

TOWN OF MONKTON, VERMONT
FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT
DECEMBER 31, 2016

TOWN OF MONKTON, VERMONT

DECEMBER 31, 2016

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Accountant's Review Report	1 - 2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position - Modified Cash Basis.....	3
Statement of Activities - Modified Cash Basis.....	4
Fund Financial Statements:	
Balance Sheet - Modified Cash Basis - Governmental Funds	5
Reconciliation of the Balance Sheet - Modified Cash Basis - Governmental Funds to the Government-wide Statement of Net Position - Modified Cash Basis.....	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Governmental Funds	7 - 8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Governmental Funds to the Government-wide Statement of Activities - Modified Cash Basis	9
Statement of Fiduciary Net Position - Modified Cash Basis - Fiduciary Funds	10
Notes to Financial Statements.....	11 - 18
Supplementary Information:	
Schedule 1 - Schedule of Revenues, Expenditures - Modified Cash Basis - Budget and Actual General Fund	19 - 21
Schedule 2 - Schedule of Revenues, Expenditures - Modified Cash Basis - Budget and Actual Highway Fund.....	22 - 23
Schedule 3 - Combining Balance Sheet - Modified Cash Basis Other Governmental Funds	24
Schedule 4 - Combining Schedule of Revenues, Expenditures and Changes In Fund Balances - Modified Cash Basis - Other Governmental Funds.....	25

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Select Board
Town of Monkton, VT

We have reviewed the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Monkton, VT, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services issued by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting described in Note 1.

Supplementary Information

The budgetary comparison information and combining non-major fund financial schedules on pages 19 to 25 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with the modified cash basis of accounting described in Note 1. We have not audited the information and, accordingly, do not express an opinion on such information.

The Select Board
Town of Monkton, VT

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with 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 conclusion is not modified with respect to this matter.

Pace & Hawley, LLC

Montpelier, VT
May 4, 2017

TOWN OF MONKTON, VERMONT
Statement of Net Position - Modified Cash Basis
December 31, 2016

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ <u>474,987</u>
Noncurrent assets:	
Capital Assets	2,365,849
(Accumulated depreciation)	<u>(895,931)</u>
Total noncurrent assets	<u>1,469,918</u>
Total assets	<u>1,944,905</u>
 Liabilities	
Current liabilities:	
Property taxes due to school district	26,726
Property taxes due to taxpayers	257
Notes and bonds payable, current portion	<u>83,503</u>
Total current liabilities	<u>110,486</u>
Noncurrent liabilities:	
Notes and bonds payable, less current portion	<u>171,304</u>
Total liabilities	<u>281,790</u>
 Net position	
Net investment in capital assets	1,215,111
Restricted	135,190
Unrestricted	<u>312,814</u>
Total net position	\$ <u>1,663,115</u>

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
General government	\$ 347,510	\$ 31,399	\$ 128,789	\$ -	\$ (187,322)
Highway	739,382	840	216,406	-	(522,136)
Library	27,971	-	5,220	-	(22,751)
Recreation	9,959	5,035	-	-	(4,924)
Land and wildlife conservation	4,745	-	-	186,792	182,047
Appropriations	59,539	-	-	-	(59,539)
Interest on long-term debt	4,053	-	-	-	(4,053)
Total governmental activities	\$ <u>1,193,159</u>	\$ <u>37,274</u>	\$ <u>350,415</u>	\$ <u>186,792</u>	<u>(618,678)</u>
General revenues					
					900,735
					24,352
					95
					20,200
					<u>55,723</u>
					<u>1,001,105</u>
					382,427
					<u>1,280,688</u>
					\$ <u>1,663,115</u>

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Balance Sheet - Modified Cash Basis - Governmental Funds
December 31, 2016

	General Fund	Highway Fund	Capital Project Fund	Reappraisal Fund	Agricultural and Natural Area Conservation Fund	Wildlife Crossing Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ -	\$ 68,445	\$ 68,200	\$ 60,621	\$ 212,511	\$ 5,448	\$ 80,430	\$ 495,655
Liabilities and fund balances								
Liabilities:								
Pooled cash overdraft	\$ 20,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,668
Property taxes due to school district	26,726	\$ -	-	-	-	-	-	26,726
Property taxes due to taxpayers	257	-	-	-	-	-	-	257
Total liabilities	<u>47,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,651</u>
Fund balances:								
Restricted								
Highway	-	68,445	-	-	-	-	-	68,445
Reappraisal	-	-	-	60,621	-	-	-	60,621
Wildlife crossing	-	-	-	-	-	5,448	-	5,448
PVR Education	-	-	-	-	-	-	676	676
Committed								
Capital projects	-	-	68,200	-	-	-	-	68,200
Land conservation	-	-	-	-	212,511	-	-	212,511
Community Center	-	-	-	-	-	-	16,825	16,825
Library	-	-	-	-	-	-	35,211	35,211
MVFD	-	-	-	-	-	-	10,727	10,727
Recreation	-	-	-	-	-	-	16,991	16,991
Unassigned	(47,651)	-	-	-	-	-	-	(47,651)
Total fund balances	<u>(47,651)</u>	<u>68,445</u>	<u>68,200</u>	<u>60,621</u>	<u>212,511</u>	<u>5,448</u>	<u>80,430</u>	<u>448,004</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 68,445</u>	<u>\$ 68,200</u>	<u>\$ 60,621</u>	<u>\$ 212,511</u>	<u>\$ 5,448</u>	<u>\$ 80,430</u>	<u>\$ 495,655</u>

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Reconciliation of the Balance Sheet - Modified Cash Basis - Governmental Funds
to the Statement of Net Position - Modified Cash Basis
December 31, 2016

Total fund balances - governmental funds \$ 448,004

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

Capital assets used in governmental funds are not current financial resources and therefore are not reported in the government funds balance sheet:

Capital assets	2,365,849
Accumulated depreciation	(895,931)

Long-term liabilities, including notes and bonds payable, are not due and payable in the current year and therefore are not reported in the governmental funds balance sheet (254,807)

Net position - governmental activities \$ 1,663,115

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balances
Modified Cash Basis - Governmental Funds
For the Year Ended December 31, 2016
(Page 1 of 2)

	General Fund	Highway Fund	Capital Project Fund	Reappraisal Fund	Agricultural and Natural Area Conservation Fund	Wildlife Crossing Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Property taxes	\$ 254,254	\$ 571,831	\$ 30,000	\$ -	\$ 20,000	\$ -	\$ 24,650	\$ 900,735
Penalties and interest on delinquent taxes	24,352	-	-	-	-	-	-	24,352
Intergovernmental	102,781	216,405	-	8,041	-	186,792	17,915	531,934
Licenses, permits and fines	1,042	840	-	-	-	-	-	1,882
Charges for services	30,359	-	-	-	-	-	5,035	35,394
Investment income	28	-	-	-	20	9	38	95
Donations	-	-	-	-	-	-	5,271	5,271
Miscellaneous	27,558	720	-	-	-	-	27,445	55,723
Total revenues	<u>440,374</u>	<u>789,796</u>	<u>30,000</u>	<u>8,041</u>	<u>20,020</u>	<u>186,801</u>	<u>80,354</u>	<u>1,555,386</u>
Expenditures								
General government	298,965	-	-	42,104	-	-	-	341,069
Highways, streets and bridges	-	663,961	-	-	-	-	-	663,961
Library	-	-	-	-	-	-	27,434	27,434
Recreation	-	-	-	-	-	-	9,959	9,959
Land and wildlife conservation	-	-	-	-	4,745	-	-	4,745
Appropriations	59,539	-	-	-	-	-	-	59,539
Capital outlay	19,112	-	103,535	-	-	276,711	102,937	502,295
Debt service - principal	15,000	53,641	-	-	-	-	-	68,641
Debt service - interest	304	3,749	-	-	-	-	-	4,053
Total expenditures	<u>392,920</u>	<u>721,351</u>	<u>103,535</u>	<u>42,104</u>	<u>4,745</u>	<u>276,711</u>	<u>140,330</u>	<u>1,681,696</u>
Excess of revenues or (expenditures)	<u>47,454</u>	<u>68,445</u>	<u>(73,535)</u>	<u>(34,063)</u>	<u>15,275</u>	<u>(89,910)</u>	<u>(59,976)</u>	<u>(126,310)</u>
Continued								

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balances
Modified Cash Basis - Governmental Funds
For the Year Ended December 31, 2016
(Page 2 of 2)

<i>Continued</i>	General Fund	Highway Fund	Capital Project Fund	Reappraisal Fund	Agricultural and Natural Area Conservation Fund	Wildlife Crossing Fund	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses)								
Proceeds from sale of equipment	6,200	-	-	-	-	-	-	6,200
Proceeds from note payable	-	-	71,635	-	-	-	78,000	149,635
Total other financing sources (uses)	6,200	-	71,635	-	-	-	78,000	155,835
Net change in fund balances	53,654	68,445	(1,900)	(34,063)	15,275	(89,910)	18,024	29,525
Fund balances, beginning of year	(101,305)	-	70,100	94,684	197,236	95,358	62,406	418,479
Fund balances, end of year	\$ (47,651)	\$ 68,445	\$ 68,200	\$ 60,621	\$ 212,511	\$ 5,448	\$ 80,430	\$ 448,004

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances - Modified Cash Basis Governmental Funds
to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2016

Net change in fund balances - governmental funds \$ 29,525

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

Governmental funds report capital outlays as expenditures however, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives:

Capital outlay	502,295
Current year depreciation	(82,399)
Gain on disposal of equipment	14,000

Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position:

Proceeds from notes payable	(149,635)
Repayment of notes payable	<u>68,641</u>

Change in net position - governmental activities \$ 382,427

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Statement of Fiduciary Net Position
Modified Cash Basis - Fiduciary Funds
December 31, 2016

	<u>Tax Sale Fund</u>	<u>Agency Fund</u>
Assets		
Cash	\$ <u>3,246</u>	
Liabilities		
Due to third party		<u>3,246</u>
Net position	\$ <u><u> -</u></u>	

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2016

1. Summary of significant accounting policies

The Town of Monkton, Vermont (herein the "Town") operates under a Select Board form of government and provides the following services: highways and streets, health and social services, community/economic development, recreation, public improvements, planning and zoning and administrative services.

As discussed further in Note 1.C., these financial statements are presented 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 (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

- A. Financial reporting entity - The Town is a primary unit of government under reporting criteria established by the GASB. Those criteria include separate legal standing, separate elected governing body, and fiscal independence from other governmental entities. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units and evaluated them against the criteria established by the GASB. Based on these criteria, there are no other entities that are considered to be component units of the Town that should be included in these financial statements.
- B. Basis of presentation - Fund accounting: The accounts of the Town are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Government-wide statements: The Statement of Net Position and the Statement of Activities present financial information about the Town's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. The effect of interfund activity has been removed from these statements.

Fund financial statements: Fund financial statements are presented according to each fund category; governmental and fiduciary. Separate financial statements are provided for each of these categories. Major governmental funds are reported as separate columns in the fund financial statements. Non-major governmental funds are reported aggregate as a single column in the fund financial statements.

The Town reports the following major governmental funds:

General Fund - The General Fund is used to account for the primary activity of the Town. Revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Highway Fund - The Highway Fund is used to account for activities related to the highway department.

Capital Project Fund - The Capital Project Fund is used to account for resources to be used for acquisition, construction or improvement of major capital facilities, infrastructure and equipment.

Reappraisal Fund - The Reappraisal Fund accounts for resources restricted and/or committed for the purpose of conducting town-wide reappraisals.

Agricultural and Nature Area Conservation Fund - The ANAC Fund accounts for resources committed for the purpose of preserving agricultural and natural areas.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2016

1. Summary of significant accounting policies (continued)

Wildlife Crossing Fund - The Wildlife Crossing Fund accounts for resources restricted for the design and construction of wildlife crossings.

The Town also reports fiduciary activities for the Tax Sale Agency Fund.

- C. Measurement focus and basis of accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus refers to what items are reported on the financial statements. Basis of accounting refers to when cash receipts and cash disbursements are recognized in the accounts and reported in the financial statements.

Measurement focus: The government-wide financial statements and fiduciary fund financial statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of changes in net position and net financial position. All assets, deferred outflows, liabilities, deferred inflows associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources for a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

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

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, amounts due to the State of Vermont or local school district, payroll withholdings, property taxes paid in advance and amounts outstanding on its lines of credit, interfund receivables and payables. Capital assets and long-term debt arising from cash and cash equivalent transactions are reported on the statement of net position.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues and certain liabilities and their related expenses or expenditures are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Town utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

- D. Governmental fund equity - In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable - Resources which cannot be spent because they are either a) not in spendable form; or b) legally or contractually required to be maintained intact.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2016

1. Summary of significant accounting policies (continued)

Restricted - Resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed - Resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner. For the purposes of defining the committed fund balance category, the Town considers the taxpayers, through voted Town articles, its highest level of decision making authority.

Assigned - Resources neither restricted nor committed for which a government has a stated intended use as established by the Select Board, or a body or official to which the Select Board has delegated the authority, to assign amounts for specific purposes.

Unassigned - Resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include any negative residual balance resulting from expenditures exceeding amounts restricted, committed or assigned for a specific purpose.

For the classification of governmental fund balances, the Town does not have a formal policy regarding which classification should be reduced first when more than one classification is available. However, the Town has generally considered an expenditure to be made from the most restrictive first when more than one classification is available.

- E. Budgetary accounting - The Town uses the following procedure in establishing the General Fund budget presented in the financial statements:

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

- F. Estimates - The preparation of the financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, or expenses, during the reported period. Actual results could differ from those estimates.

- G. Cash and cash equivalents - Cash and cash equivalents consists of cash and short-term investments with an original maturity of three months or less. The Town pools cash of multiple funds in order to enhance operating efficiency and physical custody and controls. Each fund's share of its pooled cash is included in cash and cash equivalents.

- H. Capital assets - Capital assets, which include land, infrastructure, buildings, furniture and equipment, are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are reported in the government-wide financial statements and depreciated in order for their costs to be charged as expenses over their estimated useful lives. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets of the Town are depreciated using the straight-line method over the following useful lives:

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2016

1. Summary of significant accounting policies (continued)

Infrastructure	50 years
Buildings and improvements	50 years
Equipment	15 years

- I. Interfund balances and transfers - Interfund receivables and payables represent transactions incurred within the fund for other funds. These accounts are expected to be eliminated in the normal course of operations. Interfund transfers represent flows of cash or goods from one fund to another without a requirement for repayment.

- J. Education property taxes - The Town serves as an agent for the State of Vermont. As required by State statute, the Town bills, collects and remits education property taxes. Amounts received for such purposes are considered an agency function and are not recorded as Town revenues.

2. Cash and cash equivalents

As of December 31, 2016, the Town reported cash of \$478,233 including \$3,246 held as an escrow agent and reported in fiduciary activities.

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposits might not be recovered. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2016, the Town’s bank balance was \$605,574. Of this amount, \$285,211 was insured by the FDIC. The remaining amount of \$320,363 was collateralized with securities held by the pledging bank’s trust department but not in the Town’s name.

3. Reserve funds

Through various taxpayer approved Articles, voters have established Reserve Funds in order to set aside money for specific purposes. The Town has pooled this money into its general operating account for the purposes of coordinating cash flow needs. The Town has not established a formal borrowing agreement or terms for repayment.

4. Property taxes

Property taxes become an enforceable lien upon Town of Monkton property holders as of April 1st of each year. Property taxes were payable in one installment due November 15, 2016. Taxes not paid by the due date, were listed as delinquent taxes and were assessed related penalties and interest. For the year ending December 31, 2016, the assessed property tax rates were as follows:

	<u>Nonresidential</u>	<u>Residential</u>
Education	1.7495	1.8072
Municipal	<u>0.4828</u>	<u>0.4828</u>
 Total tax rate per \$100 of assessed valuation	 <u>2.2323</u>	 <u>2.2900</u>

The Town serves as agent for the State of Vermont for the purpose of collecting and distributing education property taxes for those taxpayers residing in the Town of Monkton. As instructed by the State of Vermont, the Town billed \$2,705,925 for education property taxes during the year ending December 31, 2016 for the state’s 2016/2017 fiscal year. A liability was recorded as of December 31, 2016, for the remaining unpaid balance of education property taxes due to the local school districts.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2016

5. 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. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

6. Capital assets

Changes in capital assets consisted of the following:

	Balance January 1, <u>2016</u>	<u>Increase</u>	<u>Decrease</u>	Balance December 31, <u>2016</u>
Governmental activities				
Capital assets, not depreciated:				
Land	\$ 185,000	\$ -	\$ -	\$ 185,000
Construction in process	<u>31,537</u>	<u>102,937</u>	<u>23,876</u>	<u>110,598</u>
	<u>216,537</u>	<u>102,937</u>	<u>23,876</u>	<u>295,598</u>
Capital assets, depreciated:				
Land improvements	7,612	-	-	7,612
Infrastructure	121,817	319,699	-	441,516
Buildings & improvements	550,477	-	-	550,477
Equipment, machinery and vehicles	<u>953,111</u>	<u>117,535</u>	<u>-</u>	<u>1,070,646</u>
	<u>1,633,017</u>	<u>437,234</u>	<u>-</u>	<u>2,070,251</u>
Less accumulated depreciation for:				
Land improvements	-	-	-	-
Infrastructure	9,745	8,830	-	18,575
Buildings & improvements	277,367	10,087	-	287,454
Equipment, machinery and vehicles	<u>526,420</u>	<u>63,482</u>	<u>-</u>	<u>589,902</u>
	<u>813,532</u>	<u>82,399</u>	<u>-</u>	<u>895,931</u>
Total capital assets depreciated, net	<u>819,485</u>	<u>354,835</u>	<u>-</u>	<u>1,174,320</u>
Capital assets, net, governmental activities	\$ <u>1,036,022</u>	\$ <u>457,772</u>	\$ <u>23,876</u>	\$ <u>1,469,918</u>

Depreciation expense in the governmental activities totaling \$82,399 was allocated to the following functions: general government \$6,441, highway \$75,421 and library \$537.

7. Long-term liabilities

The Town issues general obligation bonds to finance the acquisition and construction of major capital facilities, renovations, and equipment purchases. General obligation bonds are direct obligations and pledge the full faith and credit of the issuing entity. These bonds are generally issued as 20-year serial bonds with equal amounts of principal maturing each year. The town's debt obligations for less costly projects (e.g. road equipment) are notes and capital leases payable.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2016

7. Long-term liabilities (continued)

The following is a summary of notes and capital leases payable at December 31, 2016:

Merchants Bank, 2013 Mack dump truck note payable, interest at 1.69% payable June 14, 2013. This will be renewed annually for 5 years , with a principal reduction payment annually of \$22,000, until June 13, 2017. Truck purchased June 28, 2012 for \$189,030 Total borrowed was \$109,030.	\$ 22,000
Merchants Bank, 2013 John Deere 524K bucket loader note payable interest at 1.80% payable June 9, 2015. This will be renewed annually for 3 years , with a principal reduction payment annually of \$19,615, until June 9, 2017. Loader purchased April 25, 2014 for \$88,844. Total borrowed was \$58,844.	19,615
Deere Credit, Inc., lease purchase agreement, 2014 John Deere 75G excavator, interest at 3.00% payable April 15, 2015. This will be renewed annually for 7 years, with a payment annually of \$13,894 until April 15, 2021. Total borrowed was \$89,060.	63,557
Merchants Bank, 2016 Ford F550 dump truck note payable, interest at 2.05% payable May 10, 2017. This will be renewed annually for 5 years, with a principal reduction payment annually of \$14,327, until May 10, 2021. Truck and accessories purchased December 28, 2015 for \$71,635.00. Total borrowed was \$71,635.	71,635
Merchants Bank, 2016 fire station addition note payable, interest at 2.05% payable August 23, 2017. This will be renewed annually for 5 years, with a principal reduction payment annually of \$15,600, until August 23, 2021. Total borrowed was \$78,000.	78,000
	\$ <u>254,807</u>

Changes in long-term liabilities for the year ended December 31, 2016 were as follows:

	Balance January 1, <u>2016</u>	Additions	Retirements	Balance December 31, <u>2016</u>	Due Within <u>One Year</u>
Governmental activities:					
Note payable, '13 John Deere loader	\$ 39,229	\$ -	\$ 19,614	\$ 19,615	\$ 19,615
Note payable, '13 Mack dump truck	44,418	-	22,418	22,000	22,000
Capital lease payable, '14 John Deere grader	75,166	-	11,609	63,557	11,961
Bond payable, fire station	15,000	-	15,000	-	-
Note payable, '16 F550 dump truck	-	71,635	-	71,635	14,327
Fire station addition note	<u>-</u>	<u>78,000</u>	<u>-</u>	<u>78,000</u>	<u>15,600</u>
	\$ <u>173,813</u>	\$ <u>149,635</u>	\$ <u>68,641</u>	\$ <u>254,807</u>	\$ <u>83,503</u>

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2016

7. Long-term liabilities (continued)

Annual maturities of long-term debt at December 31, 2016 were as follows

Year ending December 31,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 83,503	\$ 5,728
2018	42,252	4,023
2019	42,526	3,135
2020	43,115	1,934
2021	43,411	1,024
	\$ 254,807	\$ 15,844

8. Retirement plan

Vermont Municipal Employees Retirement System - The Town contributes to the Vermont Municipal Retirement System (VMERS) a cost-sharing multiple-employer public employee retirement system with defined benefit and defined contributions plans, administered by the State of Vermont. VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The State statutory provisions, found in Title 24, V.S.A., Chapter 125, govern eligibility for benefits, service requirements and benefit provisions. The general administration and responsibility for the operation of VMERS is vested in the Board of Trustees. VMERS issues annual financial information which is available at the VMERS' office, 133 State Street, Montpelier, Vermont 05602.

Employees meeting certain eligibility requirements are covered under the VMERS defined benefit plan. Town employees participating in this plan (Group B) are required to contribute 4.875% of gross wages and the Town contributes 5.500% of the employees' gross wages to the plan. Town's contributions to VMERS for the years ended December 31, 2016, 2015 and 2014 were \$10,411, \$10,021, and \$10,216, respectively.

Because of the use of a modified cash basis of accounting the Town's proportionate share of the VMERS's net pension liability is not reported in the Town's financial statements as a liability. Pension expense or expenditures are only reported when contributions are paid by the Town to VMERS.

9. Addison County Solid Waste Management District

The Town is a participating member in the Addison County Solid Waste Management District (the District); which is a union municipal district that exists to cooperatively and comprehensively address the solid waste management interest of its 20 member towns. The District is governed by a Board of Supervisors composed of one representative from each of the participating municipalities. The District has primary liability for its future obligations, including operating costs and debt service. Municipalities have contingent liability through membership in the District.

10. Contingencies

The Town receives significant financial assistance from the State of Vermont through grants and other forms of state aid. Entitlement to these resources is generally based on compliance with terms and conditions of grant agreements and applicable state regulations, including the expenditure of the resources for eligible purposes. These funds are subject to audit by the granting authority in order to ensure compliance. Any disallowance as a result of these audits becomes a liability of the Town. Management believes that there are no significant contingent liabilities relating to compliance with grant agreements and applicable state regulations.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2016

11. Fund balance deficit

For the year ended December 31, 2016, the General Fund had an unassigned deficit balance of \$47,651. This deficit is anticipated to be eliminated through revenues exceeding expenditures in future years.

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - General Fund
For the Year Ended December 31, 2016
(Page 1 of 3)

Schedule 1

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 268,831	\$ 268,831	\$ 254,254	\$ (14,577)
Penalties and interest on delinquent taxes	22,000	22,000	24,352	2,352
Intergovernmental	99,250	99,250	102,781	3,531
Licenses, permits and fines	1,570	1,570	1,042	(528)
Charges for services	35,000	35,000	30,359	(4,641)
Investment income	50	50	28	(22)
Miscellaneous	1,500	1,500	33,758	32,258
Total revenues	<u>428,201</u>	<u>428,201</u>	<u>446,574</u>	<u>18,373</u>
Expenditures				
General government payroll:				
Town Clerk fees	20,000	20,000	16,004	3,996
Town Clerk salary	10,500	10,500	10,500	-
Assistant Town Clerk	11,000	11,000	11,336	(336)
Treasurer	32,500	32,500	32,500	-
Assistant Treasurer	7,500	7,500	7,500	-
Delinquent Tax Collector	3,500	3,500	3,500	-
Webmaster	300	300	300	-
Select Board	7,000	7,000	6,730	270
Select Board administrative	1,200	1,200	799	401
Auditors	7,000	7,000	5,492	1,508
BCA - Election Officials	3,500	3,500	1,870	1,630
Custodian	1,000	1,000	983	17
Constable	250	250	250	-
Fire Warden	250	250	250	-
Health Officer	600	600	250	350
Animal Control Officer	750	750	660	90
FICA	11,400	11,400	10,997	403
Appraisal	15,000	15,000	14,295	705
Zoning Administrator	16,000	16,000	12,915	3,085
DRB - board members	2,000	2,000	-	2,000
DRB - clerical	1,000	1,000	-	1,000
DRB - recording secretary	2,000	2,000	698	1,302
Planning Commission - board members	1,680	1,680	930	750
Planning Commission - clerical	400	400	-	400
ANAC clerical	200	200	98	102
Total general government payroll	<u>156,530</u>	<u>156,530</u>	<u>138,857</u>	<u>17,673</u>
Town office:				
Copier rental	3,268	3,268	3,686	(418)
Office and general supplies	5,000	5,000	4,053	947
Postage	3,000	3,000	2,520	480
Equipment and furniture	500	500	-	500
Computer equipment and software	1,650	1,650	1,798	(148)
Computer contract service	2,600	2,600	2,552	48
Conferences and training	1,000	1,000	330	670

continued

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - General Fund
For the Year Ended December 31, 2016
(Page 2 of 3)

Schedule 1

<i>continued</i>	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Mileage reimbursement	700	700	347	353
Telephone	2,000	2,000	1,984	16
Heat	2,500	2,500	2,182	318
Electricity	1,700	1,700	1,409	291
Service/finance charges	-	-	90	(90)
Total Town office	<u>23,918</u>	<u>23,918</u>	<u>20,951</u>	<u>2,967</u>
General expenditures:				
Sheriff department	28,000	28,000	25,417	2,583
Insurance - worker's compensation	16,714	16,714	16,216	498
Insurance - property and liability	9,685	9,685	10,845	(1,160)
Appraisal	-	-	590	(590)
Printing and advertising	7,000	7,000	6,836	164
Property maintenance and upgrade	3,000	3,000	1,420	1,580
Consultant fees	2,500	2,500	3,000	(500)
Consultant-Engineer-ANGP	-	-	22,210	(22,210)
Association dues and fees	3,200	3,200	3,218	(18)
Legal fees	15,000	15,000	5,292	9,708
BCA - election	3,500	3,500	2,798	702
Property tax appeal settled	-	-	303	(303)
Legal fees - ANGP	-	-	175	(175)
Recycling	8,000	8,000	12,771	(4,771)
Animal expense	1,500	1,500	1,042	458
Restoration of records	2,500	2,500	-	2,500
Park-n-ride	-	-	19,113	(19,113)
Cemetery maintenance	4,000	4,000	3,900	100
County taxes	10,000	10,000	9,226	774
Tax maps	2,315	2,315	1,670	645
Debt payments - interest	4,900	4,900	304	4,596
Debt payments - principal	32,000	32,000	15,000	17,000
Miscellaneous	750	750	-	750
Total general expenditures	<u>154,564</u>	<u>154,564</u>	<u>161,346</u>	<u>(6,782)</u>
Development Review Board:				
Supplies and postage	300	300	-	300
Printing	100	100	-	100
Advertising	500	500	412	88
Conferences and training	200	200	-	200
Mileage reimbursement	100	100	88	12
Legal fees	4,000	4,000	-	4,000
Total Development Review Board	<u>5,200</u>	<u>5,200</u>	<u>500</u>	<u>4,700</u>
Planning Commission:				
Supplies and postage	1,000	1,000	603	397
Printing	500	500	-	500
Advertising	500	500	1,547	(1,047)
Mileage reimbursement	800	800	110	690
<i>continued</i>				

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - General Fund
For the Year Ended December 31, 2016
(Page 3 of 3)

Schedule 1

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<i>continued</i>				
Consultants	2,000	2,000	2,630	(630)
Assigned reserve expenditures	-	-	3,801	(3,801)
Legal fees	500	500	494	6
Addison County Regional Planning Commission	2,500	2,500	2,490	10
Total Planning Commission	<u>7,800</u>	<u>7,800</u>	<u>11,675</u>	<u>(3,875)</u>
Energy Committee:				
Supplies and postage	200	200	-	200
Mileage reimbursement	200	200	-	200
Miscellaneous	100	100	52	48
Total Energy Committee	<u>500</u>	<u>500</u>	<u>52</u>	<u>448</u>
Appropriations:				
Addison Cty Community Action	1,250	1,250	1,250	-
Addison Cty Counseling Services, Inc.	1,500	1,500	1,500	-
Addison Cty Home Health & Hospice	1,946	1,946	1,946	-
Addison Cty Parent / Child	1,600	1,600	1,600	-
Bristol Recreation Department	2,000	2,000	2,000	-
Bristol Rescue Squad	4,000	4,000	4,000	-
Central Vermont Agency on Aging	1,100	1,100	1,100	-
Elderly Services	800	800	800	-
Hospice Volunteer Service	300	300	300	-
Lewis Creek Association	550	550	550	-
Open Door Clinic	500	500	500	-
Otter Creek Natural Resources CD	198	198	198	-
Retired & Senior Volunteer Program	400	400	400	-
Vergennes Rescue Squad	600	600	600	-
Vermont Adult Learning	700	700	700	-
Women Safe	1,000	1,000	1,000	-
Vermont Center for Independent Living	195	195	195	-
Addison Cty Transit Resources	850	850	850	-
Bristol Family Center	250	250	250	-
Green Up Vermont	150	150	150	-
John W Graham Emergency Shelter	1,000	1,000	1,000	-
Addison Cty Humane Society	250	250	250	-
Addison Cty Court Diversion	550	550	550	-
Addison Cty Readers, Inc.	450	450	450	-
Rural Fire Protection Program	100	100	100	-
Monkton Mentors	300	300	300	-
Monkton Volunteer Fire Department, Inc.	36,000	36,000	36,000	-
Russell Memorial Library	20,150	20,150	-	20,150
Monkton Museum Historical Society	1,000	1,000	1,000	-
Total appropriations	<u>79,689</u>	<u>79,689</u>	<u>59,539</u>	<u>20,150</u>
Total expenditures	<u>428,201</u>	<u>428,201</u>	<u>392,920</u>	<u>35,281</u>
Net change in fund balances	\$ <u>-</u>	\$ <u>-</u>	\$ <u>53,654</u>	\$ <u>53,654</u>

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - Highway Fund
For the Year Ended December 31, 2016
(Page 1 of 2)

Schedule 2

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 571,831	\$ 571,831	\$ 571,831	\$ -
Intergovernmental	217,051	217,051	216,405	(646)
Licenses, permits and fines	700	700	840	140
Miscellaneous	550	550	720	170
Total revenues	<u>790,132</u>	<u>790,132</u>	<u>789,796</u>	<u>(336)</u>
Expenditures				
Highway payroll:				
Regular employees	209,057	209,057	188,621	20,436
FICA	15,993	15,993	13,238	2,755
VMERS retirement contribution	10,500	10,500	10,411	89
Health insurance	71,516	71,516	65,979	5,537
Dental insurance	3,100	3,100	3,363	(263)
Short-term disability insurance	450	450	395	55
Unemployment insurance	540	540	186	354
Life insurance	115	115	102	13
Total highway payroll	<u>311,271</u>	<u>311,271</u>	<u>282,295</u>	<u>28,976</u>
Highway garage:				
Equipment, tools and supplies	5,000	5,000	10,917	(5,917)
Conferences and training	300	300	-	300
Telephone	1,700	1,700	1,690	10
Heat	4,500	4,500	1,933	2,567
Electricity	1,900	1,900	1,581	319
Trash removal	1,700	1,700	1,737	(37)
Capital equipment	3,000	3,000	-	3,000
Property maintenance and upgrade	4,000	4,000	776	3,224
Total highway garage	<u>22,100</u>	<u>22,100</u>	<u>18,634</u>	<u>3,466</u>
Highway general:				
Insurance - property and liability	13,522	13,522	13,230	292
Grease and oil	2,400	2,400	2,302	98
Equipment fuel	40,000	40,000	24,662	15,338
Repairs, parts and blades	33,000	33,000	33,140	(140)
Oxygen and acetylene	400	400	332	68
Debt service - interest	3,118	3,118	3,749	(631)
Debt service - principal	58,621	58,621	53,641	4,980
Miscellaneous	1,000	1,000	1,958	(958)
Total highway general	<u>152,061</u>	<u>152,061</u>	<u>133,014</u>	<u>19,047</u>
Highway road maintenance:				
Rental equipment	16,000	16,000	2,617	13,383
Gravel	77,000	77,000	78,480	(1,480)
Salt	34,000	34,000	30,820	3,180
Winter sand	23,000	23,000	17,902	5,098

continued

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - Highway Fund
For the Year Ended December 31, 2016
(Page 2 of 2)

Schedule 2

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<i>continued</i>				
Chloride	24,500	24,500	23,895	605
Hot mix	101,000	101,000	103,814	(2,814)
Cold patch	400	400	521	(121)
Culverts	6,000	6,000	3,805	2,195
Signs, painting	3,300	3,300	3,867	(567)
911 signs	200	200	226	(26)
Winter solution chloride	3,300	3,300	5,461	(2,161)
Highway upgrade and paving	16,000	16,000	16,000	-
Total highway road maintenance	<u>304,700</u>	<u>304,700</u>	<u>287,408</u>	<u>17,292</u>
Total expenditures	<u>790,132</u>	<u>790,132</u>	<u>721,351</u>	<u>68,781</u>
Net change in fund balances	\$ <u>-</u>	\$ <u>-</u>	\$ <u>68,445</u>	\$ <u>68,445</u>

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Combining Balance Sheet - Modified Cash Basis
Other Governmental Funds
December 31, 2016

Schedule 3

	Community Center Building Fund	Library Fund	PVR Education Fund	Recreation Fund	MVFD Building Fund	Total
Assets						
Cash and cash equivalents	\$ <u>16,825</u>	\$ <u>35,211</u>	\$ <u>676</u>	\$ <u>16,991</u>	<u>10,727</u>	\$ <u>80,430</u>
Liabilities and fund balances						
Liabilities	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	<u>-</u>	\$ <u>-</u>
Fund balances:						
Restricted						
PVR Education	-	-	676	-	-	676
Committed						
Community Center	16,825	-	-	-	-	16,825
Library	-	35,211	-	-	-	35,211
MVFD	-	-	-	-	10,727	10,727
Recreation	-	-	-	16,991	-	16,991
Total fund balances	<u>16,825</u>	<u>35,211</u>	<u>676</u>	<u>16,991</u>	<u>10,727</u>	<u>80,430</u>
Total liabilities and fund balances	\$ <u>16,825</u>	\$ <u>35,211</u>	\$ <u>676</u>	\$ <u>16,991</u>	<u>10,727</u>	\$ <u>80,430</u>

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Combining Schedule of Revenues,
Expenditures and Changes in Fund Balances
Modified Cash Basis - Other Governmental Funds
For the Year Ended December 31, 2016

	Community Center Building Fund	Library Fund	PVR Education Fund	Recreation Fund	MVFD Building Fund	Total
Revenues						
Property taxes	\$ -	\$ 20,150	\$ -	\$ 4,500	-	\$ 24,650
Intergovernmental	17,865	50	-	-	-	17,915
Charges for services	-	-	-	5,035	-	5,035
Investment interest	1	35	-	2	-	38
Donations	-	5,170	-	101	-	5,271
Miscellaneous	-	2,847	-	-	24,598	27,445
Total revenues	<u>17,866</u>	<u>28,252</u>	<u>-</u>	<u>9,638</u>	<u>24,598</u>	<u>80,354</u>
Expenditures						
General government	-	-	-	-	-	-
Library	-	27,434	-	-	-	27,434
Recreation	-	-	-	9,959	-	9,959
Capital outlay	11,066	-	-	-	91,871	102,937
Total expenditures	<u>11,066</u>	<u>27,434</u>	<u>-</u>	<u>9,959</u>	<u>91,871</u>	<u>140,330</u>
Excess (deficiency) of revenues over expenditures	<u>6,800</u>	<u>818</u>	<u>-</u>	<u>(321)</u>	<u>(67,273)</u>	<u>(59,976)</u>
Other financing sources (uses)						
Proceeds from note payable	-	-	-	-	78,000	78,000
Net change in fund balances	6,800	818	-	(321)	10,727	18,024
Fund balances, Beginning of year	<u>10,025</u>	<u>34,393</u>	<u>676</u>	<u>17,312</u>	<u>-</u>	<u>62,406</u>
Fund balances, End of year	<u>\$ 16,825</u>	<u>\$ 35,211</u>	<u>\$ 676</u>	<u>\$ 16,991</u>	<u>10,727</u>	<u>\$ 80,430</u>

See independent accountant's review report.