

Why is there no Capital fund account for the Lange Forest and/or the Town Forest?

Why is there no Budget for either Forest?

Should both forests, separately or together be shown as a contingent liability in Fairlee's Statement of Condition?

TOWN OF FAIRLEE, VERMONT

AUDIT REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2018

TABLE OF CONTENTS

| | | <u>Page #</u> |
|---|------------|---------------|
| INDEPENDENT AUDITOR'S REPORT | | 1 - 3 |
| BASIC FINANCIAL STATEMENTS | | |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS | | |
| Statement of Net Position – Modified Cash Basis | Exhibit A | 4 |
| Statement of Activities – Modified Cash Basis | Exhibit B | 5 |
| FUND FINANCIAL STATEMENTS | | |
| Balance Sheet – Governmental Funds – Modified Cash Basis | Exhibit C | 6 |
| Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) – Governmental Funds – Modified Cash Basis | Exhibit D | 7 |
| Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) Compared to Budget – General Fund – Modified Cash Basis | Exhibit E | 8 - 12 |
| Statement of Net Position – Proprietary Fund – Modified Cash Basis | Exhibit F | 13 |
| Statement of Activities – Proprietary Fund – Modified Cash Basis | Exhibit G | 14 |
| Statement Fiduciary Net Position and Changes in Fiduciary Net Position – Modified Cash Basis | Exhibit H | 15 |
| NOTES TO FINANCIAL STATEMENTS | | 16 - 25 |
| SUPPLEMENTARY INFORMATION | | |
| Combining and Individual Fund Balance Sheet – Nonmajor Governmental Funds – Modified Cash Basis | Schedule 1 | 26 - 27 |
| Combining and Individual Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Modified Cash Basis | Schedule 2 | 28 - 29 |

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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

INDEPENDENT AUDITOR'S REPORT

To the Selectboard
Town of Fairlee
Fairlee, Vermont

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Fairlee, Vermont, as of and for the year ended December 31, 2018, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Fairlee, Vermont, as of December 31, 2018 and the respective changes in modified cash basis financial position and the modified cash basis budgetary comparison for the General Fund in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis and the Schedule of the Town's Proportionate Share of the Net Pension Liability and Schedule of Town Contributions that the modified cash basis of accounting require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 September 27, 2019 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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

FOTHERGILL SEGALE & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

September 27, 2019

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

DECEMBER 31, 2018

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,899,136 | \$ 0 | \$ 1,899,136 |
| Investments - restricted | 12,697 | 0 | 12,697 |
| Internal balances | (246,647) | 246,647 | 0 |
| Total assets | <u>1,665,186</u> | <u>246,647</u> | <u>1,911,833</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Due to State of Vermont - Property Taxes | 163,233 | 0 | 163,233 |
| Due to School Districts | 499,506 | 0 | 499,506 |
| Due to Fiduciary funds | 178,430 | 0 | 178,430 |
| Prepaid property taxes | 16 | 0 | 16 |
| Held for others | 507 | 0 | 507 |
| Total current liabilities | <u>841,692</u> | <u>0</u> | <u>841,692</u> |
| NET POSITION | | | |
| Restricted | 277,636 | 0 | 277,636 |
| Unrestricted | 545,858 | 246,647 | 792,505 |
| Total net position | <u>\$ 823,494</u> | <u>\$ 246,647</u> | <u>\$ 1,070,141</u> |

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2018

| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue and Change in Net Position | | |
|--|---------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|---------------------|
| | | | | | Governmental Activities | Business-type Activities | Total |
| Governmental Activities: | | | | | | | |
| General government | \$ 590,646 | \$ 48,974 | \$ 29,223 | \$ 0 | \$ (512,449) | \$ 0 | \$ (512,449) |
| Highways and streets | 294,114 | 0 | 79,844 | 0 | (214,270) | 0 | (214,270) |
| Culture and recreation | 191,730 | 1,983 | 19,150 | 0 | (170,597) | 0 | (170,597) |
| Public safety | 156,298 | 0 | 0 | 0 | (156,298) | 0 | (156,298) |
| Appropriations | 25,000 | 0 | 0 | 0 | (25,000) | 0 | (25,000) |
| Cemeteries | 16,020 | 0 | 0 | 0 | (16,020) | 0 | (16,020) |
| Debt service | 44,445 | 0 | 0 | 0 | (44,445) | 0 | (44,445) |
| Capital outlay - highways and streets | 482,416 | 0 | 0 | 117 | (482,299) | 0 | (482,299) |
| Total governmental activities | <u>1,800,669</u> | <u>50,957</u> | <u>128,217</u> | <u>117</u> | <u>(1,621,378)</u> | <u>0</u> | <u>(1,621,378)</u> |
| Business-type activities | | | | | | | |
| Water system | 1,326,388 | 173,651 | 0 | 0 | 0 | (1,152,737) | (1,152,737) |
| Total business-type activities | <u>1,326,388</u> | <u>173,651</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(1,152,737)</u> | <u>(1,152,737)</u> |
| Total government | <u>\$ 3,127,057</u> | <u>\$ 224,608</u> | <u>\$ 128,217</u> | <u>\$ 117</u> | <u>(1,621,378)</u> | <u>(1,152,737)</u> | <u>(2,774,115)</u> |
| General Revenues and Other Sources: | | | | | | | |
| Property taxes and related revenues | | | | | 1,259,795 | 0 | 1,259,795 |
| Debt proceeds | | | | | 469,316 | 1,281,038 | 1,750,354 |
| Investment income | | | | | 2,273 | 579 | 2,852 |
| Other revenues | | | | | 50,092 | 0 | 50,092 |
| Total general revenues and other sources | | | | | <u>1,781,476</u> | <u>1,281,617</u> | <u>3,063,093</u> |
| Change in net position | | | | | 160,098 | 128,880 | 288,978 |
| Net position - January 1, 2018 | | | | | <u>663,396</u> | <u>117,767</u> | <u>781,163</u> |
| Net position - December 31, 2018 | | | | | <u>\$ 823,494</u> | <u>\$ 246,647</u> | <u>\$ 1,070,141</u> |

BALANCE SHEET - GOVERNMENTAL FUNDS

MODIFIED CASH BASIS

DECEMBER 31, 2018

| | General Fund | Capital Fund | Town Hall Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|-------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,899,136 | \$ 0 | \$ 0 | \$ 0 | \$ 1,899,136 |
| Investments - restricted | 0 | 0 | 0 | 12,697 | 12,697 |
| Due from other funds | 0 | 493,135 | 0 | 264,939 | 758,074 |
| Total assets | \$ 1,899,136 | \$ 493,135 | \$ 0 | \$ 277,636 | \$ 2,669,907 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Due to other funds | \$ 1,183,151 | \$ 0 | \$ 0 | \$ 0 | \$ 1,183,151 |
| Due to State of Vermont | 163,233 | 0 | 0 | 0 | 163,233 |
| Due to School Districts | 499,506 | 0 | 0 | 0 | 499,506 |
| Prepaid property taxes | 16 | 0 | 0 | 0 | 16 |
| Held for others | 507 | 0 | 0 | 0 | 507 |
| Total liabilities | 1,846,413 | 0 | 0 | 0 | 1,846,413 |
| FUND BALANCES | | | | | |
| Restricted | 0 | 0 | 0 | 277,636 | 277,636 |
| Committed to capital projects | 0 | 487,695 | 0 | 0 | 487,695 |
| Committed to financial audit | 0 | 5,440 | 0 | 0 | 5,440 |
| Unassigned | 52,723 | 0 | 0 | 0 | 52,723 |
| Total fund balances | 52,723 | 493,135 | 0 | 277,636 | 823,494 |
| Total liabilities and fund balances | \$ 1,899,136 | \$ 493,135 | \$ 0 | \$ 277,636 | \$ 2,669,907 |

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT) -
GOVERNMENTAL FUNDS

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2018

| | General Fund | Capital Funds | Town Hall Fund | Other Governmental Funds | Total Governmental Funds |
|---|------------------|-------------------|-------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Property taxes and related revenues | \$ 1,259,795 | \$ 0 | \$ 0 | \$ 0 | \$ 1,259,795 |
| Intergovernmental | 108,152 | 0 | 0 | 0 | 108,152 |
| Licenses, fees and fines | 21,437 | 0 | 0 | 20,182 | 41,619 |
| Investment income | 1,394 | 0 | 0 | 879 | 2,273 |
| Building rentals | 29,520 | 0 | 0 | 0 | 29,520 |
| Other | 35,685 | 8,740 | 0 | 5,667 | 50,092 |
| Total revenues | <u>1,455,983</u> | <u>8,740</u> | <u>0</u> | <u>26,728</u> | <u>1,491,451</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | 522,878 | 67,118 | 0 | 650 | 590,646 |
| Highway and streets | 208,780 | 85,334 | 0 | 0 | 294,114 |
| Culture and recreation | 161,205 | 6,057 | 0 | 24,468 | 191,730 |
| Public safety | 156,298 | 0 | 0 | 0 | 156,298 |
| Appropriations | 25,000 | 0 | 0 | 0 | 25,000 |
| Cemeteries | 16,020 | 0 | 0 | 0 | 16,020 |
| Debt service | | | | | |
| Principal | 27,418 | 0 | 0 | 0 | 27,418 |
| Interest | 17,027 | 0 | 0 | 0 | 17,027 |
| Capital outlays | 0 | 13,100 | 469,316 | 0 | 482,416 |
| Total expenditures | <u>1,134,626</u> | <u>171,609</u> | <u>469,316</u> | <u>25,118</u> | <u>1,800,669</u> |
| EXCESS REVENUES (EXPENDITURES) | <u>321,357</u> | <u>(162,869)</u> | <u>(469,316)</u> | <u>1,610</u> | <u>(309,218)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Debt proceeds | 0 | 0 | 469,316 | 0 | 469,316 |
| Transfers in | 0 | 239,522 | 0 | 778 | 240,300 |
| Transfers out | (240,300) | 0 | 0 | 0 | (240,300) |
| Total other financing sources (uses) | <u>(240,300)</u> | <u>239,522</u> | <u>469,316</u> | <u>778</u> | <u>469,316</u> |
| NET CHANGE IN FUND BALANCE | 81,057 | 76,653 | 0 | 2,388 | 160,098 |
| FUND BALANCES (DEFICIT) - JANUARY 1, 2018 | <u>(28,334)</u> | <u>416,482</u> | <u>0</u> | <u>275,248</u> | <u>663,396</u> |
| FUND BALANCES - DECEMBER 31, 2018 | <u>\$ 52,723</u> | <u>\$ 493,135</u> | <u>\$ 0</u> | <u>\$ 277,636</u> | <u>\$ 823,494</u> |

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (DEFICIT) COMPARED TO BUDGET -
GENERAL FUND

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2018

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|----------------------------------|---------------------------------|------------------|--|
| REVENUES | | | |
| Taxes and related revenues | | | |
| Property taxes - general | \$ 1,143,964 | \$ 1,177,263 | \$ 33,299 |
| Interest on delinquent taxes | 0 | 5,664 | 5,664 |
| Delinquent tax fees | 6,000 | 8,619 | 2,619 |
| State current use payment | 66,000 | 68,249 | 2,249 |
| Total taxes and related revenues | <u>1,215,964</u> | <u>1,259,795</u> | <u>43,831</u> |
| Intergovernmental | | | |
| State highway aid grant | 40,000 | 40,241 | 241 |
| State of Vermont - Pilot | 667 | 667 | 0 |
| Railroad park and ride | 27,500 | 27,200 | (300) |
| Grants | 22,688 | 12,403 | (10,285) |
| Planning grant | 10,712 | 8,672 | (2,040) |
| Library grant | 0 | 200 | 200 |
| Environmental conservation grant | 17,200 | 18,769 | 1,569 |
| Total intergovernmental | <u>118,767</u> | <u>108,152</u> | <u>(10,615)</u> |
| Licenses, fees and fines | | | |
| Town clerk fees | 7,500 | 9,600 | 2,100 |
| Photocopying | 550 | 640 | 90 |
| Beach fees | 800 | 1,983 | 1,183 |
| Dump and trash income | 1,730 | 2,369 | 639 |
| Other fees, permits & licenses | 8,550 | 6,845 | (1,705) |
| Total licenses, fees and fines | <u>19,130</u> | <u>21,437</u> | <u>2,307</u> |
| Interest | 1,500 | 1,394 | (106) |
| Building rentals | 29,520 | 29,520 | 0 |
| Other revenues | | | |
| Donations | 7,776 | 4,979 | (2,797) |
| Donated services | 26,595 | 27,620 | 1,025 |
| Miscellaneous | 3,125 | 3,086 | (39) |
| Total other revenues | <u>37,496</u> | <u>35,685</u> | <u>(1,811)</u> |
| Total revenues | <u>1,422,377</u> | <u>1,455,983</u> | <u>33,606</u> |
| EXPENDITURES | | | |
| Administration | | | |
| Salaries | 148,076 | 158,690 | (10,614) |
| Payroll taxes | 11,328 | 12,827 | (1,499) |
| Benefits | 52,815 | 42,662 | 10,153 |
| Selectboard expenses | 3,000 | 3,265 | (265) |
| Town clerk expenses | 2,600 | 1,783 | 817 |
| Town report | 3,050 | 2,611 | 439 |
| VLCT dues | 2,138 | 2,138 | 0 |
| Advertising | 1,500 | 465 | 1,035 |
| Postage | 2,500 | 2,848 | (348) |
| Office supplies | 5,100 | 3,770 | 1,330 |
| Training | 2,000 | 1,515 | 485 |
| Computer and internet | 16,438 | 16,909 | (471) |
| Repairs and maintenance | 14,423 | 11,649 | 2,774 |
| Travel | 1,000 | 1,687 | (687) |
| Insurance | 10,903 | 13,041 | (2,138) |
| Telephone | 3,500 | 4,079 | (579) |
| Professional and legal fees | 10,000 | 300 | 9,700 |
| Miscellaneous | 0 | 109 | (109) |
| Total administration | <u>290,371</u> | <u>280,348</u> | <u>10,023</u> |

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (DEFICIT) COMPARED TO BUDGET -
GENERAL FUND

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2018

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|-------------------------------------|---------------------------------|----------------|--|
| Health | | | |
| Salary | 600 | 0 | 600 |
| Payroll taxes | 46 | 0 | 46 |
| Ambulance | 42,011 | 42,011 | 0 |
| Total health | <u>42,657</u> | <u>42,011</u> | <u>646</u> |
| Highway | | | |
| Winter roads | 97,000 | 125,817 | (28,817) |
| Sand and salt | 30,000 | 32,771 | (2,771) |
| Resurfacing | 20,000 | 2,556 | 17,444 |
| Repairs and maintenance | 55,750 | 23,587 | 32,163 |
| Ditching | 15,000 | 2,210 | 12,790 |
| Mowing | 7,000 | 6,375 | 625 |
| Sweeping | 1,200 | 1,100 | 100 |
| Lighting | 7,500 | 7,164 | 336 |
| Tree removal | 5,000 | 4,550 | 450 |
| Miscellaneous | 4,426 | 2,314 | 2,112 |
| Insurance | 262 | 336 | (74) |
| Total highway | <u>243,138</u> | <u>208,780</u> | <u>34,358</u> |
| Town Hall | | | |
| Salaries | 5,000 | 4,448 | 552 |
| Payroll taxes | 383 | 340 | 43 |
| Parks | 1,000 | 691 | 309 |
| Supplies and small equipment | 1,750 | 2,002 | (252) |
| Repairs and maintenance | 20,250 | 19,333 | 917 |
| Insurance | 5,513 | 7,167 | (1,654) |
| Utilities | 7,711 | 12,371 | (4,660) |
| Contracted services | 11,000 | 15,996 | (4,996) |
| Total town hall | <u>52,607</u> | <u>62,348</u> | <u>(9,741)</u> |
| Emergency Building | | | |
| Repairs and maintenance | 3,800 | 1,519 | 2,281 |
| Contracted services | 900 | 912 | (12) |
| Insurance | 2,689 | 2,875 | (186) |
| Utilities | 11,860 | 11,869 | (9) |
| Total emergency building | <u>19,249</u> | <u>17,175</u> | <u>2,074</u> |
| Zoning Office | | | |
| Salaries | 34,490 | 33,595 | 895 |
| Payroll taxes | 2,640 | 2,562 | 78 |
| Regional planning commission | 1,417 | 1,417 | 0 |
| Green Mountain Economic Development | 1,000 | 1,000 | 0 |
| Planning grant expenses | 6,800 | 2,978 | 3,822 |
| Park and Ride | 7,444 | 6,644 | 800 |
| Miscellaneous | 825 | 469 | 356 |
| Mileage reimbursement | 1,650 | 1,131 | 519 |
| Professional fees | 500 | 50 | 450 |
| Equipment and supplies | 1,300 | 654 | 646 |
| Total zoning office | <u>58,066</u> | <u>50,500</u> | <u>7,566</u> |
| Fire Department | | | |
| Salaries | 13,000 | 6,795 | 6,205 |
| Payroll taxes | 994 | 462 | 532 |
| Office supplies and equipment | 19,350 | 19,661 | (311) |
| Training | 2,500 | 635 | 1,865 |
| Computer and internet | 1,659 | 1,636 | 23 |
| Repairs and maintenance | 10,000 | 5,271 | 4,729 |
| Insurance | 11,924 | 11,470 | 454 |
| Telephone and dispatch | 9,500 | 9,584 | (84) |
| Total fire department | <u>68,927</u> | <u>55,514</u> | <u>13,413</u> |
| Forestry | | | |
| Salaries | 250 | 250 | 0 |
| Payroll taxes | 19 | 19 | 0 |
| Equipment | 750 | 0 | 750 |
| Repairs and maintenance | 500 | 0 | 500 |
| Total forestry | <u>1,519</u> | <u>269</u> | <u>1,250</u> |

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (DEFICIT) COMPARED TO BUDGET -
GENERAL FUND

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2018

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------------|---------------------------------|---------------|--|
| Listers | | | |
| Salaries | 32,771 | 29,242 | 3,529 |
| Payroll taxes | 2,507 | 2,352 | 155 |
| Mapping maintenance | 2,706 | 2,550 | 156 |
| Miscellaneous | 620 | 857 | (237) |
| Professional fees | 1,500 | 1,250 | 250 |
| Office supplies | 275 | 184 | 91 |
| Mileage | 500 | 321 | 179 |
| Telephone | 390 | 283 | 107 |
| Total listers | <u>41,269</u> | <u>37,039</u> | <u>4,230</u> |
| Milfoil | | | |
| Salaries | 11,924 | 9,326 | 2,598 |
| Payroll taxes | 782 | 583 | 199 |
| Contractual | 28,500 | 21,500 | 7,000 |
| In-Kind | 26,095 | 27,620 | (1,525) |
| Equipment maintenance | 1,200 | 896 | 304 |
| Insurance | 240 | 529 | (289) |
| Miscellaneous | 220 | 182 | 38 |
| Total milfoil | <u>68,961</u> | <u>60,636</u> | <u>8,325</u> |
| Police | | | |
| Salaries | 18,000 | 10,292 | 7,708 |
| Payroll taxes | 1,377 | 799 | 578 |
| Subcontractors | 12,300 | 13,497 | (1,197) |
| Grant expenses | 4,000 | 4,350 | (350) |
| Supplies and equipment | 1,520 | 484 | 1,036 |
| Training | 500 | 70 | 430 |
| Computer and internet | 1,000 | 491 | 509 |
| Auto expenses | 2,200 | 2,065 | 135 |
| Insurance | 5,188 | 6,395 | (1,207) |
| Animal control | 400 | 155 | 245 |
| Dispatch | 3,000 | 3,000 | 0 |
| Total police | <u>49,485</u> | <u>41,598</u> | <u>7,887</u> |
| Railroad Station | | | |
| Insurance | 1,781 | 2,272 | (491) |
| Utilities | 935 | 837 | 98 |
| Miscellaneous | 500 | 1,200 | (700) |
| Repairs and maintenance | 2,400 | 613 | 1,787 |
| Total railroad station | <u>5,616</u> | <u>4,922</u> | <u>694</u> |
| Recreational Council | | | |
| Salaries | 13,000 | 5,938 | 7,062 |
| Payroll taxes | 995 | 454 | 541 |
| Red Cross | 1,000 | 0 | 1,000 |
| Beach expenses | 2,250 | 2,144 | 106 |
| Miscellaneous | 1,350 | 1,514 | (164) |
| Advertising | 700 | 657 | 43 |
| Insurance | 1,783 | 2,139 | (356) |
| Utilities | 1,475 | 1,208 | 267 |
| Total recreational council | <u>22,553</u> | <u>14,054</u> | <u>8,499</u> |
| Other | | | |
| Board of civil authority | 1,000 | 113 | 887 |
| Elections | 3,000 | 3,211 | (211) |
| County taxes | 53,000 | 47,345 | 5,655 |
| Memorial day | 3,000 | 1,904 | 1,096 |
| Land records restoration | 1,000 | 350 | 650 |
| Fireworks | 5,500 | 5,500 | 0 |
| Lake Fairlee dam | 2,040 | 2,032 | 8 |
| Emergency management | 1,650 | 378 | 1,272 |
| Total other | <u>70,190</u> | <u>60,833</u> | <u>9,357</u> |

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (DEFICIT) COMPARED TO BUDGET -
GENERAL FUND

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2018

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------------|---------------------------------|---------------|--|
| Library | | | |
| Salaries | 41,156 | 40,775 | 381 |
| Payroll taxes | 3,148 | 3,119 | 29 |
| Medical insurance | 9,490 | 9,614 | (124) |
| Repairs and maintenance | 4,074 | 3,441 | 633 |
| Books and media | 7,400 | 7,027 | 373 |
| Dues and subscriptions | 960 | 673 | 287 |
| Miscellaneous | 2,087 | 1,760 | 327 |
| Programs | 1,350 | 1,370 | (20) |
| Computer and copier | 4,250 | 3,954 | 296 |
| Supplies and small equipment | 3,950 | 3,464 | 486 |
| Insurance | 2,725 | 3,613 | (888) |
| Telephone | 2,208 | 2,237 | (29) |
| Utilities | 5,798 | 5,199 | 599 |
| Total library | 88,596 | 86,246 | 2,350 |
| Cemetery | | | |
| Cornerstones | 0 | 145 | (145) |
| Insurance | 31 | 40 | (9) |
| Water | 640 | 602 | 38 |
| Contracted services | 14,839 | 14,910 | (71) |
| Flag expenses | 300 | 298 | 2 |
| Monument repairs | 800 | 0 | 800 |
| Miscellaneous | 125 | 25 | 100 |
| Total cemetery | 16,735 | 16,020 | 715 |
| Trash and Recycling | | | |
| Salaries | 5,000 | 4,875 | 125 |
| Payroll taxes | 383 | 373 | 10 |
| Recycling | 15,996 | 15,996 | 0 |
| Composting | 500 | 276 | 224 |
| Facility maintenance | 1,500 | 1,565 | (65) |
| Dump | 1,000 | 270 | 730 |
| Membership - CVSWD | 1,000 | 987 | 13 |
| Green-Up | 200 | 0 | 200 |
| Insurance | 871 | 1,134 | (263) |
| Total trash and recycling | 26,450 | 25,476 | 974 |
| Community Organizations | | | |
| American Red Cross | 500 | 500 | 0 |
| The Mentoring Project | 500 | 500 | 0 |
| Capstone | 300 | 300 | 0 |
| Central VT Adult Education | 400 | 400 | 0 |
| CVCOA | 600 | 600 | 0 |
| Clara Martin Center | 1,545 | 1,545 | 0 |
| Cohase Chamber | 250 | 250 | 0 |
| Green-Up Vermont | 50 | 50 | 0 |
| Orange County Parent/Child Center | 200 | 200 | 0 |
| Little Rivers Health Care | 2,000 | 2,000 | 0 |
| Lake Fairlee Milfoil Association | 5,250 | 5,250 | 0 |
| Orange County Diversion Program | 200 | 200 | 0 |
| Orange East Seniors | 2,200 | 2,200 | 0 |
| Oxbow Senior Independence Program | 300 | 300 | 0 |
| Rivendell Trails | 450 | 450 | 0 |
| Rivendell Recreation Association | 1,500 | 1,500 | 0 |
| Safeline | 700 | 700 | 0 |
| Stagecoach Transportation | 2,000 | 2,000 | 0 |
| VABVI | 300 | 300 | 0 |
| VT Center for Independent Living | 155 | 155 | 0 |
| VT Rural Fire Protection | 100 | 100 | 0 |
| VNA/Hospice | 5,500 | 5,500 | 0 |
| Total community organizations | 25,000 | 25,000 | 0 |

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (DEFICIT) COMPARED TO BUDGET -
GENERAL FUND

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2018

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------------------|------------------|--|
| Tri-Town Commission | | | |
| Stipends | 306 | 306 | 0 |
| VLCT | 289 | 290 | (1) |
| Professional fees | 408 | 680 | (272) |
| Miscellaneous | 68 | 136 | (68) |
| Total tri-town commission | <u>1,071</u> | <u>1,412</u> | <u>(341)</u> |
| Debt service | | | |
| Dam bond | 14,450 | 14,450 | 0 |
| Town hall renovation | 0 | 12,968 | (12,968) |
| Interest expense | 7,153 | 17,027 | (9,874) |
| Total debt service | <u>21,603</u> | <u>44,445</u> | <u>(22,842)</u> |
| Total expenditures | <u>1,214,063</u> | <u>1,134,626</u> | <u>79,437</u> |
| EXCESS REVENUES | <u>208,314</u> | <u>321,357</u> | <u>113,043</u> |
| TRANSFERS OUT | | | |
| Capital budget fund transfers | | | |
| Lake Morey | (20,102) | (20,102) | 0 |
| Highway rebuilding | (75,000) | (75,000) | 0 |
| Town hall | (52,500) | (52,500) | 0 |
| Fire truck and equipment | (10,000) | (10,000) | 0 |
| Library | (5,000) | (5,000) | 0 |
| Town common | (1,640) | (1,640) | 0 |
| Police | (2,500) | (2,500) | 0 |
| Computer plan | (8,480) | (8,480) | 0 |
| Financial audit | (6,800) | (6,800) | 0 |
| Transfer station | (10,000) | (10,000) | 0 |
| Building maintenance | (43,000) | (43,000) | 0 |
| Vault expansion | (1,000) | (1,000) | 0 |
| Village center enhancement | (2,500) | (2,500) | 0 |
| Milfoil | (1,000) | (1,000) | 0 |
| Total capital budget fund transfers | <u>(239,522)</u> | <u>(239,522)</u> | <u>0</u> |
| Other transfers | | | |
| Railroad station fund | (284) | (778) | 494 |
| Total transfers | <u>(239,806)</u> | <u>(240,300)</u> | <u>494</u> |
| Total expenditures and transfers | <u>1,453,869</u> | <u>1,374,926</u> | <u>78,943</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (31,492)</u> | <u>81,057</u> | <u>\$ 112,549</u> |
| FUND BALANCE (DEFICIT) - JANUARY 1, 2018 | | <u>(28,334)</u> | |
| FUND BALANCE - DECEMBER 31, 2018 | | <u>\$ 52,723</u> | |

STATEMENT OF NET POSITION - PROPRIETARY FUND

MODIFIED CASH BASIS

DECEMBER 31, 2018

| | <u>Water System Fund</u> |
|----------------------|----------------------------------|
| ASSETS | |
| Due from other funds | <u>\$ 246,647</u> |
| NET POSITION | |
| Unrestricted | <u>246,647</u> |
| Total net position | <u><u>\$ 246,647</u></u> |

STATEMENT OF ACTIVITIES - PROPRIETARY FUND

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2018

| | Water System Fund |
|--|-------------------------|
| OPERATING REVENUES: | |
| Charges for usage (net of discounts) | \$ 173,651 |
| Interest and penalties on delinquent charges | 579 |
| Total operating revenues | <u>174,230</u> |
| OPERATING EXPENSES: | |
| Wages | 15,013 |
| Payroll taxes | 796 |
| Dues and subscriptions | 265 |
| Insurance | 3,289 |
| State of Vermont | 1,032 |
| Repairs and maintenance | 41,688 |
| Office supplies | 306 |
| Utilities | 10,261 |
| Miscellaneous | 385 |
| Total operating expenses | <u>73,035</u> |
| INCOME FROM OPERATIONS | <u>101,195</u> |
| NON-OPERATING REVENUES (EXPENSES) | |
| Loan proceeds | 1,281,038 |
| Capital outlay - water system improvements | (884,119) |
| Water system litigation - faulty water tank | (317,247) |
| Principal payment | (41,039) |
| Interest and administration fees | (10,948) |
| Total non-operating expenses | <u>27,685</u> |
| NET CHANGE IN NET POSITION | 128,880 |
| NET POSITION - JANUARY 1, 2018 | <u>117,767</u> |
| NET POSITION - DECEMBER 31, 2018 | <u>\$ 246,647</u> |

TOWN OF FAIRLEE, VERMONT
 STATEMENT OF FIDUCIARY NET POSITION
 MODIFIED CASH BASIS
 DECEMBER 31, 2018

| | Special Purpose Trusts | | Total Special Purpose Trusts |
|--------------------------|------------------------|----------------------|------------------------------------|
| | Scholarship Fund | S. Miller Bequest | |
| ASSETS | | | |
| Due from Town | \$ 144,817 | \$ 33,613 | \$ 178,430 |
| Total assets | <u>144,817</u> | <u>33,613</u> | <u>178,430</u> |
| NET POSITION | | | |
| Held in trust for others | 144,817 | 33,613 | 178,430 |
| Total net position | <u>\$ 144,817</u> | <u>\$ 33,613</u> | <u>\$ 178,430</u> |

TOWN OF FAIRLEE, VERMONT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 MODIFIED CASH BASIS
 YEAR ENDED DECEMBER 31, 2018

| | Special Purpose Trusts | | Total Special Purpose Trusts |
|---------------------------------|------------------------|----------------------|------------------------------------|
| | Scholarship Fund | S. Miller Bequest | |
| ADDITIONS | | | |
| Donations | \$ 100 | \$ 0 | \$ 100 |
| Interest and dividends | 400 | 88 | 488 |
| Total additions | <u>500</u> | <u>88</u> | <u>588</u> |
| DEDUCTIONS | | | |
| Expenses | 12,000 | 0 | 12,000 |
| Total deductions | <u>12,000</u> | <u>0</u> | <u>12,000</u> |
| CHANGE IN NET POSITION | (11,500) | 88 | (11,412) |
| NET POSITION, JANUARY 1, 2018 | <u>156,317</u> | <u>33,525</u> | <u>189,842</u> |
| NET POSITION, DECEMBER 31, 2018 | <u>\$ 144,817</u> | <u>\$ 33,613</u> | <u>\$ 178,430</u> |

TOWN OF FAIRLEE, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

The Town of Fairlee, Vermont operates under a Selectboard/Town Clerk/Town Treasurer form of government and provides the following services: public safety, highways and streets, water, recreation, public improvements, planning and zoning, and general administrative services.

The Town, for financial reporting purposes, includes all of the funds relevant to the operations of the Town of Fairlee. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Fairlee.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board pronouncements. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant policies employed in the preparation of these financials.

Reporting Entity

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

Basis of Presentation

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

Basic Financial Statements – Government-Wide Financial Statements

The government-wide statement of net position and the statement of activities present information about the Town, as a whole. These statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees for service and other revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

TOWN OF FAIRLEE, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Position presents all of the Town's activities on the modified cash basis of accounting. The Town's net position is reported as restricted net position and unrestricted net position.

The Statement of Activities reports both the direct gross and net cost of each of the Town's governmental and business-type functions. Direct expenses are those that are specifically associated with a function. The Statement of Activities reduces direct expenses by related program revenue, including operating and capital grants, contributions and charges for services. Program revenue must be directly associated with the governmental or business-type function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The functions are also supported by general government revenue (property taxes, certain intergovernmental revenues, and other revenues not specific to a function).

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, revenue and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled. The various funds are reported by major fund within the financial statements. The fund financial statements provide information about the Town's funds. Separate statements for each fund category, governmental and enterprise, are presented.

The following is a description of the major governmental funds of the Town. All remaining governmental funds are aggregated and reported as nonmajor funds.

Governmental Funds

General Fund – This 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.

Capital Fund – This accounts for the acquisition or construction of capital items as well as other long term projects that are funded with both outside sources and transfers from the General Fund.

Town Hall Fund – This accounts for the renovations of the Town Hall.

Proprietary Fund

The Proprietary Fund's operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the waste water system. All revenues and expenses not funding ongoing operations are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

TOWN OF FAIRLEE, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. Equity is segregated into restricted and unrestricted net asset balances using the modified cash basis of accounting. Operating statements present increases and decreases in modified cash basis net position.

Governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Fund balances (modified cash basis) are considered a measure of available spendable resources and are segregated into restricted and unrestricted amounts. Operating statements of these funds present increases and decreases in modified cash basis fund balances.

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds. When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied first to committed, then assigned, then unassigned.

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. The Town prepares its financial statements primarily on the basis of cash receipts and cash disbursements. Consequently, certain revenues and related assets are recognized when received rather than when earned and certain expenditures and related liabilities are recognized when paid rather than when the liability is incurred. The exception to this is the Town records 1) investments as an asset at fair market value 2) property taxes collected that are due to the State of Vermont and the local School Districts as a liability and 3) interfund balances as assets and liabilities. Capital assets are expensed when purchased. Loan proceeds are recorded as other financing sources and loan repayments are recorded as expenses or expenditures.

Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent with terms less than six months.

Investments

Investments are stated at fair market value.

Net Position

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

TOWN OF FAIRLEE, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Town expenses its capital assets when purchased thereby not having a Net Position component of Invested in capital assets, net of related debt.

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.

Fund Equity

GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions” provide 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, and 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 highest decision making authority.

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 Select Board 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.

The Town does not have a fund balance policy identifying someone other than the Town’s highest decision-making authority to commit fund balance as required by GASB 54.

TOWN OF FAIRLEE, VERMONT
 NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Balances

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

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budget Adoption

Budgets are approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget changes during the year.

NOTE 2 - DEPOSITS AND INVESTMENTS

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, 2018, the Town’s bank balances, including certificate of deposits, were exposed to custodial credit risk as follows:

| | |
|---------------------|--------------|
| Insured - FDIC | \$ 429,748 |
| Collateralized | 1,552,297 |
| Total bank balances | \$ 1,982,045 |

Investments

Credit Risk – investments. The Town has an investment policy that limits its investment choices to policies established by the Selectboard. Investments at December 31, 2018 are recorded at fair market value and are as follows:

| | |
|-------------------|------------|
| | Fair Value |
| Common Stock | \$ 12,697 |
| Total investments | \$ 12,697 |

TOWN OF FAIRLEE, VERMONT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 3 - INTERFUND TRANSFERS AND INTERFUND BALANCES

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. \$239,522, was transferred to the Capital Fund from the General Fund per budget authorization and \$778 was transferred to the railroad station fund from the General Fund per state statute.

As of December 31, 2018, the interfund balances were as follows:

| Fund: | Receivable | Payable |
|---------------------------|---------------------|---------------------|
| General Fund | \$ 0 | \$ 1,183,151 |
| Capital Fund | 493,135 | 0 |
| Water Fund | 246,647 | 0 |
| Cemetery Commission/ CD | 41,319 | 0 |
| Recreation Council | 12,490 | 0 |
| Historical Society | 4,163 | 0 |
| Lange Forest | 15,840 | 0 |
| Timber Trust | 28,062 | 0 |
| Gravel Pit | 26,935 | 0 |
| Fireman's Stock | 2,639 | 0 |
| Reappraisal Reserve | 69,078 | 0 |
| Restoration Fees Reserve | 9,545 | 0 |
| Listers' Training Reserve | 1,983 | 0 |
| Railroad Station Fund | 12,492 | 0 |
| Town Hall Fundraising | 118 | 0 |
| Memorial Contributions | 202 | 0 |
| Perkins Library Fund | 37,565 | 0 |
| Roselene Ordway Trust | 2,507 | 0 |
| Scholarship Fund | 144,818 | 0 |
| S Miller Bequest | 33,613 | 0 |
| Total | <u>\$ 1,183,151</u> | <u>\$ 1,183,151</u> |

NOTE 4 - RISK MANAGEMENT

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

TOWN OF FAIRLEE, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 5 - LONG-TERM LIABILITIES

Long-term liabilities at December 31, 2018 consisted of the following:

| | Total | Due Within One Year |
|--|--------------|------------------------|
| Governmental Activity: | | |
| Loan Payable, Community Bank | | |
| General Fund, Dam improvements, interest paid at 2.75%, principal payments of \$14,450 due annually in July, with interest payments made semi-annually. | \$ 245,650 | \$ 14,450 |
| Loan Payable, Union Bank | | |
| Town Hall Fund, Town Hall renovations, interest paid at 3%, monthly principal payments of \$4,714, due July 1, 2038. | 822,087 | 32,360 |
| Total Government Activity | \$ 1,067,737 | \$ 46,810 |
| Business-type Activity: | | |
| Bond payable, Vermont Municipal Bond Bank | | |
| Water system repairs and improvements. Payments made annually on June 1st, for \$51,987.04 for principal plus interest of 1% and administration fee of 2%. | \$ 323,894 | \$ 42,270 |
| Loan Payable, Union Bank | | |
| Water Tank Litigation, interest paid at 1.44%, due June 23, 2019. This loan was repaid from the litigation settlement in May, 2019 as disclosed in Note 10. | 300,000 | 300,000 |
| Loan Payable, Union Bank | | |
| Water system upgrade interim financing, interest at 2.19%, due December 31, 2019. This loan will be refinanced when the Water Fund improvement project is completed. The re- financed loan will be paid over 40 years and will include interest at no higher than 2.75%. | 981,038 | 981,038 |
| Total Business-type Activity | \$ 1,604,932 | \$ 1,323,308 |

Interest and administration fees paid on the Water bond was \$10,948 and interest paid on the Governmental loans was \$17,027 for 2018.

TOWN OF FAIRLEE, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 5 - LONG-TERM LIABILITIES (Continued)

During the fiscal year ended December 31, 2018 the following changes occurred in bonds and loans payable:

| | Total | Governmental Activities | Business-Type Activities |
|--|---------------------|----------------------------|-----------------------------|
| Long-term liabilities at January 1, 2018 | \$ 990,772 | \$ 625,839 | \$ 364,933 |
| Loan proceeds | 1,750,354 | 469,316 | 1,281,038 |
| Loan payments | (68,457) | (27,418) | (41,039) |
| Long-term liabilities at December 31, 2018 | 2,672,669 | 1,067,737 | 1,604,932 |
| Due within one year | (1,370,118) | (46,810) | (1,323,308) |
| Due after one year | <u>\$ 1,302,551</u> | <u>\$ 1,020,927</u> | <u>\$ 281,624</u> |

The Long-term liabilities will mature as follows:

| | Governmental Activities | | | Business-Type Activities | | |
|------------|-------------------------|------------------|---------------------|--------------------------|------------------|---------------------|
| | Principal | Interest | Total | Principal | Int/Admin | Total |
| 2019 | \$ 46,810 | \$ 30,968 | \$ 77,778 | \$ 1,323,308 | \$ 33,377 | \$ 1,356,685 |
| 2020 | 47,795 | 29,604 | 77,399 | 43,538 | 8,449 | 51,987 |
| 2021 | 48,809 | 28,176 | 76,985 | 44,844 | 7,143 | 51,987 |
| 2022 | 49,854 | 26,733 | 76,587 | 46,190 | 5,797 | 51,987 |
| 2023 | 50,931 | 25,258 | 76,189 | 47,576 | 4,412 | 51,988 |
| 2024-2028 | 271,988 | 103,020 | 375,008 | 99,476 | 4,499 | 103,975 |
| Thereafter | 551,550 | 75,969 | 627,519 | 0 | 0 | 0 |
| | <u>\$1,067,737</u> | <u>\$319,728</u> | <u>\$ 1,387,465</u> | <u>\$ 1,604,932</u> | <u>\$ 63,677</u> | <u>\$ 1,668,609</u> |

NOTE 6 - PROPERTY TAXES

Property taxes are due October 3rd and become delinquent on October 4th. Interest is assessed at 1% per month for the first three months and then 1.5% every month after that. A penalty of 8% is assessed when the taxes become delinquent. The Town of Fairlee bills and collects its own property taxes and also for the education taxes for the State of Vermont. Town tax revenue is recognized when cash is received. For the year ended December 31, 2018, the tax rate was as follows:

| | Residential | Non-Residential |
|-----------|------------------|------------------|
| Education | \$ 1.6891 | \$ 1.4854 |
| Municipal | 0.5613 | 0.5613 |
| | <u>\$ 2.2504</u> | <u>\$ 2.0467</u> |

TOWN OF FAIRLEE, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 7 – FUND BALANCES AND NET POSITION

The fund balances and net position classifications are as follows:

| | <u>Restricted</u> | <u>Committed</u> |
|-------------------------------|-------------------|-------------------|
| Capital Fund | | |
| Bridges and Culverts | \$ 0 | \$ 20,951 |
| Lake Morey Road | 0 | 107,582 |
| Highway | 0 | 1,137 |
| Highway Rebuilding | 0 | 74,344 |
| Town Hall | 0 | 13,176 |
| Furnace Replacement | 0 | 11,000 |
| Railroad Station | 0 | 1,101 |
| Fire Truck and Equipment | 0 | 145,146 |
| Misc. Building and Sheds | 0 | 7,000 |
| Town Common | 0 | 1,443 |
| Police | 0 | 5,033 |
| Computer Plan | 0 | 18,118 |
| Library Facility | 0 | 5,000 |
| Playground Equipment | 0 | 1,536 |
| Exterior Building Maintenance | 0 | 38,234 |
| Financial Audit | 0 | 5,440 |
| Milfoil | 0 | 28,250 |
| Vault Expansion | 0 | 1,000 |
| Village Center Enhancement | 0 | 7,644 |
| Total Capital Fund | <u>\$ 0</u> | <u>\$ 493,135</u> |
| Nonmajor Funds: | | |
| Cemetery Commission/ CD | \$ 41,319 | \$ 0 |
| Recreation Council | 12,490 | 0 |
| Historical Society | 4,163 | 0 |
| Lange Forest | 15,840 | 0 |
| Timber Trust | 28,062 | 0 |
| Gravel Pit | 26,935 | 0 |
| Fireman's Stock | 15,336 | 0 |
| Reappraisal Reserve | 69,078 | 0 |
| Restoration Fees Reserve | 9,545 | 0 |
| Lister's Training Reserve | 1,984 | 0 |
| Railroad Station Fund | 12,492 | 0 |
| Memorial Contributions | 202 | 0 |
| Perkins Library Fund | 37,565 | 0 |
| Town Hall Fundraising | 118 | 0 |
| Roslene Ordway Fund | 2,507 | 0 |
| Total Nonmajor Funds | <u>\$ 277,636</u> | <u>\$ 0</u> |
| Fiduciary Funds: | | |
| Scholarship Fund | \$ 144,817 | \$ 0 |
| S. Miller Bequest | 33,613 | 0 |
| Total Fiduciary Funds | <u>\$ 178,430</u> | <u>\$ 0</u> |

TOWN OF FAIRLEE, VERMONT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 8 – CURRENT USE TAX ABATEMENT

The State of Vermont operates a Current Use Program and enters into tax abatement agreements directly with landowners. Enrolled landowners are required to manage their land in accordance with an approved plan, and the land is subject to a lien to recover taxes abated if the land is ever developed. In exchange, the landowners receive a reduction in assessed value on their property tax bills, which results in a reduction of property tax revenue to the Town. For fiscal year 2018, the amount of Town property taxes foregone as a result of the Current Use Program was approximately \$72,000. In accordance with 32 V.S.A § 3760, the State of Vermont limits the total loss of revenue to zero by providing the Town with a Hold Harmless payment in the following year that is equivalent to the taxes previously foregone.

NOTE 9 – WATER SYSTEM IMPROVEMENTS

The Town has committed to a Water System improvement project that is expected to cost \$3,675,000. The cost of the project will be financed through a USDA loan of \$2,031,000 and a USDA grant of \$1,644,000. Eligible costs of the project through December 31, 2018 totaled \$981,038. The project is expected to be completed in 2020.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 27, 2019, the date the financial statements are available to be issued.

A legal settlement, Town of Fairlee v. Engineering Ventures, Inc., was resolved as of May 16, 2019, resulting in award of \$900,000 to the Town. The settlement was related to a faulty water tank that was installed in prior years. \$300,000 of the proceeds were used to repay the Union Bank. The loan from Union Bank was used to finance engineering and legal costs incurred in 2017 and 2018 related to the litigation. In addition, \$323,894 of the proceeds were used to pay off the Water Bond for the old tank.

TOWN OF FAIRLEE, VERMONT

SCHEDULE 1

COMBINING AND INDIVIDUAL FUND BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

MODIFIED CASH BASIS

DECEMBER 31, 2018

Special Revenue Funds

| | Cemetery Commission | Recreation Council | Historical Society | Lange Forest | Timber Trust | Gravel Pit | Fireman's Stock |
|----------------------------|------------------------|-----------------------|-----------------------|------------------|------------------|------------------|--------------------|
| ASSETS | | | | | | | |
| Investments - restricted | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 12,697 |
| Due from other funds | 41,319 | 12,490 | 4,163 | 15,840 | 28,062 | 26,935 | 2,639 |
| Total assets | <u>\$ 41,319</u> | <u>\$ 12,490</u> | <u>\$ 4,163</u> | <u>\$ 15,840</u> | <u>\$ 28,062</u> | <u>\$ 26,935</u> | <u>\$ 15,336</u> |
| FUND BALANCES | | | | | | | |
| Restricted | \$ 41,319 | \$ 12,490 | \$ 4,163 | \$ 15,840 | \$ 28,062 | \$ 26,935 | \$ 15,336 |
| Total fund balances | <u>\$ 41,319</u> | <u>\$ 12,490</u> | <u>\$ 4,163</u> | <u>\$ 15,840</u> | <u>\$ 28,062</u> | <u>\$ 26,935</u> | <u>\$ 15,336</u> |

TOWN OF FAIRLEE, VERMONT

SCHEDULE 1

COMBINING AND INDIVIDUAL FUND BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

MODIFIED CASH BASIS

DECEMBER 31, 2018

| | Special Revenue Funds | | | | | Capital | Permenant | Total |
|--------------------------|-----------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------|--|---|-------------------|
| | Reappiasal Reserve | Restoration Fees Reserve | Listers' Training Reserve | Railroad Station Fund | Memorial Contributions | Projects Funds Town Hall Fundraising | Trust Funds Roslene Ordway Trust | |
| ASSETS | | | | | | | | |
| Investments - restricted | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 12,697 |
| Due from other funds | 69,078 | 9,545 | 1,984 | 12,492 | 202 | 37,565 | 118 | 264,939 |
| Total assets | <u>\$ 69,078</u> | <u>\$ 9,545</u> | <u>\$ 1,984</u> | <u>\$ 12,492</u> | <u>\$ 202</u> | <u>\$ 37,565</u> | <u>\$ 118</u> | <u>\$ 277,636</u> |
| FUND BALANCES | | | | | | | | |
| Restricted | \$ 69,078 | \$ 9,545 | \$ 1,984 | \$ 12,492 | \$ 202 | \$ 37,565 | \$ 118 | \$ 277,636 |
| Total fund balances | <u>\$ 69,078</u> | <u>\$ 9,545</u> | <u>\$ 1,984</u> | <u>\$ 12,492</u> | <u>\$ 202</u> | <u>\$ 37,565</u> | <u>\$ 118</u> | <u>\$ 277,636</u> |

TOWN OF FAIRLEE, VERMONT

SCHEDULE 2

COMBINING AND INDIVIDUAL FUND SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2018

| | Special Revenue Funds | | | | | | |
|--|------------------------|-----------------------|-----------------------|------------------|------------------|------------------|--------------------|
| | Cemetery Commission | Recreation Council | Historical Society | Lange Forest | Timber Trust | Gravel Pit | Fireman's Stock |
| REVENUES | | | | | | | |
| Sales | \$ 240 | \$ 1,706 | \$ 0 | \$ 2,886 | \$ 0 | \$ 0 | \$ 0 |
| Investment income | 98 | 32 | 10 | 40 | 74 | 71 | 246 |
| Dues and donations | 0 | 181 | 8,522 | 0 | 0 | 0 | 0 |
| Per parcel, State of Vermont | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restoration Fees | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 700 | 0 | 0 | 0 | 0 |
| Total revenues | <u>338</u> | <u>1,919</u> | <u>9,232</u> | <u>2,926</u> | <u>74</u> | <u>71</u> | <u>246</u> |
| EXPENDITURES | | | | | | | |
| General government | 0 | 0 | 0 | 0 | 650 | 0 | 0 |
| Culture and recreation | 6,200 | 1,536 | 10,683 | 2,450 | 0 | 0 | 0 |
| Total expenditures | <u>6,200</u> | <u>1,536</u> | <u>10,683</u> | <u>2,450</u> | <u>650</u> | <u>0</u> | <u>0</u> |
| EXCESS REVENUES (EXPENDITURES) | <u>(5,862)</u> | <u>383</u> | <u>(1,451)</u> | <u>476</u> | <u>(576)</u> | <u>71</u> | <u>246</u> |
| TRANSFERS (TO) FROM OTHER FUNDS | | | | | | | |
| Transfer from the General Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total transfers to (from) other funds | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| NET CHANGE IN FUND BALANCE | <u>(5,862)</u> | <u>383</u> | <u>(1,451)</u> | <u>476</u> | <u>(576)</u> | <u>71</u> | <u>246</u> |
| FUND BALANCES - JANUARY 1, 2018 | <u>47,181</u> | <u>12,107</u> | <u>5,614</u> | <u>15,364</u> | <u>28,638</u> | <u>26,864</u> | <u>15,090</u> |
| FUND BALANCES - DECEMBER 31, 2018 | <u>\$ 41,319</u> | <u>\$ 12,490</u> | <u>\$ 4,163</u> | <u>\$ 15,840</u> | <u>\$ 28,062</u> | <u>\$ 26,935</u> | <u>\$ 15,336</u> |

TOWN OF FAIRLEE, VERMONT

SCHEDULE 2

COMBINING AND INDIVIDUAL FUND SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2018

| | Special Revenue Funds | | | | | Capital Project Funds | Permanent Trust Funds | Total Nonmajor Funds |
|--|------------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------|----------------------------|--------------------------|----------------------------|
| | Reappraisal Reserve | Restoration Fees Reserve | Lister's Training Reserve | Railroad Station Fund | Memorial Contributions | Perkins Library Fund | Town Hall Fundraising | |
| REVENUES | | | | | | | | |
| Sales | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 4,832 |
| Investment income | 167 | 0 | 0 | 31 | 0 | 102 | 7 | 879 |
| Dues and donations | 0 | 0 | 0 | 0 | 0 | 1,891 | 0 | 10,711 |
| Per parcel, State of Vermont | 6,503 | 0 | 0 | 0 | 0 | 0 | 0 | 6,503 |
| Restoration Fees | 0 | 2,968 | 0 | 0 | 0 | 0 | 0 | 2,968 |
| Miscellaneous | 0 | 0 | 135 | 0 | 0 | 0 | 0 | 835 |
| Total revenues | <u>6,670</u> | <u>2,968</u> | <u>135</u> | <u>31</u> | <u>0</u> | <u>1,993</u> | <u>7</u> | <u>26,728</u> |
| EXPENDITURES | | | | | | | | |
| General government | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 650 |
| Culture and recreation | 0 | 0 | 0 | 0 | 20 | 3,579 | 0 | 24,468 |
| Total expenditures | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>20</u> | <u>3,579</u> | <u>0</u> | <u>25,118</u> |
| EXCESS REVENUES (EXPENDITURES) | <u>6,670</u> | <u>2,968</u> | <u>135</u> | <u>31</u> | <u>(20)</u> | <u>(1,586)</u> | <u>7</u> | <u>1,610</u> |
| TRANSFERS (TO) FROM OTHER FUNDS | | | | | | | | |
| Transfer from the General Fund | 0 | 0 | 0 | 778 | 0 | 0 | 0 | 778 |
| Total transfers to (from) other funds | <u>0</u> | <u>0</u> | <u>0</u> | <u>778</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>778</u> |
| NET CHANGE IN FUND BALANCE | 6,670 | 2,968 | 135 | 809 | (20) | (1,586) | 7 | 2,388 |
| FUND BALANCES - JANUARY 1, 2018 | <u>62,408</u> | <u>6,577</u> | <u>1,849</u> | <u>11,683</u> | <u>222</u> | <u>39,151</u> | <u>2,500</u> | <u>275,248</u> |
| FUND BALANCES - DECEMBER 31, 2018 | <u>\$ 69,078</u> | <u>\$ 9,545</u> | <u>\$ 1,984</u> | <u>\$ 12,492</u> | <u>\$ 202</u> | <u>\$ 37,565</u> | <u>\$ 2,507</u> | <u>\$ 277,636</u> |