

**TOWN OF CABOT, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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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, 2016, 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

December 31, 2016, 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 August 15, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Respectfully submitted,


FOTHERGILL SEGALE & VALLEY, CPAs

Montpelier, Vermont

Vermont Public Accountancy License #110

August 15, 2017

TOWN OF CABOT, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016

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, 2016. 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 decreased by \$66,050 or about 1.3%. The net position of our business-type activities decreased by \$38,620 or about 1%.
- The cost of all of the Town's programs was \$1,858,470 in 2016, compared to \$1,731,093 in 2015, with no new programs added this year.

Fund Statements

- The General Fund reported a decrease in fund balance this year of \$25,139, which was \$116,972 worse than what was budgeted. This compares to a \$310,283 decrease in 2015.
- The restricted fund balance was \$94,507 and is restricted for the records restoration, reappraisal and lister education. The committed fund balance of \$15,186 is for the fire department. The nonspendable fund balance of \$33,199 consists of highway inventory on hand at year end. This leaves an unassigned fund deficit of \$136,638 at year end.
- The UDAG Fund reported an increase in fund balance this year of \$22,143 compared to the \$23,092 increase in the prior year.
- The Cemetery Fund reported an increase in fund balance this year of \$16,203, from a balance of \$105,551 to \$121,754.
- The Wastewater Fund reported a decrease in net position of \$61,239 in 2016, compared to a decrease of \$73,759 in 2015, resulting in an ending net position of \$3,242,074.
- The Water Fund reported an increase in net position of \$22,619 in 2016, compared to an increase of \$50,528 in 2015, resulting in an ending net position of \$490,518.

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, 2016
(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, 2016
(Continued)

The Town as a Whole

The Town's combined net position decreased by \$104,670 from a year ago – decreasing from a balance of \$8,719,705 to \$8,615,035. 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 | |
|--------------------------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Current and other assets | \$ 3,723,499 | \$ 3,819,670 | \$ 135,554 | \$ 154,874 | \$ 3,859,053 | \$ 3,974,544 |
| Capital assets, net of depr | 3,603,158 | 3,657,914 | 4,540,456 | 4,635,182 | 8,143,614 | 8,293,096 |
| Total assets | <u>7,326,657</u> | <u>7,477,584</u> | <u>4,676,010</u> | <u>4,790,056</u> | <u>12,002,667</u> | <u>12,267,640</u> |
| Total deferred outflows of resources | <u>62,242</u> | <u>37,626</u> | <u>0</u> | <u>0</u> | <u>62,242</u> | <u>37,626</u> |
| Long-term liabilities | 1,313,874 | 1,328,261 | 943,418 | 1,010,363 | 2,257,292 | 2,338,624 |
| Net pension liability | 104,368 | 63,269 | 0 | 0 | 104,368 | 63,269 |
| Other liabilities | 1,087,891 | 1,175,187 | 0 | 8,481 | 1,087,891 | 1,183,668 |
| Total liabilities | <u>2,506,133</u> | <u>2,566,717</u> | <u>943,418</u> | <u>1,018,844</u> | <u>3,449,551</u> | <u>3,585,561</u> |
| Total deferred inflows of resources | <u>323</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>323</u> | <u>0</u> |
| Net position: | | | | | | |
| Invested in capital assets, net of debt | 2,477,475 | 2,160,381 | 3,116,538 | 3,144,319 | 5,594,013 | 5,304,700 |
| Restricted | 2,633,492 | 2,701,888 | 480,500 | 480,500 | 3,113,992 | 3,182,388 |
| Unrestricted | <u>(228,524)</u> | <u>86,224</u> | <u>135,554</u> | <u>146,393</u> | <u>(92,970)</u> | <u>232,617</u> |
| Total net position | <u>\$ 4,882,443</u> | <u>\$ 4,948,493</u> | <u>\$ 3,732,592</u> | <u>\$ 3,771,212</u> | <u>\$ 8,615,035</u> | <u>\$ 8,719,705</u> |

Net position of the Town's governmental activities decreased by about 1.3% in 2016 (\$4,882,443 compared to \$4,948,493). 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 a positive \$86,224 to a negative \$228,524 in 2016. Restricted net position increased from \$2,701,888 to \$2,633,492 in 2016.

The net position of our business-type activities decreased in 2016 by \$38,620 (\$3,732,592 compared to \$3,771,212).

TOWN OF CABOT, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Table 2
Changes in Net Position

| | Governmental Activities | | | Business-Type Activities | | |
|------------------------------------------------|-------------------------|-------------------|---------------------|--------------------------|--------------------|--------------------|
| | 2016 | 2015 | Change | 2016 | 2015 | Change |
| REVENUES | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 64,964 | \$ 68,764 | \$ (3,800) | \$ 223,030 | \$ 266,970 | \$ (43,940) |
| Operating grants and contributions | 175,318 | 167,008 | 8,310 | 20,456 | 33,681 | (13,225) |
| Capital grants and contributions | 74,849 | 573,138 | (498,289) | 0 | 0 | 0 |
| General revenues: | | | | | | |
| Property taxes | 1,012,550 | 965,490 | 47,060 | 0 | 0 | 0 |
| Interest and pen. on del taxes | 22,718 | 20,563 | 2,155 | 0 | 0 | 0 |
| Gain on disposal of assets | 10,159 | 45,000 | (34,841) | 0 | 0 | 0 |
| Earnings (loss) on investments | 102,926 | (89,115) | 192,041 | 46,830 | (12,828) | 59,658 |
| Total revenues | <u>1,463,484</u> | <u>1,750,848</u> | <u>(287,364)</u> | <u>290,316</u> | <u>287,823</u> | <u>2,493</u> |
| PROGRAM EXPENSES | | | | | | |
| General government | 623,083 | 604,225 | 18,858 | 0 | 0 | 0 |
| Public works | 784,354 | 713,613 | 70,741 | 0 | 0 | 0 |
| Community development | 46,539 | 40,224 | 6,315 | 0 | 0 | 0 |
| Culture and recreation | 50,865 | 46,002 | 4,863 | 0 | 0 | 0 |
| Interest on debt | 24,693 | 15,975 | 8,718 | 0 | 0 | 0 |
| Water system | 0 | 0 | 0 | 54,907 | 43,021 | 11,886 |
| Wastewater | 0 | 0 | 0 | 274,029 | 268,033 | 5,996 |
| Total program expenses | <u>1,529,534</u> | <u>1,420,039</u> | <u>109,495</u> | <u>328,936</u> | <u>311,054</u> | <u>17,882</u> |
| INCREASE (DECREASE) IN NET POSITION | | | | | | |
| | <u>\$ (66,050)</u> | <u>\$ 330,809</u> | <u>\$ (396,859)</u> | <u>\$ (38,620)</u> | <u>\$ (23,231)</u> | <u>\$ (15,389)</u> |

Governmental Activities

The decrease in net position for governmental activities in 2016 was \$66,050, compared to an increase of \$330,809 in 2015.

The cost of all governmental activities this year was \$1,529,534. However, as shown in the Statement of Activities on Exhibit B, the amount that our taxpayers ultimately financed for these activities through Town taxes and other general revenue was only \$1,214,403 because some of the cost was paid by those who directly benefited from the programs (\$64,964) or by other governments and organizations that subsidized certain programs with grants and contributions (\$250,167).

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

TOWN OF CABOT, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Business-Type Activities

The net position for business type activities decreased in 2016 by \$38,620.

The cost of all business-type activities this year was \$328,936. However, the amount that our taxpayers ultimately financed for these activities was \$85,450 because most of the cost was paid by those who directly benefited from the programs (\$223,030) or by other governments and organizations that subsidized certain programs with grants and contributions (\$20,456).

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 | |
|------------------------|------------------------|---------------------|----------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| General government | \$ 623,083 | \$ 604,225 | \$ 576,988 | \$ 559,260 |
| Public works | 784,354 | 713,613 | 525,997 | (38,664) |
| Community development | 46,539 | 40,224 | 46,539 | 40,224 |
| Culture and recreation | 50,865 | 46,002 | 40,186 | 34,334 |
| All others | 24,693 | 15,975 | 24,693 | 15,975 |
| Totals | <u>\$ 1,529,534</u> | <u>\$ 1,420,039</u> | <u>\$ 1,214,403</u> | <u>\$ 611,129</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 \$1,685,707, which is higher than last year's total fund balance of \$1,672,500. Included in this year's total increase in fund balance of \$13,207 is a decrease of \$25,139 in the General Fund, an increase of \$22,143 in the UDAG Fund, and an increase of \$16,203 in the Cemetery Fund.

General Fund Budgetary Highlights

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

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------|------------|------------|----------------------------------------|
| Revenues: | | | |
| Grant income | \$ 410,000 | \$ 104,678 | \$ (305,322) |
| Expenditures: | | | |
| Capital outlays - Highway | 460,000 | 181,430 | 278,570 |
| Selectmen | 477,200 | 521,795 | (44,595) |
| Highway | 531,300 | 594,472 | (63,172) |

TOWN OF CABOT, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Grant funds were lower than budget due to a culvert project that the Town budgeted to be completed in 2016 but was delayed. Selectboard expenses were over budget mostly due to wages and audit/legal costs. Highway capital outlays were under budget due to the culvert project being delayed. The highway expenses were over budget due to wages and the removal of the old highway garage and other unbudgeted garage repairs/maintenance expenses.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2016, the Town had \$8,143,614 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 decrease (including additions and deductions) of \$149,482.

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

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land | \$ 169,102 | \$ 169,102 | \$ 167,341 | \$ 167,341 | \$ 336,443 | \$ 336,443 |
| Construction in progress | 0 | 912,824 | 0 | 0 | 0 | 912,824 |
| Plants | 0 | 0 | 4,367,829 | 4,467,841 | 4,367,829 | 4,467,841 |
| Buildings and impr. | 1,297,336 | 292,273 | 0 | 0 | 1,297,336 | 292,273 |
| Land improvements | 87,487 | 69,773 | 0 | 0 | 87,487 | 69,773 |
| Vehicles | 439,023 | 471,778 | 0 | 0 | 439,023 | 471,778 |
| Machinery and equip. | 346,600 | 402,543 | 5,286 | 0 | 351,886 | 402,543 |
| Infrastructure | 1,263,610 | 1,339,621 | 0 | 0 | 1,263,610 | 1,339,621 |
| Totals | <u>\$ 3,603,158</u> | <u>\$ 3,657,914</u> | <u>\$ 4,540,456</u> | <u>\$ 4,635,182</u> | <u>\$ 8,143,614</u> | <u>\$ 8,293,096</u> |

This year's major additions for governmental activities were completion of the town garage, paving and highway equipment. This year's additions to the business-type activities were a new membrane for the wastewater system and a generator for the water system.

Debt Administration

At December 31, 2016, the Town had \$2,249,101 in notes outstanding versus \$2,332,617 on December 31, 2015 – a decrease of \$83,516 – as shown in Table 5.

Table 5
Outstanding Debt at Year-End

| | Governmental Activities | Business-Type Activities | Total |
|-----------------------------|----------------------------|-----------------------------|---------------------|
| Balance - December 31, 2015 | \$ 1,322,254 | \$ 1,010,363 | \$ 2,332,617 |
| Proceeds | 180,000 | 0 | 180,000 |
| Principal payments | (196,571) | (66,945) | (263,516) |
| Balance - December 31, 2016 | <u>\$ 1,305,683</u> | <u>\$ 943,418</u> | <u>\$ 2,249,101</u> |

TOWN OF CABOT, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2016
(Continued)

Economic Factors and Next Year's Budgets and Rates

When adopting the budget for the 2017 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, 2016

| | Governmental Activities | Business-type Activities | Total |
|------------------------------------------------------------|----------------------------|-----------------------------|--------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 1,098,037 | \$ 43,531 | \$ 1,141,568 |
| Restricted cash - debt service | 0 | 17,201 | 17,201 |
| Investments | 1,636,839 | 0 | 1,636,839 |
| Restricted investments - debt service | 0 | 463,299 | 463,299 |
| Receivables | 154,785 | 62,285 | 217,070 |
| Loans receivable | 321,299 | 0 | 321,299 |
| Grant receivable | 0 | 180 | 180 |
| Unbilled user fees | 0 | 664 | 664 |
| Prepaid expenses | 0 | 27,734 | 27,734 |
| Inventory | 33,199 | 0 | 33,199 |
| Internal balances | 479,340 | (479,340) | 0 |
| Capital Assets | | | |
| Land | 169,102 | 167,341 | 336,443 |
| Other capital assets, (net of accumulated depreciation) | 3,434,056 | 4,373,115 | 7,807,171 |
| Total assets | 7,326,657 | 4,676,010 | 12,002,667 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Pension related | 62,242 | 0 | 62,242 |
| Total assets and deferred outflows of resources | 7,388,899 | 4,676,010 | 12,064,909 |
| <u>LIABILITIES</u> | | | |
| Accounts payable | 13,674 | 0 | 13,674 |
| Due to School District | 1,073,417 | 0 | 1,073,417 |
| Other current liabilities | 800 | 0 | 800 |
| Accrued compensated absences | 8,191 | 0 | 8,191 |
| Bonds and notes payable due within one year | 358,699 | 66,333 | 425,032 |
| Net pension liability | 104,368 | 0 | 104,368 |
| Bonds and notes payable due after one year | 946,984 | 877,085 | 1,824,069 |
| Total liabilities | 2,506,133 | 943,418 | 3,449,551 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Pension related | 323 | 0 | 323 |
| Total liabilities and deferred inflows of resources | 2,506,456 | 943,418 | 3,449,874 |
| <u>NET POSITION</u> | | | |
| Invested in capital assets, net of related debt | 2,477,475 | 3,116,538 | 5,594,013 |
| Restricted | | | |
| Cemetery | 121,754 | 0 | 121,754 |
| Community development | 2,417,231 | 0 | 2,417,231 |
| Debt service | 0 | 480,500 | 480,500 |
| Lister education | 2,757 | 0 | 2,757 |
| Records restoration | 10,560 | 0 | 10,560 |
| Reappraisal | 81,190 | 0 | 81,190 |
| Unrestricted | (228,524) | 135,554 | (92,970) |
| Total net position | \$ 4,882,443 | \$ 3,732,592 | \$ 8,615,035 |

See Notes to Financial Statements.

TOWN OF CABOT, VERMONT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

| | Program Revenues | | | | Net (Expenses) Revenues and Changes in Net Position | | |
|--------------------------------------------|---------------------|-------------------------|------------------------------------------|----------------------------------------|--------------------------------------------------------|-----------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Functions/Programs | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 623,083 | \$ 38,521 | \$ 7,574 | \$ 0 | \$ (576,988) | \$ 0 | \$ (576,988) |
| Public Works | 784,354 | 15,764 | 167,744 | 74,849 | (525,997) | 0 | (525,997) |
| Community Development | 46,539 | 0 | 0 | 0 | (46,539) | 0 | (46,539) |
| Culture and Recreation | 50,865 | 10,679 | 0 | 0 | (40,186) | 0 | (40,186) |
| Interest on Long-Term Debt | 24,693 | 0 | 0 | 0 | (24,693) | 0 | (24,693) |
| Total Governmental Activities | <u>1,529,534</u> | <u>64,964</u> | <u>175,318</u> | <u>74,849</u> | <u>(1,214,403)</u> | <u>0</u> | <u>(1,214,403)</u> |
| Business-Type Activities: | | | | | | | |
| Water | 54,907 | 60,191 | 17,335 | 0 | 0 | 22,619 | 22,619 |
| Wastewater | 274,029 | 162,839 | 3,121 | 0 | 0 | (108,069) | (108,069) |
| Total Business-Type Activities | <u>328,936</u> | <u>223,030</u> | <u>20,456</u> | <u>0</u> | <u>0</u> | <u>(85,450)</u> | <u>(85,450)</u> |
| Total | <u>\$ 1,858,470</u> | <u>\$ 287,994</u> | <u>\$ 195,774</u> | <u>\$ 74,849</u> | <u>(1,214,403)</u> | <u>(85,450)</u> | <u>(1,299,853)</u> |
| General Revenues: | | | | | | | |
| Property taxes | | | | | 1,012,550 | 0 | 1,012,550 |
| Interest and penalties on delinquent taxes | | | | | 22,718 | 0 | 22,718 |
| Gain on disposal of assets | | | | | 10,159 | 0 | 10,159 |
| Net investment income | | | | | 102,926 | 46,830 | 149,756 |
| Total general revenues | | | | | <u>1,148,353</u> | <u>46,830</u> | <u>1,195,183</u> |
| Change in Net Position | | | | | (66,050) | (38,620) | (104,670) |
| Net Position - January 1, 2016 | | | | | <u>4,948,493</u> | <u>3,771,212</u> | <u>8,719,705</u> |
| Net Position - December 31, 2016 | | | | | <u>\$ 4,882,443</u> | <u>\$ 3,732,592</u> | <u>\$ 8,615,035</u> |

See Notes to Financial Statements.

TOWN OF CABOT, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

| | Major Funds | | Nonmajor Fund | Totals |
|-------------------------------------------------------------------------|---------------------|--------------------|-------------------|---------------------|
| | General Fund | UDAG | Cemetery Fund | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,071,009 | \$ 11,819 | \$ 15,209 | \$ 1,098,037 |
| Investments | 0 | 1,551,157 | 85,682 | 1,636,839 |
| Cash held by tax collector | 24,692 | 0 | 0 | 24,692 |
| Taxes, interest and penalty receivable | 112,835 | 0 | 0 | 112,835 |
| Accounts receivable - State | 13,952 | 0 | 0 | 13,952 |
| Accounts receivable - other | 3,306 | 0 | 0 | 3,306 |
| Loans receivable | 0 | 321,299 | 0 | 321,299 |
| Advances to other funds | 0 | 538,233 | 0 | 538,233 |
| Due from other funds | 0 | 0 | 20,863 | 20,863 |
| Inventory | 33,199 | 0 | 0 | 33,199 |
| Total assets | <u>\$ 1,258,993</u> | <u>\$2,422,508</u> | <u>\$ 121,754</u> | <u>\$ 3,803,255</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 13,232 | \$ 442 | \$ 0 | \$ 13,674 |
| Due to other funds | 17,188 | 4,835 | 0 | 22,023 |
| Due to School | 1,073,417 | 0 | 0 | 1,073,417 |
| Deposits held for others | 800 | 0 | 0 | 800 |
| Advances from other funds | 57,733 | 0 | 0 | 57,733 |
| Total liabilities | <u>1,162,370</u> | <u>5,277</u> | <u>0</u> | <u>1,167,647</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue - property taxes | 90,369 | 0 | 0 | 90,369 |
| Unavailable revenue - loans | 0 | 859,532 | 0 | 859,532 |
| Total deferred inflows of resources | <u>90,369</u> | <u>859,532</u> | <u>0</u> | <u>949,901</u> |
| Fund Balances | | | | |
| Nonspendable | 33,199 | 0 | 0 | 33,199 |
| Restricted | 94,507 | 1,557,699 | 121,754 | 1,773,960 |
| Committed | 15,186 | 0 | 0 | 15,186 |
| Unassigned | (136,638) | 0 | 0 | (136,638) |
| Total fund balances | <u>6,254</u> | <u>1,557,699</u> | <u>121,754</u> | <u>1,685,707</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,258,993</u> | <u>\$2,422,508</u> | <u>\$ 121,754</u> | <u>\$ 3,803,255</u> |

TOWN OF CABOT, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016

EXHIBIT D

| | | |
|------------------------------------------|----|-----------|
| TOTAL FUND BALANCES - GOVERNMENTAL FUNDS | \$ | 1,685,707 |
|------------------------------------------|----|-----------|

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

| | | |
|-------------------------------------------------------------------------------------------------------------------------------------|--|-----------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. | | 3,603,158 |
|-------------------------------------------------------------------------------------------------------------------------------------|--|-----------|

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------|
| Unavailable revenue for property taxes (\$90,369) and loans (\$859,532) is recognized on an accrual basis in the statement of net position, not for the modified accrual basis. | | 949,901 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------|

| | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|
| 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 | | (104,368) |

| | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. | | 61,919 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|

| | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------------|
| 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 | | (1,305,683) |
| Accrued compensated absences | | (8,191) |
| | | (1,313,874) |

| | | |
|----------------------------------------------|----|-----------|
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | \$ | 4,882,443 |
|----------------------------------------------|----|-----------|

TOWN OF CABOT, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

EXHIBIT E

| | Major Funds | | Nonmajor Fund | Totals |
|---------------------------------------|------------------|---------------------|-------------------|---------------------|
| | General Fund | UDAG | Cemetery Fund | |
| Revenues | | | | |
| Property taxes | \$ 1,012,166 | \$ 0 | \$ 0 | \$ 1,012,166 |
| State aid highways | 132,564 | 0 | 0 | 132,564 |
| Delinquent tax penalties & interest | 22,718 | 0 | 0 | 22,718 |
| Licenses, fees & permits | 24,786 | 0 | 0 | 24,786 |
| Investment income (loss) | 1,789 | 98,672 | 2,465 | 102,926 |
| Loan repayments | 0 | 22,466 | 0 | 22,466 |
| Rental income | 8,080 | 0 | 0 | 8,080 |
| Diesel reimbursement | 10,525 | 0 | 0 | 10,525 |
| Other | 14,861 | 48 | 12,015 | 26,924 |
| Grant income | 104,678 | 0 | 0 | 104,678 |
| Reappraisal - Act 60 | 7,574 | 0 | 0 | 7,574 |
| Total revenues | <u>1,339,741</u> | <u>121,186</u> | <u>14,480</u> | <u>1,475,407</u> |
| Expenditures | | | | |
| Current: | | | | |
| Selectmen | 521,795 | 0 | 0 | 521,795 |
| Highway | 594,472 | 0 | 0 | 594,472 |
| Willey Building | 23,176 | 0 | 0 | 23,176 |
| Library expenses | 35,247 | 0 | 0 | 35,247 |
| Cemetery | 0 | 0 | 18,277 | 18,277 |
| Community grants | 0 | 19,200 | 0 | 19,200 |
| Community loans | 0 | 11,691 | 0 | 11,691 |
| Scholarship grants | 0 | 9,680 | 0 | 9,680 |
| Other | 0 | 5,968 | 0 | 5,968 |
| Total current | <u>1,174,690</u> | <u>46,539</u> | <u>18,277</u> | <u>1,239,506</u> |
| Debt service: | | | | |
| Principal - Selectmen | 30,000 | 0 | 0 | 30,000 |
| Principal - Highway | 116,571 | 0 | 0 | 116,571 |
| Principal - UDAG | 0 | 50,000 | 0 | 50,000 |
| Interest - Selectmen | 3,683 | 0 | 0 | 3,683 |
| Interest - Highway | 18,506 | 0 | 0 | 18,506 |
| Interest - UDAG | 0 | 2,504 | 0 | 2,504 |
| Total debt service | <u>168,760</u> | <u>52,504</u> | <u>0</u> | <u>221,264</u> |
| Capital outlays: | | | | |
| Highway | 181,430 | 0 | 0 | 181,430 |
| Total capital outlays | <u>181,430</u> | <u>0</u> | <u>0</u> | <u>181,430</u> |
| Total expenditures | <u>1,524,880</u> | <u>99,043</u> | <u>18,277</u> | <u>1,642,200</u> |
| Excess Revenues (Expenditures) | <u>(185,139)</u> | <u>22,143</u> | <u>(3,797)</u> | <u>(166,793)</u> |
| Other Financing Sources (Uses) | | | | |
| Loan proceeds | 180,000 | 0 | 0 | 180,000 |
| Transfers in | 0 | 0 | 20,000 | 20,000 |
| Transfers out | (20,000) | 0 | 0 | (20,000) |
| Total other financing sources (uses) | <u>160,000</u> | <u>0</u> | <u>20,000</u> | <u>180,000</u> |
| Net Change in Fund Balances | (25,139) | 22,143 | 16,203 | 13,207 |
| Fund Balances - January 1, 2016 | <u>31,393</u> | <u>1,535,556</u> | <u>105,551</u> | <u>1,672,500</u> |
| Fund Balances - December 31, 2016 | <u>\$ 6,254</u> | <u>\$ 1,557,699</u> | <u>\$ 121,754</u> | <u>\$ 1,685,707</u> |

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, 2016

EXHIBIT F

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 13,207

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 (\$384), Loans \$22,466 | (22,082) |
|----------------------------------------|----------|

Receipt of 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.

(180,000)

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

196,571

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 | 12,426 | |
| Cost of benefits earned, net of employee contributions | <u>(29,232)</u> | (16,806) |

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 \$2,184.

(2,184)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost (\$185,930), net of disposals (\$26,341), of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$214,345).

This is the amount by which depreciation exceeded capital outlays in the current period.

(54,756)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ (66,050)

TOWN OF CABOT, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016

EXHIBIT G

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------------|---------------------------------|--------------|----------------------------------------|
| Revenues | | | |
| Property taxes | \$ 990,533 | \$ 1,012,166 | \$ 21,633 |
| State aid highway | 140,000 | 132,564 | (7,436) |
| Delinquent tax penalties & interest | 20,000 | 22,718 | 2,718 |
| Licenses, fees & permits | 21,000 | 24,786 | 3,786 |
| Interest & dividends | 10,000 | 1,789 | (8,211) |
| Rental income | 9,000 | 8,080 | (920) |
| Diesel reimbursement | 11,000 | 10,525 | (475) |
| Grant income | 410,000 | 104,678 | (305,322) |
| Library income | 3,400 | 0 | (3,400) |
| Other | 15,000 | 14,861 | (139) |
| Reappraisal - Act 60 | 8,000 | 7,574 | (426) |
| Total revenues | 1,637,933 | 1,339,741 | (298,192) |
| Expenditures | | | |
| Current: | | | |
| Selectmen | 477,200 | 521,795 | (44,595) |
| Highway | 531,300 | 594,472 | (63,172) |
| Library | 35,000 | 35,247 | (247) |
| Willey Building | 36,000 | 23,176 | 12,824 |
| Total current | 1,079,500 | 1,174,690 | (95,190) |
| Debt service: | | | |
| Principal - Selectmen | 30,900 | 30,000 | 900 |
| Principal - Highway | 116,500 | 116,571 | (71) |
| Interest - Selectmen | 3,700 | 3,683 | 17 |
| Interest - Highway | 15,500 | 18,506 | (3,006) |
| Total debt service | 166,600 | 168,760 | (2,160) |
| Capital outlays: | | | |
| Highway | 460,000 | 181,430 | 278,570 |
| Total capital outlays | 460,000 | 181,430 | 278,570 |
| Total expenditures | 1,706,100 | 1,524,880 | 181,220 |
| Excess Revenues (Expenditures) | (68,167) | (185,139) | (116,972) |
| Other Financing Sources (Uses) | | | |
| Loan proceeds | 180,000 | 180,000 | 0 |
| Transfers out | (20,000) | (20,000) | 0 |
| Total other financing sources (uses) | 160,000 | 160,000 | 0 |
| Net Change in Fund Balance | \$ 91,833 | (25,139) | \$ (116,972) |
| Fund Balance - January 1, 2016 | | 31,393 | |
| Fund Balance - December 31, 2016 | | \$ 6,254 | |

TOWN OF CABOT, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

EXHIBIT H

| | Wastewater Fund | Water Fund | Total |
|----------------------------------------------------|---------------------|-------------------|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash | \$ 19,294 | \$ 24,237 | \$ 43,531 |
| Restricted cash - debt service | 17,201 | 0 | 17,201 |
| Restricted investments - debt service | 463,299 | 0 | 463,299 |
| Accounts receivable | 48,385 | 13,900 | 62,285 |
| Grant receivable | 0 | 180 | 180 |
| Unbilled user fees | 0 | 664 | 664 |
| Due from other funds | 0 | 17,023 | 17,023 |
| Prepaid expenses | 0 | 27,734 | 27,734 |
| Total current assets | <u>548,179</u> | <u>83,738</u> | <u>631,917</u> |
| Non-Current Assets | | | |
| Land | 143,663 | 23,678 | 167,341 |
| Equipment, net of depreciation | 0 | 5,286 | 5,286 |
| Plant, net of depreciation | 3,457,262 | 910,567 | 4,367,829 |
| Total non-current assets | <u>3,600,925</u> | <u>939,531</u> | <u>4,540,456</u> |
| Total assets | <u>4,149,104</u> | <u>1,023,269</u> | <u>5,172,373</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Due to other funds | 15,863 | 0 | 15,863 |
| Bond and notes payable due within one year | 22,617 | 43,716 | 66,333 |
| Total current liabilities | <u>38,480</u> | <u>43,716</u> | <u>82,196</u> |
| Noncurrent Liabilities | | | |
| Advances from other funds | 480,500 | 0 | 480,500 |
| Bonds and notes payable due after one year | 388,050 | 489,035 | 877,085 |
| Total noncurrent liabilities | <u>868,550</u> | <u>489,035</u> | <u>1,357,585</u> |
| Total liabilities | <u>907,030</u> | <u>532,751</u> | <u>1,439,781</u> |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 2,709,758 | 406,780 | 3,116,538 |
| Restricted for debt service | 480,500 | 0 | 480,500 |
| Unrestricted | 51,816 | 83,738 | 135,554 |
| Total net position | <u>\$ 3,242,074</u> | <u>\$ 490,518</u> | <u>\$ 3,732,592</u> |

TOWN OF CABOT, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

EXHIBIT I

| | <u>Wastewater Fund</u> | <u>Water Fund</u> | <u>Total</u> |
|-----------------------------------------|----------------------------|--------------------------|----------------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 153,010 | \$ 60,089 | \$ 213,099 |
| Other fees and charges | 9,829 | 102 | 9,931 |
| | <u>162,839</u> | <u>60,191</u> | <u>223,030</u> |
| OPERATING EXPENSES | | | |
| Operation and maintenance | 126,121 | 20,179 | 146,300 |
| Contracted services | 1,867 | 6,240 | 8,107 |
| Administration fees | 6,887 | 1,218 | 8,105 |
| Depreciation | 118,987 | 27,270 | 146,257 |
| | <u>253,862</u> | <u>54,907</u> | <u>308,769</u> |
| OPERATING INCOME (LOSS) | <u>(91,023)</u> | <u>5,284</u> | <u>(85,739)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Unrealized gain on investments | 23,892 | 0 | 23,892 |
| Realized gain on investments | 12,467 | 0 | 12,467 |
| Investment fees | (4,138) | 0 | (4,138) |
| Grant income | 3,121 | 17,335 | 20,456 |
| Interest expense | (16,029) | 0 | (16,029) |
| Interest/dividend income | 10,471 | 0 | 10,471 |
| Net nonoperating revenues (expenses) | <u>29,784</u> | <u>17,335</u> | <u>47,119</u> |
| CHANGE IN NET POSITION | <u>(61,239)</u> | <u>22,619</u> | <u>(38,620)</u> |
| NET POSITION - JANUARY 1, 2016 | <u>3,303,313</u> | <u>467,899</u> | <u>3,771,212</u> |
| NET POSITION - DECEMBER 31, 2016 | <u><u>\$ 3,242,074</u></u> | <u><u>\$ 490,518</u></u> | <u><u>\$ 3,732,592</u></u> |

TOWN OF CABOT, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

EXHIBIT J

| | <u>Wastewater Fund</u> | <u>Water Fund</u> |
|-----------------------------------------------------------------------------------------------------------|----------------------------|-----------------------|
| CASH FLOWS FROM (TO) OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 146,887 | \$ 60,957 |
| Cash payments to suppliers for goods and services | <u>(143,179)</u> | <u>(27,814)</u> |
| Net cash from operating activities | <u>3,708</u> | <u>33,143</u> |
| CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES | | |
| Cash payments from (to) other funds | <u>10,471</u> | <u>(17,426)</u> |
| CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Receipts from capital grants | 0 | 32,108 |
| Purchase of equipment | (46,031) | (5,500) |
| Principal paid on capital debt | (21,877) | (45,068) |
| Interest paid on capital debt | <u>(16,029)</u> | <u>0</u> |
| Net cash to capital and related financing activities | <u>(83,937)</u> | <u>(18,460)</u> |
| CASH FLOWS FROM (TO) INVESTING ACTIVITIES | | |
| Sale of investments | 90,438 | 0 |
| Purchase of investments | (69,913) | 0 |
| Investment management fees | (4,138) | 0 |
| Interest on cash and investments | <u>10,471</u> | <u>0</u> |
| Net cash from investing activities | <u>26,858</u> | <u>0</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (42,900) | (2,743) |
| CASH AND CASH EQUIVALENTS - JANUARY 1, 2016 | <u>79,395</u> | <u>26,980</u> |
| CASH AND CASH EQUIVALENTS - DECEMBER 31, 2016 | <u>\$ 36,495</u> | <u>\$ 24,237</u> |
| RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM (TO) OPERATING ACTIVITIES | | |
| Income (loss) from operations | \$ (91,023) | \$ 5,284 |
| Adjustments to reconcile income (loss) from operations to net cash flow from (to) operating activities | | |
| Depreciation | 118,987 | 27,270 |
| (Increase) decrease in accounts receivable | (15,952) | (763) |
| (Increase) decrease in unbilled user fees | 0 | 1,529 |
| Increase (decrease) in accounts payable | <u>(8,304)</u> | <u>(177)</u> |
| Net cash provided by (used in) operating activities | <u>\$ 3,708</u> | <u>\$ 33,143</u> |

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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, 2016
(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, 2016
(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, 2016
(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

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 statement 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).

The deferred inflows of resources reported in the statement of net position is for changes in proportion and differences between employer contributions and proportionate share of contributions.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(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 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, 2016
(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, 2016
(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, 2016, the Town's bank balance of \$1,220,233 was exposed to custodial credit risk as follows:

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

| | |
|---------------------------------------------------------------------|----------------------------|
| | <u>Bank Balance</u> |
| FDIC insured | \$ 94,274 |
| Collateralized by securities held by pledging financial institution | 1,125,959 |
| Total | <u><u>\$ 1,220,233</u></u> |

Investments

Investments at December 31, 2016 were as follows:

| | Fair Value | Maturity Date | Rating |
|------------------------------------------|---------------------------|---------------|-----------|
| Cash equiv. - Federated Gov't Obligation | \$ 91,673 | n/a | |
| Mutual funds - stocks | 42,215 | n/a | |
| Common stocks | 1,088,417 | n/a | 1 (S&P) |
| Corporate bonds | 877,833 | 5/2017-3/2023 | BB to AA- |
| | <u><u>\$2,100,138</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, 2016:

| | Interest and Dividends | Realized/Unrealized Gains (Losses) | Investment Fees and Expenses | Total |
|--------------------|---------------------------|---------------------------------------|---------------------------------|--------------------------|
| Governmental Funds | | | | |
| General Fund | \$ 1,789 | \$ 0 | \$ 0 | \$ 1,789 |
| UDAG | 42,454 | 66,132 | (9,914) | 98,672 |
| Other governmental | 3,151 | (100) | (586) | 2,465 |
| Proprietary Fund | | | | |
| Wastewater Fund | 10,471 | 36,359 | (4,138) | 42,692 |
| Total | <u><u>\$ 57,865</u></u> | <u><u>\$ 102,391</u></u> | <u><u>\$ (14,638)</u></u> | <u><u>\$ 145,618</u></u> |

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair values of investments on December 31, 2016, are as follows:

| | FV | Quoted Prices In Active Markets Identical Assets Level 1 |
|-------------------|----------------------------|-------------------------------------------------------------------|
| Stocks | \$ 1,130,632 | \$ 1,130,632 |
| Bonds - Corporate | 877,833 | 877,833 |
| Total | <u><u>\$ 2,008,465</u></u> | <u><u>\$ 2,008,465</u></u> |

The Town has a number of financial instruments, none of which are held for trading purposes. The Town estimates that the fair value of all financial instruments at December 31, 2016 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheet.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(Continued)

NOTE 4 - PROPERTY TAXES

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

NOTE 5 - RECEIVABLES

Receivable balances as of December 31, 2016 were as follows:

| | Governmental Activities | Business-Type Activities | Net Receivables |
|-----------------------------|----------------------------|-----------------------------|--------------------|
| Delinquent taxes receivable | \$ 112,835 | \$ 0 | \$ 112,835 |
| Cash held by tax collector | 24,692 | 0 | 24,692 |
| Accounts receivable - State | 13,952 | 180 | 14,132 |
| Accounts receivable - other | 3,306 | 62,285 | 65,591 |
| | \$ 154,785 | \$ 62,465 | \$ 217,250 |

NOTE 6 - UDAG LOANS RECEIVABLE/ADVANCES TO OTHER FUNDS

The UDAG loan receivables (\$321,299) and advances to other funds (\$538,233), total \$859,532 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 \$57,733 to the General Fund. The three largest loans are to the Cabot Commons and total \$307,141. 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.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(Continued)

NOTE 7 - CAPITAL ASSETS

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

| | Balance December 31, 2015 | Additions | Disposals/ Reclassifications | (Depreciation) | Balance December 31, 2016 |
|--------------------------------------|---------------------------------|-------------------|---------------------------------|---------------------|---------------------------------|
| <i>Governmental activities</i> | | | | | |
| Capital assets not depreciated | | | | | |
| Land | \$ 169,102 | \$ 0 | \$ 0 | \$ 0 | \$ 169,102 |
| CIP - Buildings and improvements | 912,824 | 0 | (912,824) | 0 | 0 |
| Total capital assets not deprec. | <u>\$ 1,081,926</u> | <u>\$ 0</u> | <u>\$ (912,824)</u> | <u>\$ 0</u> | <u>\$ 169,102</u> |
| Capital assets being depreciated | | | | | |
| Buildings and improvements | \$ 682,736 | \$ 127,730 | \$ 912,824 | \$ 0 | \$ 1,723,290 |
| Land improvements | 72,429 | 21,975 | 0 | 0 | 94,404 |
| Equipment | 621,959 | 36,225 | (19,500) | 0 | 638,684 |
| Vehicles | 936,005 | 0 | (109,947) | 0 | 826,058 |
| Infrastructure | 1,675,283 | 0 | 0 | 0 | 1,675,283 |
| Total capital assets being depr. | <u>3,988,412</u> | <u>185,930</u> | <u>783,377</u> | <u>0</u> | <u>4,957,719</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (390,463) | 0 | 0 | (35,490) | (425,953) |
| Land improvements | (2,656) | 0 | 0 | (4,262) | (6,918) |
| Equipment | (180,266) | 0 | 19,500 | (38,895) | (199,661) |
| Vehicles | (503,377) | 0 | 83,606 | (59,687) | (479,458) |
| Infrastructure | (335,662) | 0 | 0 | (76,011) | (411,673) |
| Total accum. depreciation | <u>(1,412,424)</u> | <u>0</u> | <u>103,106</u> | <u>(214,345)</u> | <u>(1,523,663)</u> |
| Total capital assets, net of deprec. | <u>\$ 2,575,988</u> | <u>\$ 185,930</u> | <u>\$ 886,483</u> | <u>\$ (214,345)</u> | <u>\$ 3,434,056</u> |
| <i>Business-type activities</i> | | | | | |
| Capital assets not depreciated-land | \$ 167,341 | \$ 0 | \$ 0 | \$ 0 | \$ 167,341 |
| Capital assets being depreciated | | | | | |
| Plant | \$ 6,292,856 | \$ 46,031 | \$ 0 | \$ 0 | \$ 6,338,887 |
| Equipment | 0 | 5,500 | 0 | 0 | 5,500 |
| Total capital assets being depr. | <u>6,292,856</u> | <u>51,531</u> | <u>0</u> | <u>0</u> | <u>6,344,387</u> |
| Less accumulated depreciation for: | | | | | |
| Plant | (1,825,015) | 0 | 0 | (146,043) | (1,971,058) |
| Equipment | 0 | 0 | 0 | (214) | (214) |
| Total accum. depreciation | <u>(1,825,015)</u> | <u>0</u> | <u>0</u> | <u>(146,257)</u> | <u>(1,971,272)</u> |
| Total capital assets, net of deprec. | <u>\$ 4,467,841</u> | <u>\$ 51,531</u> | <u>\$ 0</u> | <u>\$ (146,257)</u> | <u>\$ 4,373,115</u> |

Depreciation for the governmental activities was charged to general government for \$49,628, public works for \$156,572 and culture & recreation for \$8,145. Depreciation for the proprietary funds consisted of \$118,987 for the Wastewater Fund and \$27,270 for the Water Fund.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(Continued)

NOTE 8 - 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.

The composition of due from/(to) other funds at December 31, 2016 are as follows:

| Fund: | Due from other funds | Due to other funds |
|-----------------|-------------------------|-----------------------|
| General Fund | \$ 0 | \$ 17,188 |
| UDAG | 0 | 4,835 |
| Cemetery Fund | 20,863 | 0 |
| Wastewater Fund | 0 | 15,863 |
| Water Fund | 17,023 | 0 |
| Total | <u>\$ 37,886</u> | <u>\$ 37,886</u> |

The composition of advances to/(from) other funds at December 31, 2016 were as follows:

| | Advances to other funds | Advances from other funds |
|--------------------------|----------------------------|------------------------------|
| Governmental funds | | |
| General Fund | \$ 0 | \$ 57,733 |
| UDAG | 538,233 | 0 |
| Total governmental funds | <u>538,233</u> | <u>57,733</u> |
| Proprietary funds | | |
| Wastewater Fund | 0 | 480,500 |
| Total | <u>\$ 538,233</u> | <u>\$ 538,233</u> |

NOTE 9 – UNAVAILABLE REVENUE

Unavailable revenue of \$859,532 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 \$90,369 of property taxes not received within sixty days after year end.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(Continued)

NOTE 10 - SHORT-TERM DEBT

In April 2016, the Town received a tax anticipation note from People's United Bank for \$980,000 with an interest rate of 1.15%, due December 30, 2016.

The following is a summary of changes in short-term debt for the year ended December 31, 2016 for the governmental activities.

| | | |
|------------------------------|----|-----------|
| Balance at January 1, 2016 | \$ | 0 |
| Loan proceeds | | 700,000 |
| Loan payments | | (700,000) |
| | | 0 |
| Balance at December 31, 2016 | \$ | 0 |

Interest on short-term debt of \$4,651 was paid in 2016.

NOTE 11 - LONG-TERM LIABILITIES

Long-term debt at December 31, 2016 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%). | \$ 30,000 |
| 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%. | 390,000 |
| Note payable to Ally Financial with yearly principal and interest payments of \$5,999 starting August 2014 until August 2018, interest at 6.69%. | 10,892 |
| Note payable to Union Bank with yearly principal and interest payments of \$91,488 starting December 2017 until December 2018, interest at 1.1%. | 180,000 |
| Note payable to Union Bank with yearly principal and interest payments of \$24,789 starting September 2017 through September 2025, interest at 2.477%. | 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%. | 339,791 |
| 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%). | 55,000 |
| 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, but paid off in January 2017. | 100,000 |
| Total | 1,305,683 |
| Amount due within one year | (358,699) |
| Amount due after one year | \$ 946,984 |

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(Continued)

NOTE 11 - LONG-TERM LIABILITIES (Continued)

Proprietary

| | | <u>Due within one year</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------------|
| <u>Wastewater Fund</u> | | |
| Bond payable with Vermont Bond Bank, semi-annual payments of \$34,822 starting 2012 until 2031, interest at 3.93%. | \$ 389,070 | \$ 19,532 |
| Note payable with Vermont Municipal Bond Bank, annual payments of \$3,085 starting June 2004 until 2023, interest at 0%. | 21,597 | 3,085 |
| Total wastewater fund | <u>410,667</u> | <u>22,617</u> |
| <u>Water Fund</u> | | |
| Note payable to Vermont Bond Bank at -3% interest due in annual installments on January 1 beginning in 2002 through 2031. Yearly payments of \$27,734 through 2021, then \$27,542 through 2031. Grant income recognized annually for the amount of forgiven principal as a result of negative interest. | 532,751 | 43,716 |
| Total | <u>\$ 943,418</u> | <u>\$ 66,333</u> |

Long-term debt will mature approximately as follows:

| | <u>Governmental</u> | | | <u>Proprietary</u> | | |
|-----------|---------------------|-------------------|---------------------|--------------------|-------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2017 | \$ 358,699 | \$ 29,739 | \$ 388,438 | \$ 66,333 | \$ 13,036 | \$ 79,369 |
| 2018 | 253,093 | 21,537 | 274,630 | 65,788 | 12,182 | 77,970 |
| 2019 | 137,478 | 16,971 | 154,449 | 65,315 | 13,726 | 79,041 |
| 2020 | 138,001 | 13,997 | 151,998 | 64,910 | 12,896 | 77,806 |
| 2021 | 325,167 | 19,749 | 344,916 | 64,575 | 12,034 | 76,609 |
| 2022-2026 | 93,245 | 5,913 | 99,158 | 310,142 | 46,012 | 356,154 |
| 2027-2031 | 0 | 0 | 0 | 306,355 | 18,784 | 325,139 |
| Total | <u>\$ 1,305,683</u> | <u>\$ 107,906</u> | <u>\$ 1,413,589</u> | <u>\$ 943,418</u> | <u>\$ 128,670</u> | <u>\$ 1,072,088</u> |

The following is a summary of changes of long-term liabilities for the year ended December 31, 2016:

| | <u>Governmental</u> | <u>Proprietary</u> | <u>Total</u> |
|-------------------------------|---------------------|--------------------|---------------------|
| Balance at December 31, 2015 | \$ 1,328,261 | \$ 1,010,363 | \$ 2,338,624 |
| Proceeds | 180,000 | 0 | 180,000 |
| Increases in accrued vacation | 2,184 | 0 | 2,184 |
| Principal payments | (196,571) | (66,945) | (263,516) |
| Balance at December 31, 2016 | <u>\$ 1,313,874</u> | <u>\$ 943,418</u> | <u>\$ 2,257,292</u> |

Interest of \$40,721 was paid on long-term debt in 2016.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(Continued)

NOTE 12 – RESTRICTED/COMMITTED/ASSIGNED FUND BALANCES

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

| | <u>Restricted</u> | <u>Committed</u> |
|-------------------|-------------------|------------------|
| FD sinking fund | \$ 0 | \$ 15,186 |
| Reappraisal | 81,190 | 0 |
| Listers education | 2,757 | 0 |
| Land records | 10,560 | 0 |
| Totals | <u>\$ 94,507</u> | <u>\$ 15,186</u> |

NOTE 13 - 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, 2016, the retirement system consisted of 441 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, 2016
(Continued)

NOTE 13 - PENSION PLANS (Continued)

Benefits provided and contributions

| Avg Final Compensation (AFC) | <u>Group A</u> | <u>Group B</u> | <u>Group C</u> | <u>Group D</u> |
|----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| | 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 | 4.875% effective 7/1/15 | 10% effective 1/1/16 | 11.25% eff. 7/1/14 and 11.35% effective 7/1/16 |
| Employer Contributions | 4% | 5.5% effective 7/1/15 | 7.25% effective 1/1/16 | 9.75% eff. 7/1/14 and 9.85% effective 7/1/16 |
| Retirement Stipend | \$25 per month payable at the option of the Board of Retirees | | | |

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(Continued)

NOTE 13 - PENSION PLANS (Continued)

For the year ended December 31, 2016, the Town's contributions to the Plan were \$12,426.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At December 31, 2016, the Town reported a liability of \$104,368 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the Town's proportion was 0.08110%, which was a decrease of 0.00097% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$29,231. At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Net difference between projected and actual investment earnings | \$ 33,841 | \$ 0 |
| Net difference between expected and actual experience | 2,144 | 0 |
| Changes in assumptions | 16,761 | 0 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 3,008 | (323) |
| Member contributions subsequent to measurement date | 6,488 | 0 |
| Total | \$ 62,242 | \$ (323) |

Of the \$62,242 of deferred outflows of resources, \$6,488 was from Town's contributions subsequent to the measurement date which will be recognized as pension expense in the year ending December 31, 2017. Other amounts (\$55,431) reported as deferred outflows of resources net of deferred inflows of resources will be recognized in pension expense as follows:

| Year ending December 31, | |
|---------------------------------|-----------|
| 2017 | \$ 15,034 |
| 2018 | 15,034 |
| 2019 | 19,526 |
| 2020 | 5,837 |

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(Continued)

NOTE 13 - PENSION PLANS (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate – 7.95% per annum.

Salary increase - 5% per year

Deaths -

Groups A, B and C – RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 60% Blue collar and 40% White collar adjustment.

Group D - RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 100% Blue collar adjustment.

The post retirement mortality assumption was chosen to recognize improved longevity experience after the valuation date.

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 - Invested assets are reported at fair value.

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% 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 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.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(Continued)

NOTE 13 - PENSION PLANS (Continued)

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2016 are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return |
|----------------|-------------------------------------------|
| Equity | 8.54% |
| Fixed Income | 2.36% |
| Alternatives | 8.35% |
| Multi-strategy | 4.90% |

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 these 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 percent lower (6.95 percent) or 1 percent higher (8.95 percent) than the current rate:

| 1% Decrease (6.95%) | Discount Rate (7.95%) | 1% Increase (8.95%) |
|---------------------|-----------------------|---------------------|
| \$ 173,261 | \$ 104,368 | \$ 46,684 |

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.

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.

TOWN OF CABOT, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016
(Continued)

NOTE 14 – COMMITMENTS (Continued)

In 2016, the Town entered into a five year operating lease for two highway trucks. The lease calls for annual payments of \$22,432 starting July 2017 through July 2021.

The future minimum payments under these agreements are as follows:

| | |
|-------|-------------------|
| 2017 | \$ 79,211 |
| 2018 | 79,211 |
| 2019 | 79,211 |
| 2020 | 79,211 |
| 2021 | 22,432 |
| Total | <u>\$ 339,276</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.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 15, 2017, the date which the financial statements were available for issue.

In May 2017, the Town obtained a tax anticipation line of credit from Passumpsic Savings Bank for \$893,270 at a rate of 1.45%. The line of credit matures on December 31, 2017. As of August 15, 2017, the Town had drawn \$700,000 on the line of credit.

In June 2017, the Town signed a contract with Vermont Appraisal Company to perform a town-wide reappraisal for \$71,775. The appraisal will commence in July 2019 and be completed by June 30, 2020.

In July 2017, the Town obtained approval for a \$90,000 capital improvement loan from Union Bank at a rate of 2.15%. The note requires annual principal and interest payments of \$19,178 until July 2022. As of August 15, 2017, the Town had drawn the full \$90,000 on that loan.

TOWN OF CABOT, VERMONT
 SCHEDULE OF EXPENDITURES - SELECTMEN
 BUDGET TO ACTUAL
 YEAR ENDED DECEMBER 31, 2016

| | Original and Final <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|--------------------------------|----------------------------------------|-------------------|----------------------------------------|
| Expenditures - Selectmen | | | |
| Current: | | | |
| Appropriations | \$ 54,100 | \$ 54,335 | \$ (235) |
| Audit and legal | 30,000 | 46,053 | (16,053) |
| Computer | 1,500 | 2,891 | (1,391) |
| Conservation Commission | 1,000 | 538 | 462 |
| County tax | 13,000 | 13,032 | (32) |
| Delinquent tax collection fees | 12,000 | 13,315 | (1,315) |
| Dues and subscriptions | 5,500 | 5,869 | (369) |
| Employee benefits | 18,500 | 20,950 | (2,450) |
| Fire Department | 46,000 | 46,522 | (522) |
| Insurance | 16,000 | 16,861 | (861) |
| Interest on short-term debt | 7,000 | 4,651 | 2,349 |
| General | 3,000 | 2,791 | 209 |
| Health | 16,000 | 17,067 | (1,067) |
| Listers | 4,000 | 3,697 | 303 |
| Masonic Hall | 12,000 | 7,473 | 4,527 |
| Meeting elections | 7,000 | 5,548 | 1,452 |
| Miscellaneous | 4,000 | 7,962 | (3,962) |
| Office | 8,000 | 6,424 | 1,576 |
| Pound keeper | 500 | 589 | (89) |
| Planning Commission | 2,000 | 837 | 1,163 |
| Recreation department | 11,000 | 13,024 | (2,024) |
| Records restoration | 4,000 | 478 | 3,522 |
| Sheriff | 7,000 | 7,486 | (486) |
| Solid waste | 2,100 | 4,264 | (2,164) |
| Supplies | 3,000 | 1,732 | 1,268 |
| Tax maps | 1,000 | 0 | 1,000 |
| Village | 14,000 | 20,179 | (6,179) |
| Wages | 172,000 | 195,211 | (23,211) |
| Zoning | 2,000 | 2,016 | (16) |
| Total current | <u>477,200</u> | <u>521,795</u> | <u>(44,595)</u> |
| Debt service: | | | |
| Principal | 30,900 | 30,000 | 900 |
| Interest | 3,700 | 3,683 | 17 |
| Total debt service | <u>34,600</u> | <u>33,683</u> | <u>917</u> |
| Total expenditures - Selectmen | <u>\$ 511,800</u> | <u>\$ 555,478</u> | <u>\$ (43,678)</u> |

TOWN OF CABOT, VERMONT
SCHEDULE OF EXPENDITURES - HIGHWAY
BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2016

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------|---------------------------------|-------------------|----------------------------------------|
| Expenditures - Highway | | | |
| Current: | | | |
| Chloride | \$ 15,000 | \$ 16,991 | \$ (1,991) |
| Clothing Allowance | 1,500 | 1,500 | 0 |
| Cold patch/paving | 2,000 | 1,221 | 779 |
| Culverts | 12,000 | 10,156 | 1,844 |
| Gravel | 90,000 | 85,850 | 4,150 |
| Bridges | 1,000 | 0 | 1,000 |
| Salt and sand | 60,000 | 47,502 | 12,498 |
| Fuel | 34,000 | 38,227 | (4,227) |
| Employee benefits | 18,000 | 19,711 | (1,711) |
| Equipment repairs | 30,000 | 30,659 | (659) |
| Garage repairs/maintenance | 200 | 32,501 | (32,301) |
| Garage supplies | 5,000 | 8,781 | (3,781) |
| Guardrails and signs | 3,000 | 4,750 | (1,750) |
| Health insurance | 29,100 | 40,182 | (11,082) |
| Highway furnace oil | 5,000 | 6,649 | (1,649) |
| Hired equipment | 12,000 | 12,215 | (215) |
| Insurance | 30,000 | 26,003 | 3,997 |
| Miscellaneous | 6,500 | 7,292 | (792) |
| New equipment | 6,000 | 6,669 | (669) |
| Paving | 5,000 | 4,745 | 255 |
| Tires | 4,000 | 4,122 | (122) |
| Transportation planning | 3,000 | 11,190 | (8,190) |
| Utilities | 4,000 | 4,569 | (569) |
| Wages | 155,000 | 172,987 | (17,987) |
| Total current | <u>531,300</u> | <u>594,472</u> | <u>(63,172)</u> |
| Debt service: | | | |
| Principal | 116,500 | 116,571 | (71) |
| Interest | 15,500 | 18,506 | (3,006) |
| Total debt service | <u>132,000</u> | <u>135,077</u> | <u>(3,077)</u> |
| Capital outlays: | | | |
| Town Garage project | 0 | 127,729 | (127,729) |
| 2-way radios | 0 | 6,834 | (6,834) |
| Culverts | 410,000 | 0 | 410,000 |
| Paving | 25,000 | 21,975 | 3,025 |
| Radar signs | 5,000 | 9,882 | (4,882) |
| Mower & wood chipper | 20,000 | 15,010 | 4,990 |
| Total capital outlays | <u>460,000</u> | <u>181,430</u> | <u>278,570</u> |
| Total expenditures - Highway | <u>\$1,123,300</u> | <u>\$ 910,979</u> | <u>\$ 212,321</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>2016</u> | <u>2015</u> | <u>2014</u> |
|-----------------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|
| Town's proportion of the net pension liability (asset) | 0.08110% | 0.08207% | 0.07947% |
| Town's proportionate share of the net pension liability (asset) | \$ 104,368 | \$ 63,269 | \$ 7,253 |
| Town's covered-employee payroll | \$ 308,129 | \$ 286,779 | \$ 256,273 |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 33.87% | 22.06% | 2.83% |
| Plan fiduciary net position as a percentage of the total pension liability | 80.95% | 87.42% | 98.32% |

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

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|----------------------------------------------------------------------|-----------------|-----------------|-----------------|----------------|
| Contractually required contributions | \$ 12,426 | \$ 12,471 | \$ 10,694 | \$ 8,465 |
| Contributions in relation to the contractually required contribution | <u>(12,426)</u> | <u>(12,471)</u> | <u>(10,694)</u> | <u>(8,465)</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Town's covered-employee payroll | \$ 310,635 | \$ 311,776 | \$ 267,350 | \$ 211,634 |
| Contributions as a percentage of covered-employee payroll | 4.000% | 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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 15, 2017.

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. (2016-1 and 2016-2)

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 SEGALE & VALLEY, CPAs

Montpelier, Vermont

Vermont Public Accountancy License #110

August 15, 2017

TOWN OF CABOT, VERMONT
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2016

INTERNAL CONTROL FINDINGS

Material Weaknesses

2016-1 Loan proceeds

Condition: During the audit, we discovered that long-term loan proceeds were recorded on the books as a liability instead of as an other financing source as required by governmental accounting. On the fund statements for all funds except the Water and Wastewater, loan proceeds should be recorded as other financing sources. This condition has occurred in prior years.

Cause: There is a lack of understanding in regards to governmental accounting in relation to how to account for loan activity in governmental funds.

Effect: This resulted in an adjustment to increase the net change in fund balance by \$180,000.

Recommendation: We recommend training be completed to obtain an understanding of recording loan activity in governmental funds, or seek assistance when loan proceeds are received.

Views of Responsible Officials and Planned Corrective Actions: Concur: The Selectboard, working with the Town Treasurer, will contract with the Vermont League of Cities and Towns, or another qualified entity, to provide on-sight training to both the Town Treasurer and the Assistant Town Treasurer in this and other financial and accounting areas to preclude the recurrence of this finding, with the training to be completed not later than October 31, 2017.

2016-2 Balance Sheet account reconciliations

Condition: At December 31, 2016, there were some balance sheet accounts that were not reconciled at year end. This condition was also a material weakness in the 2014 and 2015 audits. Material adjustments were proposed and accepted by management due to this condition.

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. The interest was recorded as a payment of interest instead of as revenue so the current year revenue was understated by almost \$35,000 and the loan balance was off.

The Wastewater Fund had issues with the year's beginning fund balance in the amount of almost \$63,000. This resulted in an incorrect end of year balance on the Rural Development bond of almost \$17,000 and unrecorded capital assets additions of \$46,000 in 2016.

No depreciation was recorded in 2016 in the Wastewater Fund. This was an expenditure of almost \$119,000 that was not recorded resulting in an overstatement of current year net income of approximately \$119,000.

Criteria: Procedures should be established that include periodic reconciliation of all Balance Sheet accounts, which should also include a tie out of the beginning fund balance to the prior year's audit.

Cause: There are no procedures in place that require Balance Sheet accounts to be reconciled.

Effect: Incorrect balances on the Balance Sheets could result in material differences in the current year net change in fund balance as noted above.

Recommendation: We recommend that a policy be established that requires periodic reconciliation of all Balance Sheet accounts in all funds.

Views of Responsible Officials and Planned Corrective Actions: Concur: The Selectboard will establish a policy not later than October 31, 2017 that requires that all Balance Sheet accounts be reconciled periodically throughout the fiscal year and that all Balance Sheet Accounts must be reconciled at year-end as part of the year-end closing process.