684 as a result of the restatement. 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)	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 3,819,670	\$ 3,016,298	\$ 154,874	\$ 139,798	\$ 3,974,544	\$ 3,156,096
Capital assets, net of depr	3,657,914	2,386,922	4,635,182	4,776,349	8,293,096	7,163,271
Total assets	7,477,584	5,403,220	4,790,056	4,916,147	12,267,640	10,319,367
Total deferred outflows of resources	37,626	10,242	0	0	37,626	10,242
Long-term liabilities	1,328,261	676,438	1,010,363	1,074,809	2,338,624	1,751,247
Net pension liability	63,269	7,253	0	0	63,269	7,253
Other liabilities	1,175,187	89,723	8,481	46,895	1,183,668	136,618
Total liabilities	2,566,717	773,414	1,018,844	1,121,704	3,585,561	1,895,118
Total deferred inflows of resources	0	22,364	0	0	0	22,364
Net position:						
Invested in capital assets, net of debt	2,160,381	1,716,461	3,144,319	3,217,855	5,304,700	4,934,316
Restricted	2,701,888	2,777,789	480,500	0	3,182,388	2,777,789
Unrestricted	86,224	123,434	146,393	576,588	232,617	700,022
Total net position	\$ 4,948,493	\$ 4,617,684	\$ 3,771,212	\$ 3,794,443	\$ 8,719,705	\$ 8,412,127

Net position of the Town's governmental activities increased by about 7% in 2015 (\$4,948,493 compared to a restated balance of \$4,617,684). 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 – decreased from \$123,434 to \$86,224 in 2015. Restricted net position decreased from \$2,777,789 to \$2,701,888 in 2015.

The net position of our business-type activities decreased by \$23,231 in 2015 (\$3,771,212 compared to \$3,794,443).

~~TOWN OF CABOT, VERMONT~~
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2015
 (Continued)

Table 2
 Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2015	2014	Change	2015	2014	Change
REVENUES						
Program revenues:						
Charges for services	\$ 68,764	\$ 66,009	\$ 2,755	\$ 266,970	\$ 269,259	\$ (2,289)
Operating grants and contributions	167,008	172,500	(5,492)	33,681	20,165	13,516
Capital grants and contributions	573,138	17,035	556,103	0	0	0
General revenues:						
Property taxes	965,490	958,979	6,511	0	0	0
Interest and pen. on del taxes	20,563	19,786	777	0	0	0
Gain on disposal of assets	45,000	0	45,000	0	0	0
Earnings (loss) on investments	(89,115)	50,266	(139,381)	(12,828)	48,533	(61,361)
Total revenues	1,750,848	1,284,575	466,273	287,823	337,957	(50,134)
PROGRAM EXPENSES						
General government	604,225	569,397	34,828	0	0	0
Public works	713,613	727,306	(13,693)	0	0	0
Community development	40,224	57,911	(17,687)	0	0	0
Culture and recreation	46,002	33,403	12,599	0	0	0
Interest on debt	15,975	8,725	7,250	0	0	0
Water system	0	0	0	43,021	49,177	(6,156)
Wastewater	0	0	0	268,033	242,728	25,305
Total program expenses	1,420,039	1,396,742	23,297	311,054	291,905	19,149
INCREASE (DECREASE) IN NET POSITION	\$ 330,809	\$ (112,167)	\$ 442,976	\$ (23,231)	\$ 46,052	\$ (69,283)

Governmental Activities

The increase in net position for governmental activities was \$330,809 in 2015, compared to a decrease of \$112,167 in 2014.

The cost of all governmental activities this year was \$1,420,039. 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 \$611,129 because some of the cost was paid by those who directly benefited from the programs (\$68,764) or by other governments and organizations that subsidized certain programs with grants and contributions (\$740,146).

There was an increase in capital grants and contributions due to grants being received for the garage project. Earnings on investments decreased mostly due to a decrease in unrealized gains on investments.

TOWN OF CABOT, VERMONT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2015
 (Continued)

Business-Type Activities

The net position for business type activities decreased by \$23,231 in 2015.

The cost of all business-type activities this year was \$311,054. However, the amount that our taxpayers ultimately financed for these activities was \$10,403 because most of the cost was paid by those who directly benefited from the programs (\$266,970) or by other governments and organizations that subsidized certain programs with grants and contributions (\$33,681).

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	
	2015	2014	2015	2014
General government	\$ 604,225	\$ 569,397	\$ 559,260	\$ 528,389
Public works	713,613	727,306	(38,664)	527,728
Community development	40,224	57,911	40,224	57,911
Culture and recreation	46,002	33,403	34,334	18,445
All others	15,975	8,725	15,975	8,725
Totals	<u>\$1,420,039</u>	<u>\$1,396,742</u>	<u>\$ 611,129</u>	<u>\$1,141,198</u>

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 \$1,672,500, which is lower than last year's total fund balance of \$1,956,990. Included in this year's total decrease in fund balance of \$284,490 is a decrease of \$310,283 in the General Fund, an increase of \$23,092 in the UDAG Fund, and an increase of \$2,701 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	Favorable (Unfavorable)
Revenues:			
Grant income	\$ 1,063,000	\$ 599,460	\$ (463,540)
Expenditures:			
Wages - Selectboard	115,000	178,192	(63,192)
Capital outlays - Highway	1,878,000	1,314,098	563,902
Highway	614,200	573,624	40,576
Library	57,600	22,114	35,486
Other Financing Sources (Uses):			
Loan proceeds	500,000	396,423	(103,577)

TOWN OF CABOT, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Grant funds were lower than budget due to the Town Garage project that the Town budgeted to be completed in 2015 but was not completed until 2016. Selectboard wages were over budget mostly due to librarian wages being recorded to selectboard wages but being budgeted as a library expense. Highway capital outlays were under budget due to the Town garage project that was budgeted to be completed in 2015 but was not finished until 2016. Also the paving and culvert projects budgeted were not done and the cost of new equipment budgeted cost less than what was anticipated. This resulted in a lower than budgeted amount of loan proceeds. Overall, the Town budgeted a deficit in the General Fund of \$378,245 but ended up with a deficit of \$310,283 for 2015. This was mostly attributable to the highway department being underspent.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2015, the Town had \$8,293,096 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 \$1,129,825.

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

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 169,102	\$ 109,102	\$ 167,341	\$ 167,341	\$ 336,443	\$ 276,443
Construction in progress	912,824	35,437	0	0	912,824	35,437
Plants	0	0	4,467,841	4,609,008	4,467,841	4,609,008
Buildings and impr.	292,273	256,123	0	0	292,273	256,123
Land improvements	69,773	31,301	0	0	69,773	31,301
Vehicles	471,778	513,416	0	0	471,778	513,416
Machinery and equip.	402,543	25,911	0	0	402,543	25,911
Infrastructure	1,339,621	1,415,632	0	0	1,339,621	1,415,632
Totals	\$ 3,657,914	\$ 2,386,922	\$ 4,635,182	\$ 4,776,349	\$ 8,293,096	\$ 7,163,271

This year's major additions for governmental activities were land and land improvements at the Willey building, building improvements at the Willey building and the Masonic Hall, construction of the new town garage, and highway equipment. There were no additions to the business-type activities.

Debt Administration

At December 31, 2015, the Town had \$2,332,617 in notes outstanding versus \$1,748,455 on December 31, 2014 – an increase of \$584,162 – as shown in Table 5.

TOWN OF CABOT, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015
(Continued)

Table 5
Outstanding Debt at Year-End

	Governmental Activities	Business-Type Activities	Total
Balance - December 31, 2014	\$ 670,461	\$ 1,077,994	\$ 1,748,455
Proceeds	746,423	0	746,423
Principal payments	(94,630)	(67,631)	(162,261)
Balance - December 31, 2015	<u>\$ 1,322,254</u>	<u>\$ 1,010,363</u>	<u>\$ 2,332,617</u>

Economic Factors and Next Year's Budgets and Rates

When adopting the budget for the 2016 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, 2015

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 785,172	\$ 70,219	\$ 855,391
Restricted cash - debt service	0	36,156	36,156
Investments	1,612,302	0	1,612,302
Restricted investments - debt service	0	444,344	444,344
Receivables	561,483	45,570	607,053
Loans receivable	327,165	0	327,165
Grant receivable	0	14,953	14,953
Unbilled user fees	0	2,193	2,193
Prepaid expenses	0	27,734	27,734
Inventory	47,253	0	47,253
Internal balances	486,295	(486,295)	0
Capital Assets			
Land	169,102	167,341	336,443
Construction in process	912,824	0	912,824
Other capital assets, (net of accumulated depreciation)	2,575,988	4,467,841	7,043,829
Total assets	7,477,584	4,790,056	12,267,640
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related	37,626	0	37,626
Total assets and deferred outflows of resources	7,515,210	4,790,056	12,305,266
<u>LIABILITIES</u>			
Accounts payable	26,695	8,481	35,176
Construction and retainage payable	175,279	0	175,279
Due to School District	971,346	0	971,346
Accrued payroll and benefits payable	1,567	0	1,567
Other current liabilities	300	0	300
Accrued compensated absences	6,007	0	6,007
Bonds and notes payable due within one year	316,571	66,946	383,517
Net pension liability	63,269	0	63,269
Bonds and notes payable due after one year	1,005,683	943,417	1,949,100
Total liabilities	2,566,717	1,018,844	3,585,561
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	2,160,381	3,144,319	5,304,700
Restricted			
Cemetery	105,551	0	105,551
Community development	2,417,554	0	2,417,554
Debt service	0	480,500	480,500
Lister education	2,757	0	2,757
Records restoration	6,546	0	6,546
Reappraisal	73,616	0	73,616
Town garage	95,864	0	95,864
Unrestricted	86,224	146,393	232,617
Total net position	\$ 4,948,493	\$ 3,771,212	\$ 8,719,705

See Notes to Financial Statements.

TOWN OF CABOT, VERMONT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

Functions/Programs	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
Governmental Activities:							
General Government	\$ 604,225	\$ 36,883	\$ 8,082	\$ 0	\$ (559,260)	\$ 0	\$ (559,260)
Public Works	713,613	20,213	158,926	573,138	38,664	0	38,664
Community Development	40,224	0	0	0	(40,224)	0	(40,224)
Culture and Recreation	46,002	11,668	0	0	(34,334)	0	(34,334)
Interest on Long-Term Debt	15,975	0	0	0	(15,975)	0	(15,975)
Total Governmental Activities	1,420,039	68,764	167,008	573,138	(611,129)	0	(611,129)
Business-Type Activities:							
Water	43,021	59,868	33,681	0	0	50,528	50,528
Wastewater	268,033	207,102	0	0	0	(60,931)	(60,931)
Total Business-Type Activities	311,054	266,970	33,681	0	0	(10,403)	(10,403)
Total	\$ 1,731,093	\$ 335,734	\$ 200,689	\$ 573,138	(611,129)	(10,403)	(621,532)
General Revenues:							
Property taxes					965,490	0	965,490
Interest and penalties on delinquent taxes					20,563	0	20,563
Gain on disposal of assets					45,000	0	45,000
Net investment income (loss)					(89,115)	(12,828)	(101,943)
Total general revenues					941,938	(12,828)	929,110
Change in Net Position					330,809	(23,231)	307,578
Net Position - January 1, 2015 (restated)					4,617,684	3,794,443	8,412,127
Net Position - December 31, 2015					\$ 4,948,493	\$ 3,771,212	\$ 8,719,705

See Notes to Financial Statements.

TOWN OF CABOT, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	Major Funds		Nonmajor Fund	Totals
	General Fund	UDAG	Cemetery Fund	
ASSETS				
Cash and cash equivalents	\$ 762,143	\$ 7,897	\$ 15,132	\$ 785,172
Investments	0	1,529,009	83,293	1,612,302
Cash held by tax collector	17,852	0	0	17,852
Taxes, interest and penalty receivable	125,960	0	0	125,960
Accounts receivable - State	406,577	0	0	406,577
Accounts receivable - other	11,094	0	0	11,094
Loans receivable	0	327,165	0	327,165
Advances to other funds	0	554,833	0	554,833
Due from other funds	19	0	7,126	7,145
Inventory	47,253	0	0	47,253
Total assets	<u>\$ 1,370,898</u>	<u>\$2,418,904</u>	<u>\$ 105,551</u>	<u>\$ 3,895,353</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 26,695	\$ 0	\$ 0	\$ 26,695
Construction and retainage payable	175,279	0	0	175,279
Accrued wages	1,567	0	0	1,567
Due to other funds	0	1,350	0	1,350
Due to School	971,346	0	0	971,346
Deposits held for others	300	0	0	300
Advances from other funds	74,333	0	0	74,333
Total liabilities	<u>1,249,520</u>	<u>1,350</u>	<u>0</u>	<u>1,250,870</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	89,985	0	0	89,985
Unavailable revenue - loans	0	881,998	0	881,998
Total deferred inflows of resources	<u>89,985</u>	<u>881,998</u>	<u>0</u>	<u>971,983</u>
Fund Balances				
Nonspendable	47,253	0	0	47,253
Restricted	178,783	1,535,556	105,551	1,819,890
Committed	15,125	0	0	15,125
Unassigned	(209,768)	0	0	(209,768)
Total fund balances	<u>31,393</u>	<u>1,535,556</u>	<u>105,551</u>	<u>1,672,500</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,370,898</u>	<u>\$2,418,904</u>	<u>\$ 105,551</u>	<u>\$ 3,895,353</u>

See Notes to Financial Statements.

- 12 -

TOWN OF CABOT, VERMONT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2015

EXHIBIT D

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	1,672,500
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements.		3,657,914
Unavailable revenue for property taxes (\$89,985) and loans (\$881,998) is recognized on an accrual basis in the statement of net position, not for the modified cash basis.		971,983
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Net pension liability		(63,269)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds		37,626
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:		
Bonds and notes payable		(1,322,254)
Accrued compensated absences		(6,007)
		(1,328,261)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	4,948,493

See Notes to Financial Statements.

- 13 -

TOWN OF CABOT, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

EXHIBIT E

	Major Funds		Nonmajor Fund	Totals
	General Fund	UDAG	Cemetery Fund	
Revenues				
Property taxes	\$ 958,128	\$ 0	\$ 0	\$ 958,128
State aid highways	132,604	0	0	132,604
Delinquent tax penalties & interest	20,563	0	0	20,563
Licenses, fees & permits	23,085	0	0	23,085
Investment income (loss)	6,945	(91,648)	(4,412)	(89,115)
Loan repayments	0	4,964	0	4,964
Rental income	6,470	0	0	6,470
Diesel reimbursement	11,053	0	0	11,053
Library income	1,764	0	0	1,764
Other	22,512	0	3,880	26,392
Grant income	599,460	0	0	599,460
Reappraisal - Act 60	8,082	0	0	8,082
Total revenues	1,790,666	(86,684)	(532)	1,703,450
Expenditures				
Current:				
Selectmen	501,110	0	0	501,110
Highway	573,624	0	0	573,624
Willey Building	32,485	0	0	32,485
Library expenses	22,114	0	0	22,114
Cemetery	0	0	16,767	16,767
Community grants	0	17,732	0	17,732
Community loans	0	10,453	0	10,453
Scholarship grants	0	9,800	0	9,800
Other	0	2,239	0	2,239
Total current	1,129,333	40,224	16,767	1,186,324
Debt service:				
Principal - Selectmen	35,000	0	0	35,000
Principal - Highway	59,630	0	0	59,630
Interest - Selectmen	4,555	0	0	4,555
Interest - Highway	11,420	0	0	11,420
Total debt service	110,605	0	0	110,605
Capital outlays:				
Selectmen	58,417	0	0	58,417
Highway	1,314,098	0	0	1,314,098
Willey Building	69,419	0	0	69,419
Total capital outlays	1,441,934	0	0	1,441,934
Total expenditures	2,681,872	40,224	16,767	2,738,863
Excess Revenues (Expenditures)	(891,206)	(126,908)	(17,299)	(1,035,413)
Other Financing Sources (Uses)				
Proceeds on sale of assets	4,500	0	0	4,500
Loan proceeds	396,423	350,000	0	746,423
Transfers in	200,000	0	20,000	220,000
Transfers out	(20,000)	(200,000)	0	(220,000)
Total other financing sources (uses)	580,923	150,000	20,000	750,923
Net Change in Fund Balances	(310,283)	23,092	2,701	(284,490)
Fund Balances - January 1, 2015	341,676	1,512,464	102,850	1,956,990
Fund Balances - December 31, 2015	\$ 31,393	\$ 1,535,556	\$ 105,551	\$ 1,672,500

See Notes to Financial Statements.

- 14 -

TOWN OF CABOT, VERMONT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
 OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2015

EXHIBIT F

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (284,490)

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 (\$7,362), Loans \$4,964 2,398

Receipt of bond and loan proceeds is other financing sources in the governmental funds; but this represents an increase in long-term liabilities in the statement of net position.

(746,423)

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

94,630

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense:

Town pension contributions	12,471	
Cost of benefits earned, net of employee contributions	<u>(18,739)</u>	(6,268)

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 \$30.

(30)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost (\$1,482,434), net of disposals, of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$211,442). This is the amount by which depreciation was less than capital outlays in the current period.

1,270,992

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 330,809

See Notes to Financial Statements.

- 15 -

TOWN OF CABOT, VERMONT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
 FUND BALANCE - COMPARED TO BUDGET
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2015

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 951,328	\$ 958,128	\$ 6,800
State aid highway	130,000	132,604	2,604
Delinquent tax penalties & interest	0	20,563	20,563
Licenses, fees & permits	29,000	23,085	(5,915)
Interest & dividends	10,000	6,945	(3,055)
Rental income	6,500	6,470	(30)
Diesel reimbursement	10,000	11,053	1,053
Grant income	1,063,000	599,460	(463,540)
Library income	0	1,764	1,764
Other	1,000	22,512	21,512
Reappraisal - Act 60	8,000	8,082	82
Total revenues	<u>2,208,828</u>	<u>1,790,666</u>	<u>(418,162)</u>
Expenditures			
Current:			
Selectmen	439,043	501,110	(62,067)
Highway	614,200	573,624	40,576
Library	57,600	22,114	35,486
Willey Building	35,030	32,485	2,545
Total current	<u>1,145,873</u>	<u>1,129,333</u>	<u>16,540</u>
Debt service:			
Principal - Selectmen	35,000	35,000	0
Principal - Highway	55,000	59,630	(4,630)
Interest - Selectmen	4,600	4,555	45
Interest - Highway	13,600	11,420	2,180
Total debt service	<u>108,200</u>	<u>110,605</u>	<u>(2,405)</u>
Capital outlays:			
Selectmen	60,000	58,417	1,583
Highway	1,878,000	1,314,098	563,902
Willey Building	75,000	69,419	5,581
Total capital outlays	<u>2,013,000</u>	<u>1,441,934</u>	<u>571,066</u>
Total expenditures	<u>3,267,073</u>	<u>2,681,872</u>	<u>585,201</u>
Excess Revenues (Expenditures)	<u>(1,058,245)</u>	<u>(891,206)</u>	<u>167,039</u>
Other Financing Sources (Uses)			
Proceeds on sale of assets	0	4,500	4,500
Loan proceeds	500,000	396,423	(103,577)
Transfers in	200,000	200,000	0
Transfers out	(20,000)	(20,000)	0
Total other financing sources (uses)	<u>680,000</u>	<u>580,923</u>	<u>(99,077)</u>
Net Change in Fund Balance	<u>\$ (378,245)</u>	<u>(310,283)</u>	<u>\$ 67,962</u>
Fund Balance - January 1, 2015		<u>341,676</u>	
Fund Balance - December 31, 2015		<u>\$ 31,393</u>	

See Notes to Financial Statements.

- 16 -

TOWN OF CABOT, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

EXHIBIT H

	Wastewater Fund	Water Fund	Total
ASSETS			
Current Assets			
Cash	\$ 43,239	\$ 26,980	\$ 70,219
Restricted cash - debt service	36,156	0	36,156
Restricted investments - debt service	444,344	0	444,344
Accounts receivable	32,433	13,137	45,570
Grant receivable	0	14,953	14,953
Unbilled user fees	0	2,193	2,193
Prepaid expenses	0	27,734	27,734
Total current assets	<u>556,172</u>	<u>84,997</u>	<u>641,169</u>
Non-Current Assets			
Land	143,663	23,678	167,341
Plant, net of depreciation	3,530,218	937,623	4,467,841
Total non-current assets	<u>3,673,881</u>	<u>961,301</u>	<u>4,635,182</u>
Total assets	<u>4,230,053</u>	<u>1,046,298</u>	<u>5,276,351</u>
LIABILITIES			
Current Liabilities			
Accounts payable	8,304	177	8,481
Due to other funds	5,392	403	5,795
Bond and notes payable due within one year	21,878	45,068	66,946
Total current liabilities	<u>35,574</u>	<u>45,648</u>	<u>81,222</u>
Noncurrent Liabilities			
Advances from other funds	480,500	0	480,500
Bonds and notes payable due after one year	410,666	532,751	943,417
Total noncurrent liabilities	<u>891,166</u>	<u>532,751</u>	<u>1,423,917</u>
Total liabilities	<u>926,740</u>	<u>578,399</u>	<u>1,505,139</u>
NET POSITION			
Invested in capital assets, net of related debt	2,760,837	383,482	3,144,319
Restricted for debt service	480,500	0	480,500
Unrestricted	61,976	84,417	146,393
Total net position	<u>\$ 3,303,313</u>	<u>\$ 467,899</u>	<u>\$ 3,771,212</u>

See Notes to Financial Statements.

- 17 -

TOWN OF CABOT, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

EXHIBIT I

	Wastewater Fund	Water Fund	Total
OPERATING REVENUES			
Charges for services	\$ 200,080	\$ 59,506	\$ 259,586
Other fees and charges	7,022	362	7,384
Total operating revenues	207,102	59,868	266,970
OPERATING EXPENSES			
Operation and maintenance	127,583	7,940	135,523
Contracted services	1,375	6,786	8,161
Administration fees	8,224	1,239	9,463
Depreciation	114,111	27,056	141,167
Total operating expenses	251,293	43,021	294,314
OPERATING INCOME (LOSS)	(44,191)	16,847	(27,344)
NONOPERATING REVENUES (EXPENSES)			
Unrealized loss on investments	(69,809)	0	(69,809)
Realized gain on investments	35,731	0	35,731
Grant income	0	33,681	33,681
Interest expense	(16,740)	0	(16,740)
Interest/dividend income	21,250	0	21,250
Net nonoperating revenues (expenses)	(29,568)	33,681	4,113
CHANGE IN NET POSITION	(73,759)	50,528	(23,231)
NET POSITION - JANUARY 1, 2015	3,377,072	417,371	3,794,443
NET POSITION - DECEMBER 31, 2015	\$ 3,303,313	\$ 467,899	\$ 3,771,212

See Notes to Financial Statements.

- 18 -

TOWN OF CABOT, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

EXHIBIT J

	Wastewater Fund	Water Fund
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Cash received from customers	\$ 173,259	\$ 58,947
Cash payments to suppliers for goods and services	(138,200)	(19,845)
Net cash from operating activities	35,059	39,102
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash payments from other funds	2,207	945
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from capital grants	0	18,728
Principal paid on capital debt	(21,169)	(46,462)
Interest paid on capital debt	(16,740)	0
Net cash to capital and related financing activities	(37,909)	(27,734)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	356,433	0
Purchase of investments	(428,160)	0
Interest on cash and investments	21,250	0
Net cash from investing activities	(50,477)	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(51,120)	12,313
CASH AND CASH EQUIVALENTS - JANUARY 1, 2015	130,515	14,667
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2015	\$ 79,395	\$ 26,980
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income (loss) from operations	\$ (44,191)	\$ 16,847
Adjustments to reconcile income (loss) from operations to net cash flow from operating activities		
Depreciation	114,111	27,056
(Increase) decrease in accounts receivable	(3,513)	(921)
Increase (decrease) in accrued user fees	(30,330)	0
Increase (decrease) in accounts payable	(1,018)	(3,880)
Net cash provided by operating activities	\$ 35,059	\$ 39,102

See Notes to Financial Statements.

- 19 -

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

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.

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.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Pensions

In January of 2015, the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS) and additions to/deductions from VMERS's 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.

Deferred Outflows of Resources

The Town reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The deferred outflows of resources reported in this year's financial statements are for 1) the difference between expected and actual experience, 2) changes in assumptions, 3) differences between projected and actual investment earnings, 4) changes in proportion and differences between employer contributions and proportionate share of contributions and 5) contributions subsequent to measurement date. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows of Resources

The Town's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s).

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. 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.

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).

TOWN OF CABOT, VERMONT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments

Investments are carried at fair value, (quoted market price).

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.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Inventory

Inventory in the General Fund consists of expendable supplies used for the Highway Department and are carried at cost.

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 as approved 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, 2015, none of the government's bank balance of \$2,020,279 was exposed to custodial credit risk. A summary of the Town's custodial credit risk is as follows:

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015
(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

	<u>Bank Balance</u>
FDIC insured	\$ 142,129
Collateralized by securities held by pledging financial institution	<u>1,878,150</u>
Total	<u><u>\$ 2,020,279</u></u>

Investments

Investments at December 31, 2015 were as follows:

	<u>Fair Value</u>	<u>Maturity Date</u>	<u>Rating</u>
Cash equiv. - Federated Gov't Obligation	\$ 524,222	n/a	
Money market fund	3,545	n/a	
Mutual funds - stocks	43,509	n/a	
Mutual funds - bonds	37,417	n/a	
Common stocks	802,405	n/a	1 (S&P)
Corporate bonds	<u>645,548</u>	9/2016-1/2021	BBB to AA+
	<u><u>\$2,056,646</u></u>		

Credit Risk – Investments. The Town does not have a formal investment policy.

Investment income is comprised of the following components for the year ended December 31, 2015:

	<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	\$ 6,945	\$ 0	\$ 0	\$ 6,945
UDAG	39,485	(120,345)	(10,788)	(91,648)
Other governmental	4,882	(9,294)	0	(4,412)
Proprietary Fund				
Wastewater Fund	<u>21,250</u>	<u>(34,078)</u>	<u>0</u>	<u>(12,828)</u>
Total	<u><u>\$ 72,562</u></u>	<u><u>\$ (163,717)</u></u>	<u><u>\$ (10,788)</u></u>	<u><u>\$ (101,943)</u></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.

TOWN OF CABOT, VERMONT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Continued)

NOTE 4 - RECEIVABLES

Receivable balances as of December 31, 2015 were as follows:

	Governmental Activities	Business-Type Activities	Net Receivables
Delinquent taxes receivable	\$ 125,960	\$ 0	\$ 125,960
Cash held by tax collector	17,852	0	17,852
Accounts receivable - State	406,577	14,953	421,530
Accounts receivable - other	11,094	45,570	56,664
	<u>\$ 561,483</u>	<u>\$ 60,523</u>	<u>\$ 622,006</u>

NOTE 5 - UDAG LOANS RECEIVABLE/ADVANCES TO OTHER FUNDS

The UDAG loan receivables (\$327,165) and advances to other funds (\$554,833), total \$881,998 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 \$310,540. 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, 2014	Additions	Disposals	(Depreciation)	Balance December 31, 2015
<i>Governmental activities</i>					
Capital assets not depreciated					
Land	\$ 109,102	\$ 60,000	\$ 0	\$ 0	\$ 169,102
CIP - Buildings and improvements	35,437	877,387	0	0	912,824
Total capital assets not deprec.	<u>\$ 144,539</u>	<u>\$ 937,387</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,081,926</u>
Capital assets being depreciated					
Buildings and improvements	\$ 614,900	\$ 67,836	\$ 0	\$ 0	\$ 682,736
Land improvements	31,966	40,463	0	0	72,429
Equipment	371,970	436,748	(186,759)	0	621,959
Vehicles	936,005	0	0	0	936,005
Infrastructure	1,675,283	0	0	0	1,675,283
Total capital assets being deprec.	<u>3,630,124</u>	<u>545,047</u>	<u>(186,759)</u>	<u>0</u>	<u>3,988,412</u>
Less accumulated depreciation for:					
Buildings and improvements	(358,777)	0	0	(31,686)	(390,463)
Land improvements	(665)	0	0	(1,991)	(2,656)
Equipment	(346,059)	0	186,759	(20,966)	(180,266)
Vehicles	(422,589)	0	0	(80,788)	(503,377)
Infrastructure	(259,651)	0	0	(76,011)	(335,662)
Total accum. Depreciation	<u>(1,387,741)</u>	<u>0</u>	<u>186,759</u>	<u>(211,442)</u>	<u>(1,412,424)</u>
Total capital assets, net of deprec.	<u>\$ 2,242,383</u>	<u>\$ 545,047</u>	<u>\$ 0</u>	<u>\$ (211,442)</u>	<u>\$ 2,575,988</u>
<i>Business-type activities</i>					
Capital assets not depreciated-land	<u>\$ 167,341</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 167,341</u>
Capital assets being depreciated-plant	\$ 6,292,856	\$ 0	\$ 0	\$ 0	\$ 6,292,856
Accum. depreciation - plant	(1,683,848)	0	0	(141,167)	(1,825,015)
Total plant, net of deprec.	<u>\$ 4,609,008</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (141,167)</u>	<u>\$ 4,467,841</u>

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015
(Continued)

NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation for the governmental activities was charged to general government for \$64,210, public works for \$140,061 and culture & recreation for \$7,171. Depreciation for the proprietary funds consisted of \$114,111 for the Wastewater Fund and \$27,056 for the Water Fund.

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. \$20,000 was transferred to the Cemetery Fund from the General Fund per budget authorization. UDAG transferred \$200,000 to the General Fund.

The composition of due from/(to) other funds at December 31, 2015 are as follows:

Fund:	Due from other funds	Due to other funds
General Fund	\$ 19	\$ 0
UDAG	0	1,350
Cemetery Fund	7,126	0
Wastewater Fund	0	5,392
Water Fund	0	403
Total	<u>\$ 7,145</u>	<u>\$ 7,145</u>

The composition of advances to/(from) other funds at December 31, 2015 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 – UNAVAILABLE REVENUE

Unavailable revenue of \$881,998 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 \$89,985 of property taxes not received within sixty days after year end.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015
(Continued)

NOTE 9 - SHORT-TERM DEBT

In March 2015, the Town received a tax anticipation note from People's United Bank for \$728,000 with an interest rate of 1.08%, due December 31, 2015.

The following is a summary of changes in short-term debt for the year ended December 31, 2015 for the governmental activities.

Balance at January 1, 2015	\$	0
Loan proceeds		728,000
Loan payments		(728,000)
		0
Balance at December 31, 2015	\$	0

Interest on short-term debt of \$6,508 was paid in 2015.

NOTE 10 - LONG-TERM LIABILITIES

Long-term debt at December 31, 2015 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%).	\$	45,000
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%.		445,000
Note payable to Ally Financial with yearly principal and interest payments of \$5,999 starting August 2014 until August 2018, interest at 6.69%.		15,831
Note payable to Union Bank with yearly principal payments of \$20,000 until September 2026. Interest charged semiannually starting March 2016 at 2.5%.		200,000
Note payable to Merchants Bank with annual principal and interest payments of \$56,632 starting July 2016 until July 2022, with interest at 1.97%		396,423
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%).		70,000
Note payable to Union Bank for \$150,000 with interest at .75%. Original loan was due 12/31/15 but was extended to 12/31/16.		150,000
Total		1,322,254
Amount due within one year		(316,571)
Amount due after one year		\$ 1,005,683

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015
(Continued)

NOTE 10 - LONG-TERM LIABILITIES (Continued)

Proprietary

<u>Wastewater Fund</u>		Due within one year
Bond payable with Vermont Bond Bank, semi-annual payments of \$34,822 starting 2012 until 2031, interest at 3.93%.	\$ 407,862	\$ 18,793
Note payable with Vermont Municipal Bond Bank, annual payments of \$3,085 starting June 2004 until 2023, interest at 0%.	24,682	3,085
Total wastewater fund	432,544	21,878
<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.	577,819	45,068
Total	\$1,010,363	\$ 66,946

Long-term debt will mature approximately as follows:

	Governmental			Proprietary		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 316,571	\$ 28,720	\$ 345,291	\$ 66,946	\$ 16,029	\$ 82,975
2017	166,902	23,963	190,865	66,333	15,290	81,623
2018	162,254	20,328	182,582	65,788	14,522	80,310
2019	136,632	16,546	153,178	65,315	13,726	79,041
2020	136,632	13,592	150,224	64,910	12,896	77,806
2021-2025	403,263	24,403	427,666	314,020	50,856	364,876
2026-2030	0	0	0	305,054	24,656	329,710
2031-2035	0	0	0	61,997	1,318	63,315
Total	\$1,322,254	\$ 127,552	\$1,449,806	\$ 1,010,363	\$ 149,293	\$ 1,159,656

The following is a summary of changes of long-term liabilities for the year ended December 31, 2015:

	Governmental	Proprietary	Total
Balance at December 31, 2014	\$ 676,438	\$ 1,077,994	\$ 1,754,432
Proceeds	746,423	0	746,423
Increases in accrued vacation	30	0	30
Principal payments	(94,630)	(67,631)	(162,261)
Balance at December 31, 2015	\$ 1,328,261	\$ 1,010,363	\$ 2,338,624

Interest of \$32,715 was paid on long-term debt in 2015.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015
(Continued)

NOTE 11 – RESTRICTED/COMMITTED/ASSIGNED FUND BALANCES

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

	Restricted	Committed
FD sinking fund	\$ 0	\$ 15,125
Town garage	95,864	0
Reappraisal	73,616	0
Listers education	2,757	0
Land records	6,546	0
Totals	<u>\$ 178,783</u>	<u>\$ 15,125</u>

NOTE 12 - PENSION PLAN

VMERS

Plan description - The Town contributes to the Vermont Municipal Employees' Retirement System (VMERS) which 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 school districts and other municipal 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, 2015, the retirement system consisted of 437 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.

Summary of System Provisions

Membership is open to all full time employees of participating municipalities. The municipality elects coverage under Groups A, B, C, or D. The Town only has Group A members.

Creditable service is service as a member plus purchased service.

TOWN OF CABOT, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015
 (Continued)

NOTE 12 - PENSION PLANS (Continued)

Benefits provided and contributions

Avg Final Compensation (AFC)	Group A	Group B	Group C	Group D
	Average annual compensation during highest 5 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 2 consecutive years
Service Retirement Allowance				
Eligibility	Earlier of age 65 with 5 years of service or age 55 with 35 years of service	Earlier of age 62 with 5 years of service or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Amount	1.4% of AFC times service	1.7% of AFC times service as Group B member plus percentage earned as a Group A member times AFC	2.5% of AFC times service as Group C member plus percentage earned as a Group A or B member times AFC	2.5% of AFC times service as Group D member plus percentage earned as a Group A, B, or C member times AFC
Maximum Benefit	60% of AFC, including portion of allowance provided by member contributions		50% of AFC, including portion of allowance provided by member contributions	
Early Retirement Allowance				
Eligibility	Age 55 with 5 years of service		n/a	Age 50 with 20 years of service
Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age		n/a	Normal allowance based on service and AFC at early retirement, without reduction
Vested Retirement Allowance				
Eligibility	5 years of service	5 years of service	5 years of service	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 CPI, subject to the limits on "Post-Retirement Adjustments" described below.			
Disability Retirement Allowance				
Eligibility	5 years of service and disability as determined by Retirement Board			
Amount	Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.			
Death Benefit				
Eligibility	After 5 years of service	After 5 years of service	After 5 years of service	After 5 years of service
Amount	Reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as of the date of death.			70% of the unreduced accrued benefit plus children's benefit
Optional Benefit and Death after Retirement				
	Lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contributions guarantee.			Lifetime allowance or 70% contingent annuitant option with no reduction
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 CPI but not more than the following percentage:			
	2%	3%	3%	3%
Member Contributions	2.5% effective 1/1/00	4.75% effective 7/1/14	9.625% eff. 7/1/14 and 9.75% eff. 1/1/15	11.25% effective 7/1/14
Employer Contributions	4%	5.375% effective 7/1/14	6.875% eff. 7/1/14 and 7% eff 1/1/15	9.75% effective 7/1/14
Retirement Stipend	\$25 per month payable at the option of the Board of Retirees			

TOWN OF CABOT, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015
 (Continued)

NOTE 12 - PENSION PLANS (Continued)

For the year ended December 31, 2015, the Town's contributions to the Plan were \$12,471.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At December 31, 2015, the Town reported a liability of \$63,269 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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 entities, actuarially determined. At June 30, 2015, the Town's proportion was 0.08207%, which was an increase of 0.0026% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Town recognized pension expense of \$18,739. At December 31, 2015, the Town reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 12,223
Net difference between expected and actual experience	2,000
Changes in assumptions	12,600
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,415
Member contributions subsequent to measurement date	6,388
Total	<u>\$ 37,626</u>

Of the \$37,626 of deferred outflows of resources, \$6,388 was from Town's contributions subsequent to the measurement date which will be recognized as pension expense in the year ending December 31, 2016. Other amounts (\$31,238) reported as deferred outflows of resources will be recognized in pension expense as follows:

Year ending December 31,	
2016	\$ 6,669
2017	6,669
2018	6,669
2019	11,231

TOWN OF CABOT, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015
 (Continued)

NOTE 12 - PENSION PLANS (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate – 7.95% per annum. Through July 1, 2014, a select-and-ultimate interest rate set was used, as specified below. The interest rate set is restarted every year.

Year 1	6.25%	Year 10	8.50%
Year 2	6.75%	Year 11	8.50%
Year 3	7.00%	Year 12	8.50%
Year 4	7.50%	Year 13	8.50%
Year 5	7.75%	Year 14	8.50%
Year 6	8.25%	Year 15	8.50%
Year 7	8.25%	Year 16	8.75%
Year 8	8.25%	Year 17 and later	9.00%
Year 9	8.50%		

Salary increase - 5% per year

Deaths

Active participants – 50% of the probabilities in the 1995 Buck Mortality Tables for males and females

Non-disabled retirees and terminated vested participants – the 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females

Disabled retirees – RP-2000 Disabled Life Tables

Beneficiaries – 1995 Buck Mortality Tables for males and females

Spouse's age – husbands are assumed to be three years older than their wives

Cost of Living Adjustments to Benefits of Terminated Vested and Retired Participants - Assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D.

Asset Valuation Method (for funding purposes) - 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 the market value of assets by more than 20%.

Inflation - The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015
(Continued)

NOTE 12 - PENSION PLANS (Continued)

functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	8.61%
Fixed Income	1.91%
Alternatives	6.93%
Multi-strategy	4.88%

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

Discount Rate – The discount rate used to measure the total pension liability was 7.95%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

The following presents the net pension liability calculated using the discount rate of 7.95 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.95 percent) or 1 percentage point higher (8.95 percent) than the current rate:

<u>1% Decrease (6.95%)</u>	<u>Discount Rate (7.95%)</u>	<u>1% Increase (8.95%)</u>
\$ 126,375	\$ 63,269	\$ 10,368

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website.

TOWN OF CABOT, VERMONT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Continued)

NOTE 13 - PRIOR PERIOD ADJUSTMENT

The government-wide net position for December 31, 2014 was restated below to adjust the beginning balances of the Town to add the beginning net pension liability in order to be in accordance with GASB 68. The governmental activities opening net assets were restated as follows:

December 31, 2014, as previously reported	\$ 4,637,059
Deferred outflows	10,242
Deferred inflows and net pension liability	<u>(29,617)</u>
December 31, 2014, restated	<u>\$ 4,617,684</u>

NOTE 14 - COMMITMENTS

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. In December 2015, the contract was renewed for an additional five years, which will end December 31, 2020, at an annual fee of \$56,779. The future minimum payments under the agreement are as follows:

2016	\$ 56,779
2017	56,779
2018	56,779
2019	56,779
2020	56,779
Total	<u>\$ 283,895</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.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 16 – BUDGETED DEFICIT

The Town elected to budget expenditures in excess of revenues by \$378,245 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 December 8, 2016, the date which the financial statements were available for issue.

In April 2016, the Town obtained a tax anticipation line of credit for \$980,000 from People's Bank at a rate of 1.15%, due December 30, 2016. As of December 8, 2016, \$700,000 has been drawn down on the line of credit and had been paid back in full.

In July 2016, the Town entered into a five year operating lease for a Highway truck. The lease calls for annual payments of \$22,432.

TOWN OF CABOT, VERMONT
SCHEDULE OF EXPENDITURES - SELECTMEN
BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2015

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Expenditures - Selectmen			
Current:			
Appropriations	\$ 49,443	\$ 46,843	\$ 2,600
Audit and legal	25,000	47,954	(22,954)
Computer	1,500	1,375	125
Conservation Commission	1,000	50	950
County tax	13,000	12,579	421
Delinquent tax collection fees	0	13,116	(13,116)
Dues and subscriptions	5,500	5,556	(56)
Employee benefits	14,000	19,434	(5,434)
Fire Department	44,000	45,051	(1,051)
Insurance	14,000	15,067	(1,067)
Interest on short-term debt	10,000	6,508	3,492
General	6,000	3,388	2,612
Health	40,000	21,718	18,282
Listers	8,000	5,196	2,804
Masonic Hall	17,000	16,717	283
Meeting elections	3,000	5,270	(2,270)
Miscellaneous	4,000	6,252	(2,252)
Office	9,000	8,083	917
Pound keeper	1,000	431	569
Planning Commission	8,000	1,467	6,533
Reappraisal	8,000	0	8,000
Recreation department	10,000	14,907	(4,907)
Records restoration	7,000	4,270	2,730
Solid waste	3,000	2,080	920
Supplies	2,700	2,857	(157)
Tax maps	3,500	0	3,500
Village	16,400	14,024	2,376
Wages	115,000	178,192	(63,192)
Zoning	0	2,725	(2,725)
Total current	<u>439,043</u>	<u>501,110</u>	<u>(62,067)</u>
Debt service:			
Principal	35,000	35,000	0
Interest	4,600	4,555	45
Total debt service	<u>39,600</u>	<u>39,555</u>	<u>45</u>
Capital outlays:			
Masonic Hall	60,000	58,417	1,583
Total capital outlays	<u>60,000</u>	<u>58,417</u>	<u>1,583</u>
Total expenditures - Selectmen	<u>\$ 538,643</u>	<u>\$ 599,082</u>	<u>\$ (60,439)</u>

TOWN OF CABOT, VERMONT
SCHEDULE OF EXPENDITURES - HIGHWAY
BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2015

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures - Highway			
Current:			
Chloride	\$ 16,000	\$ 16,813	\$ (813)
Clothing Allowance	1,500	1,500	0
Cold patch/paving	500	2,155	(1,655)
Culverts	10,000	10,374	(374)
Gravel	95,000	73,313	21,687
Bridges	1,500	0	1,500
Salt and sand	70,000	52,156	17,844
Fuel	52,500	45,466	7,034
Employee benefits	21,000	19,517	1,483
Equipment repairs	35,000	40,384	(5,384)
Garage supplies	5,000	5,772	(772)
Guardrails and signs	3,000	2,879	121
Health insurance	45,000	39,059	5,941
Highway furnace oil	5,000	5,774	(774)
Hired equipment	10,000	26,412	(16,412)
Insurance	25,000	29,205	(4,205)
Miscellaneous	6,200	5,260	940
New equipment	11,000	2,363	8,637
Sheriff	7,000	9,599	(2,599)
Tires	6,000	6,372	(372)
Transportation planning	4,000	1,020	2,980
Utilities	4,000	4,312	(312)
Wages	180,000	173,919	6,081
Total current	<u>614,200</u>	<u>573,624</u>	<u>40,576</u>
Debt service:			
Principal	55,000	59,630	(4,630)
Interest	13,600	11,420	2,180
Total debt service	<u>68,600</u>	<u>71,050</u>	<u>(2,450)</u>
Capital outlays:			
Willey Building parking lot	30,000	27,053	2,947
Willey Building stone wall	15,000	13,410	1,590
Town Garage project	950,000	877,387	72,613
Culverts	182,000	0	182,000
Paving	201,000	0	201,000
Grader & excavator	500,000	396,248	103,752
Total capital outlays	<u>1,878,000</u>	<u>1,314,098</u>	<u>563,902</u>
Total expenditures - Highway	<u>\$2,560,800</u>	<u>\$ 1,958,772</u>	<u>\$ 602,028</u>

TOWN OF CABOT, VERMONT
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 VERMONT EMPLOYEES MUNICIPAL RETIREMENT PLAN
 AS OF MEASUREMENT DATE JUNE 30,

	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset)	0.08207%	0.07947%
Town's proportionate share of the net pension liability (asset)	\$ 63,269	\$ 7,253
Town's covered-employee payroll	\$ 286,779	\$ 256,273
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	22.06%	2.83%
Plan fiduciary net position as a percentage of the total pension liability	87.42%	98.32%

TOWN OF CABOT, VERMONT
 SCHEDULE OF TOWN CONTRIBUTIONS
 VERMONT EMPLOYEES MUNICIPAL RETIREMENT PLAN
 YEARS ENDED DECEMBER 31,

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contributions	\$ 12,471	\$ 10,694	\$ 8,465
Contributions in relation to the contractually required contribution	<u>(12,471)</u>	<u>(10,694)</u>	<u>(8,465)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's covered-employee payroll	\$ 311,776	\$ 267,350	\$ 211,634
Contributions as a percentage of covered-employee payroll	4.000%	4.000%	4.000%

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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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.

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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. (2015-1 and 2015-2)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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*.

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 SEGAL & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

December 8, 2016

TOWN OF CABOT, VERMONT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2015

INTERNAL CONTROL FINDINGS

Material Weaknesses

2015-1 During the audit, we discovered that loan proceeds in the UDAG fund were recorded on the books as a liability instead of as revenue as required by governmental accounting. On the fund statements for all funds except the Water and Wastewater, loan proceeds should be recorded as revenue. This resulted in an understatement of current year net income of \$350,000.

Response: On the fund statements for all funds except water and wastewater, loan proceeds will be recorded as revenue.

2015-2 At December 31, 2015, there were several balance sheet accounts that were not reconciled at year end. This was also a material weakness in the 2014 audit as communicated to management on August 18, 2015.

The property tax receivables in the General Fund were not adjusted from the prior year balance. The General Fund payables omitted the retainage payable due to the contractor for work done on the garage project. These items resulted in an overstatement of current year income of approximately \$24,000 in the General Fund.

The Wastewater Fund still showed the prior year's balance for accrued user fees. The accrual for user fees is no longer necessary due to the change in the billing cycle that occurred in 2015. One of the Wastewater loans had the principal portion of the loan payment booked as an expense rather than as a reduction of the loan balance, which resulted in an incorrect loan balance and an overstatement of expenses. The Wastewater also had recorded a 2016 expense as a payable for 2015, resulting in an overstatement of expenses. These items resulted in an overstatement of current year income of approximately \$34,000.

The Water Fund did not show the correct loan balance on the balance sheet. There is negative interest for this loan which should be recorded as interest income. As a result the current year income was understated by almost \$19,000.

Management uses the financial reports for fiscal decision making so it is imperative that all balance sheet accounts be reconciled annually, at a minimum. Incorrect balances on the balance sheet could result in material differences in the current year income as noted above.

Response: The Town of Cabot will commit to reconciling all Balance Sheet accounts annually at a minimum.