

TOWN OF MORRISTOWN, VERMONT

AUDIT REPORT

JUNE 30, 2017

TOWN OF MORRISTOWN, VERMONT
 AUDIT REPORT
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Independent Auditor's Report

Selectboard
Town of Morristown, Vermont
P.O. Box 748
Morrisville, Vermont 05661

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Morristown, Vermont, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Morristown, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Morristown, Vermont, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the budgetary comparison information on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability on Schedule 2 and the Schedule of Contributions on Schedule 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

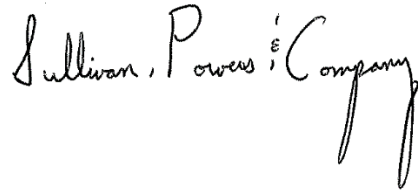
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Morristown, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by “Government Auditing Standards”

In accordance with “Government Auditing Standards”, we have also issued our report dated November 13, 2017 on our consideration of the Town of Morristown, Vermont’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 of Morristown, Vermont’s internal control over financial reporting and compliance.

November 13, 2017
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned to the right of the date and address information.

**TOWN OF MORRISTOWN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The following is a discussion and analysis of the Town of Morristown's (*Town*) financial performance, including an overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. Readers should consider this information in conjunction with the financial statements, which are located after this analysis.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$17,394,850 (*net assets*). Of this amount, \$1,002,600 (*unrestricted net assets*) may be used by the various funds of the Town to meet the Town's ongoing obligations to its citizens and creditors.
- The Town's total net assets increased by \$1,523,707.
- As of the close of the current fiscal year, the Town of Morristown's governmental funds reported combined ending fund balance of \$4,265,728, and increase of \$282,750 in comparison with the prior year. Of this total amount, \$1,326,727 is *available for spending* at the government's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Table 1 summarizes the major features of the basic financial statements with further explanations below:

<i>Major Features of the Town's Government-Wide and Fund Financial Statements</i>			
	<i>Government-Wide Financial Statements</i>	<i>Fund Financial Statements</i>	
		<i>Governmental Funds</i>	<i>Fiduciary Funds</i>
Scope	Entire Town government except fiduciary funds, and any applicable discretely presented component units	The activities of the Town that are not proprietary or fiduciary, such as General Government, Public Safety and Public Works	Instances in which the Town is the trustee or agent for someone else's resources
Required financial statements	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position; Statement of Changes in Fiduciary Net Position (if applicable)
Measurement focus and basis of accounting	Economic resources measurement focus and accrual basis of accounting	Current financial resources measurement focus and modified accrual basis of accounting	Economic resources measurement focus and accrual basis of accounting
Type of asset/liability information presented	All assets and liabilities, both financial and capital, and both short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and both short-term and long-term
Type of inflow/outflow information presented	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid.

- **Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town of Morristown's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Morristown is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

Both of the government-wide financial statements distinguish functions of the Town of Morristown that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Town include general government, public safety, public works, recreation, cultural and public improvements.

The government-wide financial statements can be found in Exhibits A and B of this report.

- **Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Morristown, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and fiduciary funds.

Governmental Funds: Most of the basic services provided by the Town are reported in the governmental funds. These statements provide a detailed, short-term view of the functions using the modified accrual basis of accounting. This allows the reader to focus on assets that can be readily converted to cash and determine whether there are adequate resources to meet the Town's current needs.

The Town reports four (4) individual governmental funds. Information is presented separately for the General Fund, Development Fund, Infrastructure Fund and Alexander Hamilton Copley Trust Fund, which are all considered major funds. The General Fund column combines the General, Health Reimbursement Account (HRA), Forest Land Maintenance, EV Charging, Compensated Absences, Recreation and General Designations funds together. Data from the other twelve (12) governmental funds are aggregated into a single column on the fund statements.

The basic governmental fund financial statements can be found in Exhibits C through E of this report.

Fiduciary Fund: The Town reports two (2) fiduciary funds (Scholarship Fund and Trustee of Public Funds), but does not include the fiduciary balances and activity in the government-wide financial statements because the resources of these funds are not available to support the Town's programs. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government.

The basic fiduciary fund financial statements can be found in Exhibits F and G of this report.

- **Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.
- **Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information to provide additional financial information not included in the basic financial statements. This supplementary information includes combining statements for various funds, and budgetary comparison statements. The supplementary information can be found immediately following the notes to the financial statements in this report.
- **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net Position as of June 30, 2016 and 2017

	2016	2017
	Governmental Activities	Governmental Activities
Current and Other Assets	\$ 4,240,856	\$ 4,744,061
Noncurrent Assets	<u>14,302,710</u>	<u>15,652,676</u>
Total Assets	<u>\$ 18,543,566</u>	<u>\$ 20,396,737</u>
Deferred Outflows of Resources	\$ 445,999	\$ 773,565
Total Deferred Outflows of Resources	<u>\$ 445,999</u>	<u>\$ 773,565</u>
Current Liabilities	\$ 142,625	\$ 102,915
Noncurrent Liabilities	<u>2,945,791</u>	<u>3,630,413</u>
Total Liabilities	<u>\$ 3,088,416</u>	<u>\$ 3,733,328</u>
Deferred Inflows of Resources	\$ 30,006	\$ 42,124
Total Deferred Inflows of Resources	<u>\$ 30,006</u>	<u>\$ 42,124</u>
Net Position:		
Net investment in Capital Assets	\$ 12,208,026	\$ 13,387,760
Restricted: Non-Expendable	557,452	457,452
Restricted: Expendable	2,100,605	2,547,038
Unrestricted	<u>1,005,060</u>	<u>1,002,600</u>
Total Net Position	<u>\$ 15,871,143</u>	<u>\$ 17,394,850</u>

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Morristown, assets exceeded liabilities by \$17,394,850 at the close of June 30, 2017, a 9.6% increase over the prior year.

The largest portion of the Town's net position (76.9%) reflects its investment in capital assets (e.g. land, buildings, equipment, construction in progress, and infrastructure); less any related outstanding debt used to acquire those assets. These assets are recorded net of depreciation in the financial statements. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (17.3%) represents restricted net assets. These resources are subject to external restrictions or constitutional provisions specifying how they may be used.

Changes in Net Position for the Fiscal Year Ended June 30

	2016	2017
	Governmental Activities	Governmental Activities
	<u> </u>	<u> </u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 425,503	\$ 729,249
Operating Grants and Contributions	295,303	287,359
Capital Grants and Contributions	137,687	863,023
	<u>858,493</u>	<u>1,879,631</u>
General Revenues:		
Taxes - Town	4,975,683	5,119,730
Other	396,439	700,996
	<u>5,372,122</u>	<u>5,820,726</u>
Total Revenues	<u>6,230,615</u>	<u>7,700,357</u>
Expenses:		
General Government	1,483,649	1,520,066
Public Safety	2,021,612	2,126,076
Highways and Streets	1,801,941	2,125,881
Culture and Recreation	250,747	238,128
Cemetery	42,437	45,538
Community Development	48,429	48,181
Interest on Debt	84,859	72,780
Total Expenses	<u>5,733,674</u>	<u>6,176,650</u>
Increase in Net Position	496,941	1,523,707
Beginning Net Position, July 1	<u>15,374,202</u>	<u>15,871,143</u>
Ending Net Position, June 30	<u>\$ 15,871,143</u>	<u>\$ 17,394,850</u>

Total governmental activities increased the Town of Morristown's net assets by \$1,523,707 during the current fiscal year.

Total governmental activities expenses were \$6,176,650 at the close of June 30, 2017. The largest expenses were incurred for general government (including grant expenses), public works, and public safety. The expenses do not include capital outlays, which are now reflected as capital assets in the government-wide financial statements.

Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. Total program revenues from governmental activities were \$1,879,631 in 2017. Governmental program revenues come from charges for services, which include licenses and permits, planning fees, forfeitures, and several other revenues. Program revenues in the grants and contributions category include federal, state and local grants that are restricted for program use.

General revenues are all other revenues not categorized as program revenues and include property taxes and investment earnings. Total general revenues from governmental activities were \$5,820,726 for the period ending June 30, 2017. Approximately 66% of the Town's total revenues come from taxes.

Capital Assets. The Town had \$15,555,657 invested in capital assets, net of depreciation, on June 30, 2017. Net increase (including additions and deductions) between the prior fiscal year amounted to \$1,377,790.

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2017</u>
Land	\$ 470,700	\$ 471,000
Works of Art	100,000	131,689
Land Improvements	22,388	22,388
Work In Progress	364,482	139,160
Duhamel Gravel Pit, Net of Depletion	642,617	636,127
Buildings and Improvements	4,746,617	4,885,004
Equipment	5,346,424	5,833,617
Road and Bridge Network	7,554,505	9,025,474
Accumulated Depreciation	(5,069,866)	(5,588,802)
	<u> </u>	<u> </u>
Total Net Capital Assets	<u>\$ 14,177,867</u>	<u>\$ 15,555,657</u>

This year's major capital events included:

- Works of Art was increased by \$31,689 with the purchase of Animated Tree #1 and restoration of the Soldier's Monument.
- Work in Progress decreased by \$225,322. The current total represents work on Route 100 Sidewalk Earmark Grant, B Street to BJAMS Sidewalk Scoping Study, Solar Cross Walk Signal, and Animated Tree #2.
- Buildings & Improvements increased by \$138,387 of which included the HVAC System in the Tegu Building for \$115,442; front windows for the Tegu Building for \$11,267; Garage doors for the Cochran Road Garage for \$5,180; and a Security Locking System for both Town Garages - \$6,498.

- Equipment increased by \$487,193. The Fire Department purchased a new 2017 Quint Pumper-Ladder truck, \$636,153 to replace the 1988 Sutphen Ladder Truck. The Police Department purchased a new 2017 Chevy Silverado to replace a 2008 Chevy Impala. The Police Department purchased 11 Body Cameras to replace their outdated Communication System. The Highway Department purchased a new 2016 Asphalt Emulsifier & Spaulding Trailer. Body work and sandblasting was done on the 2011 International and the 2009 International. The Highway Department also purchased a 2016 Boss Snow Pusher.
- The Road and Bridge Network account increased by \$1,470,969. This included: Bridge Street Bridge - \$82,144; Cadys Falls Water Line - \$344,489; Stancliff Road Culvert - \$11,546; Cadys Falls Bridge – Lead Remediation - \$910,044; Street Light Conversion to LED - \$43,884; and Stagecoach Road Paving - \$78,862.

Debt

At the end of the fiscal year, the Town had \$2,167,897 in long-term debt outstanding compared to \$1,969,841 in the prior year, an approximate 10.1% increase. A list of outstanding long-term debt follows:

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2017</u>
GENERAL OBLIGATION BONDS PAYABLE		
Bridge Street Bridge	\$ 827,819	\$ 764,921
Morristown Centennial Library	62,037	-
2014 Fire Truck	71,656	-
Tegu Building Purchase	583,256	559,142
2016 Freightliner Tandem Hwy Trk	110,818	55,765
Quint Pumper-Ladder Truck	-	360,000
Cadys Falls Water Project	-	250,000
Maple Street Project - LOC	82,963	-
VT/EPA Revolving Loan Fund - Cadys Falls	33,571	33,777
VT/EPA Revolving Loan Fund - RF1 - 111	1,400	700
	<u>\$ 1,773,520</u>	<u>\$ 2,024,305</u>
 CAPITAL LEASES PAYABLE		
Police - 2017 Chevy Silverado	\$ -	\$ 28,480
Police - 2014 Chevy Impala	8,421	-
Police - 2014 Chevy Tahoe	22,616	11,631
Fire - Sutphen Aerial Ladder Truck	28,933	-
Hwy - S2016 Holder Sidewalk Machine	136,351	103,481
	<u>\$ 196,321</u>	<u>\$ 143,592</u>
 TOTAL LONG-TERM DEBT	 <u>\$ 1,969,841</u>	 <u>\$ 2,167,897</u>

At the end of the fiscal year, Capital Leases totaled \$143,592 compared to \$196,321 in 2016.

At the end of the fiscal year, the Town had \$248,320 in compensated absences outstanding compared to \$265,401 in the prior year. The 6.4% decrease is due to an employee retirement.

Fiscal Year 2018 Budget

The FY 2018 total voted budget is \$6,371,581. The FY 2017 total operating voted budget was \$6,047,160. The increase is \$324,421 or 5.4% from the previous year. The FY 2018 net budget (less anticipated revenues) is \$5,393,301. The FY 2017 net budget was \$5,119,016. The difference of \$274,285 in the Town net budget includes department operating increases totaling \$158,292. There was an increase in budgeted revenues of approximately \$50,136.

TOWN OF MORRISTOWN, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 1,042,327
Investments	3,144,445
Deposits with Insurance Company	5,430
Receivables (Net of Allowance for Uncollectibles)	489,567
Loans Receivable (Net of Allowance for Uncollectibles)	97,019
Prepaid Expenses	38,055
Inventory	24,237
Capital Assets:	
Land	471,000
Works of Art	131,689
Construction in Progress	139,160
Other Capital Assets, (Net of Accumulated Depreciation)	14,813,808
Total Assets	20,396,737
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows of Resources Related to the Town's Participation in VMERS	773,565
Total Deferred Outflows of Resources	773,565
<u>LIABILITIES</u>	
Accounts Payable	52,713
Accrued Payroll and Benefits Payable	41,020
Accrued Interest Payable	8,166
Unearned Revenue	1,016
Noncurrent Liabilities:	
Due Within One Year	258,692
Due in More than One Year	3,371,721
Total Liabilities	3,733,328
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Prepaid Property Taxes	28,898
Deferred Inflows of Resources Related to the Town's Participation in VMERS	13,226
Total Deferred Inflows of Resources	42,124
<u>NET POSITION</u>	
Net Investment in Capital Assets	13,387,760
Restricted:	
Non-Expendable	457,452
Expendable:	
Community Functions	1,431,748
Community Development	579,169
Highways and Streets	231,740
Cemetery	168,492
Other Purposes	135,889
Unrestricted	1,002,600
Total Net Position	\$ 17,394,850

The accompanying notes are an integral part of this financial statement.

TOWN OF MORRISTOWN, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs:					
Primary Government:					
Governmental Activities:					
General Government	\$ 1,520,066	\$ 135,340	\$ 31,216	\$ 20,147	\$ (1,333,363)
Public Safety	2,126,076	249,012	24,496	6,369	(1,846,199)
Highways and Streets	2,125,881	295,135	209,069	836,507	(785,170)
Culture and Recreation	238,128	37,663	22,078	0	(178,387)
Community Development	48,181	8,599	0	0	(39,582)
Cemetery	45,538	3,500	500	0	(41,538)
Interest on Long-term Debt	72,780	0	0	0	(72,780)
Total Primary Government	<u>\$ 6,176,650</u>	<u>\$ 729,249</u>	<u>\$ 287,359</u>	<u>\$ 863,023</u>	<u>(4,297,019)</u>
General Revenues:					
Property Taxes					5,119,730
Penalties and Interest on Delinquent Taxes					50,270
General State Grants					310,500
Unrestricted Investment Earnings					337,892
Other Revenues					2,334
Total General Revenues					<u>5,820,726</u>
Change in Net Position					1,523,707
Net Position - July 1, 2016					<u>15,871,143</u>
Net Position - June 30, 2017					<u>\$ 17,394,850</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MORRISTOWN, VERMONT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2017

	General Fund	Morristown Development Fund	Alexander Hamilton Copley Trust Fund	Infrastructure Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 607,401	\$ 128,938	\$ 125,379	\$ 26,530	\$ 154,079	\$ 1,042,327
Investments	292,735	353,212	1,564,203	21,501	912,794	3,144,445
Deposits with Insurance Company	5,430	0	0	0	0	5,430
Receivables (Net of Allowance for Uncollectibles)	232,412	7,155	0	0	0	239,567
Loans Receivable (Net of Allowance for Uncollectibles)	0	97,019	0	0	0	97,019
Special Assessments Receivable	0	0	0	250,000	0	250,000
Due from Other Funds	0	0	0	3,623	0	3,623
Prepaid Expenses	31,530	0	0	0	6,525	38,055
Inventory	24,237	0	0	0	0	24,237
Total Assets	\$ 1,193,745	\$ 586,324	\$ 1,689,582	\$ 301,654	\$ 1,073,398	\$ 4,844,703
LIABILITIES						
Accounts Payable	\$ 45,336	\$ 7,155	\$ 0	\$ 0	\$ 222	\$ 52,713
Accrued Payroll and Benefits Payable	41,020	0	0	0	0	41,020
Due to Other Funds	3,085	0	382	0	156	3,623
Unearned Revenue	1,016	0	0	0	0	1,016
Total Liabilities	90,457	7,155	382	0	378	98,372
DEFERRED INFLOWS OF RESOURCES						
Prepaid Property Taxes	28,898	0	0	0	0	28,898
Unavailable Property Taxes, Penalties and Interest	74,000	0	0	0	0	74,000
Unavailable Ambulance Fees	9,000	0	0	0	0	9,000
Unavailable Grants	21,686	0	0	0	0	21,686
Unavailable Loans Receivable	0	97,019	0	0	0	97,019
Unavailable Special Assessments Receivable	0	0	0	250,000	0	250,000
Total Deferred Inflows of Resources	133,584	97,019	0	250,000	0	480,603
FUND BALANCES						
Nonspendable	55,767	0	257,452	0	206,525	519,744
Restricted	0	482,150	1,431,748	0	505,359	2,419,257
Committed	0	0	0	0	67,081	67,081
Assigned	603,823	0	0	51,654	294,055	949,532
Unassigned	310,114	0	0	0	0	310,114
Total Fund Balances	969,704	482,150	1,689,200	51,654	1,073,020	4,265,728
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,193,745	\$ 586,324	\$ 1,689,582	\$ 301,654	\$ 1,073,398	

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.	15,555,657
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.	451,705
Long-term and Accrued Liabilities, Including Bonds Payable and the Net Pension Liability, are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds.	(3,638,579)
Deferred Outflows and Inflows of Resources relating to the Town's Participation in VMERS are applicable to Future Periods and, and, Therefore, are not Reported in the Funds.	760,339
Net Position of Governmental Activities	\$ 17,394,850

The accompanying notes are an integral part of this financial statement.

TOWN OF MORRISTOWN, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Morristown Development Fund	Alexander Hamilton Copley Trust Fund	Infrastructure Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$ 5,118,824	\$ 0	\$ 0	\$ 3,906	\$ 0	\$ 5,122,730
Penalties and Interest on Delinquent Taxes	50,270	0	0	0	0	50,270
Intergovernmental	605,133	0	0	0	23,104	628,237
Charges for Services	266,084	0	0	33,152	3,950	303,186
Permits, Licenses and Fees	151,045	0	0	0	4,811	155,856
Fines and Forfeits	11,368	0	0	0	0	11,368
Loan Repayments	0	87,824	0	0	0	87,824
Loan Interest Income	0	8,599	0	0	0	8,599
Investment Income	65,102	23,418	166,797	3,565	79,010	337,892
Donations	405	0	0	0	16,033	16,438
Other	2,334	0	0	0	240	2,574
Total Revenues	6,270,565	119,841	166,797	40,623	127,148	6,724,974
Expenditures:						
General Government	1,451,591	0	11,042	0	2,086	1,464,719
Public Safety	1,867,797	0	0	0	0	1,867,797
Highways and Streets	1,476,840	0	0	0	2,549	1,479,389
Culture and Recreation	217,590	0	0	0	18,135	235,725
Community Development	46,406	61,775	0	0	0	108,181
Cemetery	14,000	0	0	0	28,541	42,541
Capital Outlay:						
General Government	39,135	0	0	0	23,872	63,007
Public Safety	51,837	0	0	0	636,153	687,990
Highways and Streets	259,749	0	0	332,296	29,705	621,750
Debt Service:						
Principal	389,559	0	0	0	61,803	451,362
Interest	66,364	0	0	1,358	4,459	72,181
Total Expenditures	5,880,868	61,775	11,042	333,654	807,303	7,094,642
Excess/(Deficiency) of Revenues Over Expenditures	389,697	58,066	155,755	(293,031)	(680,155)	(369,668)
Other Financing Sources/(Uses):						
Proceeds from Long-term Debt	39,212	0	0	250,206	360,000	649,418
Proceeds from Sale of Vehicle	0	0	0	0	3,000	3,000
Transfers In	11,382	0	0	19,629	184,540	215,551
Transfers Out	(195,169)	0	(11,382)	0	(9,000)	(215,551)
Total Other Financing Sources/(Uses)	(144,575)	0	(11,382)	269,835	538,540	652,418
Net Change in Fund Balances	245,122	58,066	144,373	(23,196)	(141,615)	282,750
Fund Balances - July 1, 2016	724,582	424,084	1,544,827	74,850	1,214,635	3,982,978
Fund Balances - June 30, 2017	\$ 969,704	\$ 482,150	\$ 1,689,200	\$ 51,654	\$ 1,073,020	\$ 4,265,728

The accompanying notes are an integral part of this financial statement.

TOWN OF MORRISTOWN, VERMONT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	\$	282,750
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,372,747) is allocated over their estimated useful lives and reported as depreciation expense (\$745,260). This is the amount by which capital outlays exceeded depreciation in the current period.		627,487
The effect of donations of capital assets is to increase net position. The State of Vermont constructed a bridge for the Town.		818,970
The net effect of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to reduce net position.		(68,667)
The issuance of long-term debt (\$649,418) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$451,362) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(198,056)
The issuance of loans receivable (\$60,000) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$87,824) provides current financial resources to governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of loans receivable.		27,824
Governmental funds report employer pension contributions as expenditures (\$151,747). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$323,419) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(171,672)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		188,589
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		16,482
Change in net position of governmental activities (Exhibit B)	\$	1,523,707

The accompanying notes are an integral part of this financial statement.

TOWN OF MORRISTOWN, VERMONT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2017

	Private-Purpose Trust Funds
<u>ASSETS</u>	
Cash	\$ 1,367
Investments	40,635
Total Assets	42,002
<u>LIABILITIES</u>	
	0
<u>NET POSITION</u>	
Restricted:	
Held in Trust for:	
Individuals and Organizations	42,002
Total Net Position	\$ 42,002

The accompanying notes are an integral part of this financial statement.

TOWN OF MORRISTOWN, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Private-Purpose Trust Funds
Additions:	
Investment Income	\$ <u>4,502</u>
Total Additions	<u>4,502</u>
Deductions:	
Scholarships	<u>500</u>
Total Deductions	<u>500</u>
Change in Net Position	4,002
Net Position - July 1, 2016	<u>38,000</u>
Net Position - June 30, 2017	\$ <u><u>42,002</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF MORRISTOWN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Town of Morristown, Vermont conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

This report includes all of the activity of the Town of Morristown, Vermont. The financial 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 reporting entity'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 that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other entities that should be combined with the financial statements of the Town.

B. Basis of Presentation

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government 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 basic financial statements of the Town include both government-wide statements 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 and present a longer-term view of the Town's finances. 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 and present a shorter-term view of how operations were financed and what remains available for future spending.

TOWN OF MORRISTOWN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental funds:

General Fund – This is the Town's main operating fund. It accounts for all financial resources of the Town except those accounted for in another fund.

Morristown Development Fund – This fund accounts for the Town's community development activity which provides loans to local businesses.

Alexander Hamilton Copley Trust Fund – This fund accounts for the resources held in trust to be used for creating works of public utility and beauty for the benefit of the inhabitants of the Village of Morrisville, within the Town of Morristown.

Infrastructure Fund – This fund accounts for the infrastructure expansion projects of the Town.

Additionally, the Town reports the following fund type:

Private-Purpose Trust Funds – These funds are used to report trust arrangements under which resources are to be used for the benefit of individuals. All investment earnings, and in some cases, the principal of these funds may be used to support these activities.

TOWN OF MORRISTOWN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., total net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

D. Basis of Accounting

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

The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under capital leases and sales of capital assets are reported as other financing sources.

TOWN OF MORRISTOWN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

Recognition of revenues on funds received in connection with loan programs are recognized when loans are awarded and expenses incurred in excess of current grants and program income. An offsetting deferred revenue is recognized for all loans receivable. Loan repayment revenue is recognized as the loans are repaid.

E. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows and inflows of resources and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

1. Cash

Cash balances of most Town funds are deposited with and invested by the Town Treasurer. The Town considers all short-term investments of ninety (90) days or less to be cash equivalents.

Excess cash of individual funds are shown as due from other funds and excess withdrawals are shown as due to other funds.

2. Investments

The Town invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

3. Receivables

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

4. Due from/to Other Funds

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as "advances to/from other funds". All other outstanding balances between funds are reported as "due from/to other funds".

TOWN OF MORRISTOWN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

5. Inventories and Prepaid Expenses

Inventory quantities are determined by physical count and are valued at the lower of cost or market. Inventories in the General Fund consists of highway materials.

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

Reported inventories and prepaid expenses of governmental funds in the fund financial statements are offset by a nonspendable fund balance as they are not in spendable form.

6. Pensions

For purposes of measuring the proportionate share of the net pension liability and the related deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS) plan and additions to/deductions from the VMERS' fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, "deferred outflows of resources", represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows of resources", represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

8. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Infrastructure assets are reported starting with fiscal year ended June 30, 2004. The Town has elected to not report major general infrastructure assets retroactively.

TOWN OF MORRISTOWN, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

Capital assets reported in the government-wide financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

The Town's capitalization policy defines capital assets using the following criteria. Equipment and vehicles with a minimum estimated useful life of one year and an initial, individual cost of \$5,000 or more are capitalized. Capital improvements, land, building acquisitions and infrastructure with an initial, individual cost of \$10,000 and a minimum estimated useful life of one year are capitalized.

Estimated useful lives of capital assets are as follows:

	Estimated Service Life
Land	Not Depreciated
Works of Art	Not Depreciated
Land Improvements	20 Years
Buildings and Building Improvements	50-100 Years
Vehicles, Machinery and Equipment	2-30 Years
Infrastructure	20-50 Years
Gravel Pit	100 Years

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are incurred.

9. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused earned time off (ETO) up to 240 hours. On an annual basis in June, employees may elect to convert 96 hours of ETO into sick leave or may be paid for this time at 50%. Employees are not entitled to payment for unused sick leave upon termination; however an employee will be paid for 75% of their unused sick leave up to 320 hours upon retirement from the Town (100% to the spouse upon death of an employee). The sick leave cap has some employees that were grandfathered in with higher cap limits prior to the Town policy change in 2009. Upon retirement, members of the Police union will be paid for 90% of their unused sick leave if hired before July 1, 2005 and 100% of their unused sick leave if hired after July 1, 2005. The Town defines retirement as being of retirement age based upon which group the employee is in for VMERS (Group B is age 62 and Groups C and D are age 55). An employee is not considered retired if they continue to work for another participating entity within the VMERS. The Town begins to accrue the sick liability once the employee is within 7 years of retirement eligibility. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements. The liability for unused compensated absences is not reported in the governmental fund financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

TOWN OF MORRISTOWN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

10. Long-term Liabilities

Long-term liabilities include bonds and notes payable and other obligations such as compensated absences and the Town's net pension liability. Long-term liabilities are reported in the government-wide financial statements. Governmental fund financial statements do not include any long-term liabilities as those statements use the current financial resources measurement focus and only include current liabilities on their balance sheets.

11. Fund Equity

Fund equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in the government-wide financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances in the governmental fund financial statements are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS**

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, whereas government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as other financing sources, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report proceeds of long-term debt as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

TOWN OF MORRISTOWN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Pension-related differences arise because governmental funds report the current year's required employer contributions as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources. In addition, the accrual for the Town's proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The budget is approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget amendments during the year. The budget presented herein is for the Town's "General Fund" only and does not include the General Designations Fund, the Compensated Absences Fund, the Forest Land Fund, the Electric Charging Station Fund, the Recreation Fund or the HRA Fund activity that is included with the General Fund, unbudgeted capital purchases and related funding, unbudgeted grant revenue and related expenditures and expenditures and related charges to the Village for administration.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2017 consisted of the following:

Cash:

Deposits with Financial Institutions	\$ 885,555
Deposits with Investment Company	157,839
Cash on Hand	<u>300</u>
Total Cash	<u>1,043,694</u>

Investments:

Certificates of Deposit	153,122
Municipal Bonds	54,508
Corporate Bonds	182,642
Government and Agency Security Bonds	14,918
Unit Investment Trusts	20,466
Mutual Funds – Mixed Holdings	<u>2,759,424</u>
Total Investments	<u>3,185,080</u>
Total Cash and Investments	<u>\$4,228,774</u>

TOWN OF MORRISTOWN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit the exposure to custodial credit risk. The municipal bonds, corporate bonds, government and agency security bonds, unit investment trusts and mutual funds are in the name of the Town and are not exposed to custodial credit risk. The following table shows the custodial credit risk of the Town's cash and certificates of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$ 923,084	\$ 922,975
Uninsured, Uncollateralized	<u>273,432</u>	<u>423,629</u>
Total	<u>\$1,196,516</u>	<u>\$1,346,604</u>

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

\$305,765 of uninsured, uncollateralized cash could be offset by debt at the respective bank.

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$ 885,555
Cash – Deposits with Investment Company	157,839
Investments – Certificates of Deposit	<u>153,122</u>
Total	<u>\$1,196,516</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. The Town's certificates of deposit are exempt from interest rate risk disclosure. The unit investment trusts and mutual funds are open-ended and, therefore, are also exempt from interest rate risk disclosure.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity. Municipal bonds, corporate bonds and government and agency security bonds are shown at their actual maturity.

TOWN OF MORRISTOWN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Investment Type	Remaining Maturity						Total
	Less Than 1 Year	1 to 5 Years	5 to 10 Years	10 to 15 Years	15 to 20 Years	Greater Than 20 Years	
Municipal Bonds	\$ 0	\$ 0	\$ 30,926	\$ 0	\$ 5,334	\$ 18,248	\$ 54,508
Corporate Bonds	30,728	111,791	10,397	0	21,880	7,846	182,642
Government and Agency Security Bonds	7,076	0	0	0	0	7,842	14,918
Total	\$ 37,804	\$ 111,791	\$ 41,323	\$ 0	\$ 27,214	\$ 33,936	\$ 252,068

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. These organizations look at a number of factors in order to evaluate the risk of an obligation and rate the risk. The rating allows the investor to make informed buying and selling decisions. The Town does not have any policy to limit the exposure to credit risk. The Town's certificates of deposit are exempt from credit risk analysis. The unit investment trusts and mutual funds are open-ended and are, therefore, also excluded from the credit risk analysis. The credit ratings for the municipal bonds, corporate bonds and government and agency securities are as follows:

Investment Type	Standard and Poor's Rating as of June 30, 2017							Total
	AA+	AA	AA-	A+	A	A-	BBB+	
Municipal Bonds	\$ 0	\$ 15,521	\$ 4,958	\$ 28,695	\$ 5,334	\$ 0	\$ 0	\$ 54,508
Corporate Bonds	0	0	10,397	5,141	28,696	38,573	99,835	182,642
Government and Agency Security Bonds	14,918	0	0	0	0	0	0	14,918
Total	\$ 14,918	\$ 15,521	\$ 15,355	\$ 33,836	\$ 34,030	\$ 38,573	\$ 99,835	\$ 252,068

Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town's certificates of deposit are exempt from concentration of credit risk analysis. The unit investment trusts and mutual funds are open ended and are, therefore, excluded from the concentration of credit risk analysis. The percentage of municipal bonds, corporate bonds and government and agency security bonds invested in each issuer is as follows:

Municipal Bonds

Philadelphia Pennsylvania School District	\$ 12,219	22.3%
Alum Rock Union Elementary School District	10,447	19.2%
St. Joseph Village Illinois Sewage	10,179	18.7%
Waterbury Connecticut Pension	6,029	11.1%
Kansas State Bonds	5,342	9.8%
Western Washington University	5,334	9.8%
Toms River New Jersey Board	4,958	9.1%
Total	\$ 54,508	100.0%

TOWN OF MORRISTOWN, VERMONT
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Corporate Bonds

Bank of America Corporation	\$ 26,388	14.5%
JP Morgan Chase & Co.	17,783	9.8%
HSBC Holdings PLC	16,146	8.8%
Merrill Lynch & Co.	15,733	8.6%
Morgan Stanley, Inc.	13,137	7.2%
Citigroup, Inc.	12,880	7.1%
Bellsouth Corporation	11,482	6.3%
Metlife, Inc.	10,398	5.7%
General Electric Capital Corporation	10,397	5.7%
Pacific Gas & Electric Co.	10,392	5.7%
Goldman Sachs Group, Inc.	10,109	5.5%
AT&T, Inc.	10,106	5.5%
Wells Fargo & Co.	7,546	4.1%
Bear Stearns Companies, Inc.	5,141	2.8%
HSBC Finance Corporation	<u>5,004</u>	<u>2.7%</u>
Total	<u>\$ 182,642</u>	<u>100.0%</u>

Government and Agency Security Bonds

Tennessee Valley Authority	\$ 7,842	52.6%
Federal Farm Credit Banks	<u>7,076</u>	<u>47.4%</u>
Total	<u>\$ 14,918</u>	<u>100.0%</u>

B. Receivables

Receivables as of June 30, 2017, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>
Delinquent Taxes Receivable	\$ 142,716
Penalties and Interest Receivable	17,898
Ambulance Receivable	53,194
Allowance for Doubtful Accounts - Ambulance Receivable	(26,000)
Grants Receivable	37,727
Accounts Receivable	14,032
Special Assessments Receivable *	<u>250,000</u>
Total	<u>\$ 489,567</u>

* The special assessments receivable represents money that will be received by the Town from parcels receiving benefit of a new water line in the Cady's Falls Co-operative Water Supply System to pay the note described in Note IV.I.

TOWN OF MORRISTOWN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

C. Loans Receivable

Loans receivable as of June 30, 2017 are as follows:

Loan Receivable, Lamoille View Housing Limited Partnership, Interest at 0%, Deferred until July, 2043 at which Time all Principal is Due, Secured by Second Mortgage	\$ 470,000
Loan Receivable, Arthur's Main Street Housing Limited Partnership, Interest at 0%, Deferred until May, 2044 at which Time all Principal is Due, Secured by Second Mortgage	600,000
Loans Receivable, 3 Small Business Loans, Monthly Principal and Interest Payments Required, Interest Ranging from 5.0% to 7.0%, Various Due Dates, Secured by Business Assets and Second Mortgage	<u>97,019</u>
Total	1,167,019
Less: Allowance for Doubtful Loans Receivable	<u>(1,070,000)</u>
Reported Value as of June 30, 2017	<u>\$ 97,019</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 470,700	\$ 300	\$ 0	\$ 471,000
Works of Art	100,000	31,689	0	131,689
Construction in Progress	<u>364,482</u>	<u>1,243,104</u>	<u>1,468,426</u>	<u>139,160</u>
Total Capital Assets, Not Being Depreciated	<u>935,182</u>	<u>1,275,093</u>	<u>1,468,426</u>	<u>741,849</u>
Capital Assets, Being Depreciated:				
Land Improvements	22,388	0	0	22,388
Buildings and Building Improvements	4,746,617	138,387	0	4,885,004
Vehicles, Machinery and Equipment	5,346,424	775,694	288,501	5,833,617
Infrastructure	7,554,505	1,470,969	0	9,025,474
Gravel Pit	<u>800,000</u>	<u>0</u>	<u>0</u>	<u>800,000</u>
Totals	<u>18,469,934</u>	<u>2,385,050</u>	<u>288,501</u>	<u>20,566,483</u>
Less Accumulated Depreciation for:				
Land Improvements	11,705	1,119	4,083	8,741
Buildings and Building Improvements	632,689	74,991	0	707,680
Vehicles, Machinery and Equipment	2,347,858	319,198	215,751	2,451,305
Infrastructure	2,077,614	343,462	0	2,421,076
Gravel Pit	<u>157,383</u>	<u>6,490</u>	<u>0</u>	<u>163,873</u>
Totals	<u>5,227,249</u>	<u>745,260</u>	<u>219,834</u>	<u>5,752,675</u>
Total Capital Assets, Being Depreciated	<u>13,242,685</u>	<u>1,639,790</u>	<u>68,667</u>	<u>14,813,808</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,177,867</u>	<u>\$ 2,914,883</u>	<u>\$ 1,537,093</u>	<u>\$ 15,555,657</u>

TOWN OF MORRISTOWN, VERMONT
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Certain amounts in the beginning balance column have been reclassified.

Depreciation was charged as follows:

Governmental Activities:	
General Government	\$ 42,222
Public Safety	114,679
Highways and Streets	585,362
Cemetery	<u>2,997</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 745,260</u>

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2017 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 3,085
Alexander Hamilton Copley Trust Fund	0	382
Infrastructure Fund	3,623	0
Non-Major Governmental Funds	<u>0</u>	<u>156</u>
 Total	 <u>\$ 3,623</u>	 <u>\$ 3,623</u>

Interfund transfers during the year ended June 30, 2017 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	General Designations Fund	\$ 139,920	* Transfer Budget Surplus
General Fund	Compensated Absences Fund	15,000	* Appropriation
General Fund	Recreation Fund	9,400	* Appropriation
General Fund	HRA Fund	160,796	* Fund HRA Expenses
General Fund	Community Event Fund	5,802	Fund Excess Expenses
General Fund	Pleasant View Cemetery Fund	15,000	Appropriation
General Fund	Fire Capital Equipment Fund	62,369	Appropriation
General Fund	Highway Capital Equipment Fund	62,369	Appropriation
General Fund	Bridge Reserve Fund	30,000	Appropriation
General Designations Fund	General Fund	2,126	* Fund Local Match
General Designations Fund	Infrastructure Fund	19,629	* Fund Portion of Capital Project
Alexander Hamilton Copley Trust Fund	General Fund	11,382	Fund Capital Project
Pleasant View Cemetery Endowment Fund	Pleasant View Cemetery Fund	<u>9,000</u>	Fund Operating Expenses
 Total		 <u>\$ 542,793</u>	

* The transfers between the General Fund, the General Designations Fund, the Compensated Absences Fund, the Recreation Fund, and the HRA Fund are netted within the General Fund as these funds are consolidated within the General Fund to comply with GASB Statement No. 54. The transfer from the General Designations Fund to the Infrastructure Fund is included with the General Fund.

TOWN OF MORRISTOWN, VERMONT
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F. Unearned Revenue

Unearned revenue in the General Fund consists of \$1,016 of grant revenue received in advance.

G. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of \$24,943 from the difference between the expected and actual experience, \$194,996 from changes in assumptions, \$393,701 from the difference between the projected and actual investment earnings and \$8,178 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$151,747 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$773,565.

H. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$28,898 of prepaid property taxes and \$13,226 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS). Total deferred inflows of resources in the governmental activities is \$42,124.

Deferred inflows of resources in the General Fund consists of \$74,000 of delinquent property taxes, penalties and interest on those taxes, \$9,000 of ambulance fees and \$21,686 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$28,898 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$133,584.

Deferred inflows of resources in the Morristown Development Fund consists of \$97,019 of loans receivable not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Infrastructure Fund consists of \$250,000 of special assessment receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

I. Long-term Liabilities

The Town has notes payable to finance various capital projects and equipment purchases through local banks.

The Town enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even though they may include clauses that allow for cancellation of the lease in the event the Town does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date of the leases.

TOWN OF MORRISTOWN, VERMONT
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The State of Vermont offers a number of no-interest revolving loan programs to utilize for predetermined purposes. The Town has borrowed money from the Vermont Special Environmental Revolving Fund for water and sewer projects.

The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries. The accrual for the Town's share of the net pension liability is recorded in the government-wide financial statements.

It is the policy of the Town to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements.

Long-term debt outstanding as of June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Community National Bank, 2014 Freightliner Pumper, Principal and Interest Payments of \$36,265 Payable on May 10 and November 10 Semi-Annually, Interest at 1.65%, Due and Paid May, 2017	\$ 71,656	\$ 0	\$ 71,656	\$ 0
Note Payable, Union Bank, Library Renovations, Principal and Interest Payments of \$31,625 Payable on June 1 and December 1 Semi-Annually, Interest at 2.07%, Due and Paid June, 2017	62,037	0	62,037	0
Note Payable, Community National Bank, Bridge Street Bridge, Principal and Interest Payments of \$41,683 Payable on June 7 and December 7 Semi-Annually, Interest at 2.52%, Due December, 2027	827,819	0	62,898	764,921
Note Payable, State of Vermont Special Environmental Revolving Fund, Sewer Study, Principal Payments of \$700 Payable on May 1 Annually, Interest at 0%, Due May, 2018	1,400	0	700	700
Note Payable, Community Bank, Tegu Building at 43 Portland Street, Principal and Interest Payments of \$19,582 Payable on June 15 and December 15 Semi-Annually, Interest at 2.6%, Due June, 2035	583,256	0	24,114	559,142

TOWN OF MORRISTOWN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Union Bank, 2016 Freightliner Tandem, Principal and Interest Payments of \$28,100 Payable On May 20 and November 20 Semi-Annually, Interest at 1.05%, Due May, 2018	\$ 110,818	\$ 0	\$ 55,053	\$ 55,765
Note Payable, State of Vermont Special Environmental Revolving Fund, Cady Falls Water Project, Authorized to \$35,071, Principal Payments of \$7,014 Payable on March 20 Annually Beginning March, 2020, Interest at 0%, Due March, 2024	33,571	206	0	33,777
Note Payable, Community National Bank, Maple Street Project, Interest at 1.5%, Due and Paid July, 2016	82,963	0	82,963	0
Note Payable, Community National Bank, Quint Pumper-Ladder Truck, Principal and Interest Payments of \$20,968 Payable on May 10 and November 10 Semi-Annually, Interest at 3%, Due May, 2027	0	360,000	0	360,000
Note Payable, Union Bank, Cady Falls Project, Principal and Interest Payments of \$14,499 Payable on May 20 and November 20 Semi-Annually, Interest at 2.96%, Due May, 2027	0	250,000	0	250,000
Capital Lease Payable, Ally Financial, 2017 Chevrolet Silverado, Principal and Interest Payments of \$10,732 Payable on November 22 Annually, Interest at 6.39%, Due November, 2019	0	39,212	10,732	28,480

TOWN OF MORRISTOWN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Lease Payable, Ally Financial, 2014 Chevrolet Impala, Principal and Interest Payments of \$8,917 Payable on February 4 Annually, Interest at 5.89%, Due and Paid February, 2017	\$ 8,421	\$ 0	\$ 8,421	\$ 0
Capital Lease Payable, Ally Financial, 2014 Chevrolet Tahoe, Principal and Interest Payments of \$12,316 Payable on August 7 Annually, Interest at 5.89%, Due and Paid August, 2017	22,616	0	10,985	11,631
Capital Lease Payable, Santander Bank, 2014 Holder Sidewalk Machine, Principal and Interest Payments of \$36,184 Payable on July 22 Annually, Interest at 2.43%, Due July, 2019	136,351	0	32,870	103,481
Capital Lease Payable, Morrisville Firefighters Association, Inc., Fire Truck, Principal and Interest Payments of \$15,395 Payable on December 10 Annually, Interest at 4.25%. The Town Paid the Remaining Balance during the Year.	<u>28,933</u>	<u>0</u>	<u>28,933</u>	<u>0</u>
Total	<u>\$1,969,841</u>	<u>\$649,418</u>	<u>\$451,362</u>	<u>\$2,167,897</u>

Changes in long-term liabilities during the year were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Notes Payable	\$ 1,773,520	\$ 610,206	\$ 359,421	\$ 2,024,305	\$ 199,460
Capital Leases Payable	196,321	39,212	91,941	143,592	59,232
Compensated Absences Payable	265,401	0	17,081	248,320	0
Net Pension Liability	<u>710,549</u>	<u>503,647</u>	<u>0</u>	<u>1,214,196</u>	<u>0</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 2,945,791</u>	<u>\$ 1,153,065</u>	<u>\$ 468,443</u>	<u>\$ 3,630,413</u>	<u>\$ 258,692</u>

Compensated absences and required contributions to the pension plans are paid by the applicable fund where the employee is charged.

The change in the net pension liability is allocated to the function where the employee is charged.

TOWN OF MORRISTOWN, VERMONT
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Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Capital Leases
2018	\$ 199,460	\$ 50,911	\$ 59,232
2019	146,276	47,189	46,916
2020	150,154	43,310	46,916
2021	161,380	39,098	0
2022	165,580	34,898	0
2023-2027	879,874	107,266	0
2028-2032	210,150	27,464	0
2033-2037	111,431	5,168	0
Total	2,024,305	355,304	153,064
Less: Imputed Interest	0	0	(9,472)
Total	<u>\$ 2,024,305</u>	<u>\$ 355,304</u>	<u>\$ 143,592</u>

J. Fund Balances

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts must be reflected in the General Fund.

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Town does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Town does not have any minimum fund balance policies.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

TOWN OF MORRISTOWN, VERMONT
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The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

The fund balances in the following funds are nonspendable as follows:

Major Funds

General Fund:

Nonspendable Prepaid Expenses	\$ 31,530
Nonspendable Inventories	<u>24,237</u>
Total General Fund	<u>55,767</u>

Alexander Hamilton Copley Trust Fund:

Nonspendable Alexander Hamilton Copley Trust Fund Principal	<u>257,452</u>
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Non-Major Funds

Special Revenue Funds:

Nonspendable Community Event Fund Prepaid Expenses	6,525
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Permanent Fund:

Nonspendable Pleasant View Cemetery Endowment Fund Principal - Estimated	<u>200,000</u>
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Total Non-Major Funds	<u>206,525</u>
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Total Nonspendable Fund Balances	<u>\$519,744</u>
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The fund balances in the following funds are restricted as follows:

Major Funds

Morristown Development Fund:

Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue/ Loan Repayments)	\$ <u>482,150</u>
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Alexander Hamilton Copley Trust Fund:

Restricted for Alexander Hamilton Copley Trust Fund Expenses by Trust Agreement (Source of Revenue is Donations)	<u>1,431,748</u>
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TOWN OF MORRISTOWN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Non-Major Funds

Special Revenue Funds:

Restricted for Restoration Fund Expenses by Statute (Source of Revenue is Restoration Fees)	\$ 127,254
Restricted for Garden Fund Expenses by Donations (Source of Revenue is Donations)	<u>2,110</u>
Total Special Revenue Funds	<u>129,364</u>

Capital Projects Funds:

Restricted for Highway Capital Equipment Expenditures by Statute (Source of Revenue is Highway Property Taxes)	126,167
Restricted for Bridge Expenditures by Statute (Source of Revenue is Highway Property Taxes)	<u>81,336</u>
Total Capital Projects Funds	<u>207,503</u>

Permanent Fund:

Restricted for Pleasant View Cemetery Endowment Fund Expenses by Trust Agreement - Expendable Portion	<u>168,492</u>
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Total Non-Major Funds	<u>505,359</u>
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Total Restricted Fund Balances	<u>\$2,419,257</u>
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The fund balances in the following funds are committed as follows:

Non-Major Funds

Capital Projects Funds:

Committed for Fire Capital Equipment Fund Expenditures by the Voters	\$29,589
Committed for Conservation Fund Expenditures by the Voters	<u>37,492</u>

Total Committed Fund Balances	<u>\$67,081</u>
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TOWN OF MORRISTOWN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:

Assigned for Fire Department Building Additions	\$ 30,027
Assigned for Paving Expenditures	231,122
Assigned for Route 100 Sidewalk Project	215,128
Assigned for Compensated Absences Expenses	10,685
Assigned for Forest Land Expenses	22,963
Assigned for Electric Charging Station Expenses	1,280
Assigned for Recreation Expenses	56,139
Assigned for HRA Expenses	<u>36,479</u>

Total General Fund	<u>603,823</u>
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Infrastructure Fund:

Assigned for Infrastructure Fund Expenditures	<u>51,654</u>
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Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses	239,019
Assigned for Pleasant View Cemetery Expenses	<u>3,914</u>

Total Special Revenue Funds	<u>242,933</u>
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Capital Projects Funds:

Assigned for Municipal Office Building Expenditures	<u>51,122</u>
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Total Non-Major Funds	<u>294,055</u>
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Total Assigned Fund Balances	<u>\$949,532</u>
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TOWN OF MORRISTOWN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

K. Restricted Net Position

The restricted net position of the Town as of June 30, 2017 consisted of the following:

Governmental Activities:

Inventories Restricted for Highway Use	\$ 24,237
Restricted for Community Development by Grant Agreements	579,169
Restricted for Alexander Hamilton Copley Trust Fund Expenses by Trust Agreement - Non-Expendable Portion	257,452
Restricted for Alexander Hamilton Copley Trust Fund Expenses by Trust Agreement - Expendable Portion	1,431,748
Restricted for Restoration Fund Expenses by Statute	127,254
Restricted for Garden Fund Expenses by Donations	2,110
Restricted for Community Event Fund Expenses by Donations	6,525
Restricted for Highway Capital Equipment Expenditures by Statute	126,167
Restricted for Bridge Expenditures by Statute	81,336
Restricted for Pleasant View Cemetery Endowment Fund Expenses by Trust Agreement - Non-Expendable Portion	200,000
Restricted for Pleasant View Cemetery Endowment Fund Expenses by Trust Agreement - Expendable Portion	<u>168,492</u>
Total Governmental Activities	<u>\$3,004,490</u>

The net position held in Trust for various purposes in the Town's Private-Purpose Trust Funds as of June 30, 2017 consisted of the following:

Private-Purpose Trust Funds:

Restricted for Scholarships by Trust Agreement	\$38,319
Restricted for Support of the Town School District By Trust Agreement	<u>3,683</u>
Total Private-Purpose Trust Funds	<u>\$42,002</u>

TOWN OF MORRISTOWN, VERMONT
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JUNE 30, 2017

V. OTHER INFORMATION

A. PENSION PLAN

Defined Benefit Plan

The Vermont Municipal Employees' Retirement System (VMERS)

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2017, the retirement system consisted of 441 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

Pension Liability, Pension Expense and Deferred Outflows of Resources

As of June 30, 2016, the measurement date selected by the State of Vermont, VMERS was funded at 80.95% and had a plan fiduciary net position of \$547,015,114 and a total pension liability of \$675,711,281 resulting in a net position liability of \$128,696,167. As of June 30, 2017, the Town's proportionate share of this was 0.9435% resulting in a net pension liability of \$1,214,196. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. As of June 30, 2016, the Town's proportion of 0.9435% was an increase of 0.0219 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$323,419.

TOWN OF MORRISTOWN, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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As of June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 24,943	\$ 0
Changes in assumptions	194,996	0
Difference between projected and actual investment earnings on pension assets	393,701	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,178	13,226
Town's required employer contributions made subsequent to the measurement date	151,747	0
	\$ 773,565	\$ 13,226

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$151,747 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2018	\$158,247
2019	158,247
2020	224,170
2021	67,928
Total	\$608,592

Summary of System Provisions

Membership – Full time employees of participating municipalities. The Town elected coverage under Groups B, C and D provisions.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Groups B and C – Average annual compensation during highest three (3) consecutive years. Group D – Average annual compensation during highest two (2) consecutive years.

TOWN OF MORRISTOWN, VERMONT
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Service Retirement Allowance:

Eligibility – Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service. Groups C and D – Age 55 with five (5) years of service.

Amount – Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC. Group D – 2.5% of AFC times service as a Group D member plus percentage earned as a Group A, B or C member times AFC.

Maximum benefit is 60% of AFC for Group B and 50% of AFC for Groups C and D. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Group B. Age 50 with twenty (20) years of service for Group D.

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members, and payable without reduction to Group D members.

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

Amount – Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

Disability Retirement Allowance:

Eligibility – Five (5) years of service and disability as determined by Retirement Board.

Amount – Immediate allowance based on AFC and service to date of disability; children’s benefit of 10% of AFC payable to up to three (3) minor children (or children up to age 23 if enrolled in full time studies) of a disabled Group D member.

Death Benefit:

Eligibility – Death after five (5) years of service.

Amount – For Groups B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus the children’s benefit.

TOWN OF MORRISTOWN, VERMONT
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Optional Benefit and Death after Retirement – For Groups B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance of 70% contingent annuitant option with no reduction.

Refund of Contribution – Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

Post-Retirement Adjustments – Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 3% for Groups B, C and D.

Member Contributions – Group B – 4.875%. Group C – 10.00%. Group D – 11.35%.

Employer Contributions – Group B – 5.50%. Group C – 7.25%. Group D – 9.85%.

Retirement Stipend – \$25 per month payable at the option of the Board of Trustees.

Significant Actuarial Assumptions and Methods

The actuarial assumptions regarding the incidence of mortality, terminations, retirements and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014.

Interest Rate: 7.95% per annum.

Salary increases: 5% per year.

Deaths: Groups B and C – RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 60% Blue collar and 40% White collar adjustment. Group D – RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 100% Blue Collar adjustment. The post-retirement mortality assumption was chosen to recognize improved longevity experience after the valuation date.

Spouse's Age: Husbands are assumed to be three years older than their wives.

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

Actuarial Cost Method: Projected benefit cost method. The unfunded accrued liability is amortized in installments increasing 5% per year.

Asset Valuation Method: Invested assets are reported at fair value.

Note – For funding purposes – A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

TOWN OF MORRISTOWN, VERMONT
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Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% per year.

Long-term Expected Rate of Return:

The long-term expected rate of return on investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

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

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	8.54%
Fixed Income	2.36%
Alternatives	8.35%
Multi-strategy	4.90%

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

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

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.95 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%):

<u>1% Decrease (6.95%)</u>	<u>Discount Rate (7.95%)</u>	<u>1% Increase (8.95%)</u>
\$2,015,686	\$1,214,196	\$543,112

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Additional Information

Additional information regarding the State of Vermont Municipal Employees' Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

B. 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; 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 ratesetting 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.

The Town is also a member of the Vermont League of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

C. PROPERTY TAXES

The Town is responsible for assessing and collecting its own property taxes, as well as education taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are collected two (2) times per year. During the tax year ended June 30, 2017, property taxes became due and payable on November 15, 2016 and May 15, 2017. The Town assesses an 8% penalty after the May 15 payment. Interest is assessed at one percent (1%) per month for the first three months and one and one half percent (1-1/2%) per month for each month thereafter. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale. The tax rates for 2017 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	1.3906	1.4753
Local Agreement	0.0016	0.0016
Highway	0.2854	0.2854
Town	<u>0.5363</u>	<u>0.5363</u>
Total	<u>2.2139</u>	<u>2.2986</u>

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D. CONTINGENT LIABILITIES

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town has an agreement with a local contractor and the Village of Morrisville whereas the local contractor has turned over sewer lines to the Village of Morrisville, but in return, the Town will reimburse the contractor up to \$91,780. The Town must reimburse the contractor for sewer hook on fees that the contractor pays to the Village. The premise behind this is to increase economic and community development. As of June 30, 2017, the Town has reimbursed the contractor \$46,761 and still has an obligation of \$45,019.

There is a claim against the Town where the Town's insurance carrier is providing defense with a reservation of rights. The Town intends to vigorously defend this claim. The Town is unable to determine the likelihood or amount, if any, of an unfavorable outcome.

E. SHORT-TERM DEBT

Annually, the Town borrows monies in anticipation of taxes. The activity during the year was as follows:

Short-term Debt – July 1, 2016	\$ 0
Proceeds of Tax Anticipation Note	1,871,505
Repayment of Tax Anticipation Note	<u>(1,871,505)</u>
Short-term Debt – June 30, 2017	\$ <u>0</u>

F. SPECIAL ASSESSMENT TAX DISTRICT

At the 2015 Town Meeting, the voters authorized the creation of a Special Assessment Tax District whereby the Selectboard can levy an assessment to pay debt service to properties receiving benefit of a new water line in the Cady's Falls Co-operative Water Supply System. Additionally, the voters approved the Town to borrow up to \$250,000 for construction of the water line for a period not to exceed 10 years. The debt will be repaid equally amongst the parcels that benefit from the project. As of June 30, 2017, the Town had an outstanding balance of \$250,000.

G. SUBSEQUENT EVENTS

The Town obtained a tax anticipation note with Union Bank on July 3, 2017 for \$2,146,734. Interest is at 1.45% and is due on June 29, 2018.

On September 12, 2017, the Town obtained a loan with Community National Bank for various paving projects in the amount of \$500,000 with an interest rate of 1.95% and a maturity date of May 20, 2022.

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GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 5,119,016	\$ 5,118,824	\$ (192)
Interest on Delinquent Taxes	12,000	7,832	(4,168)
Penalties on Delinquent Taxes	34,000	27,106	(6,894)
Interest on Late Taxes	18,000	15,332	(2,668)
Education Retention Fees	0	16,686	16,686
Current Use Hold Harmless	260,793	271,494	10,701
Payment in Lieu of Taxes	20,097	39,006	18,909
Liquor Licenses	3,100	3,535	435
Dog Licenses	6,000	6,590	590
Marriage Licenses	1,400	330	(1,070)
Miscellaneous Licenses	0	180	180
Recording Fees	30,000	28,535	(1,465)
DMV Processing Fees	1,000	819	(181)
Preservation Surcharge Fees	5,000	4,902	(98)
Digitization Fees	10,000	9,411	(589)
Zoning Fees	10,000	21,134	11,134
Miscellaneous Clerk Fees	0	60	60
Copier Fees	5,000	6,562	1,562
Vault Fees	1,500	1,221	(279)
Certified Copies	10,000	13,170	3,170
State Aid to Highways	208,784	208,201	(583)
Lister Education Grant	407	0	(407)
Court Fines	15,000	9,723	(5,277)
Ordinance Fines	1,000	1,645	645
Fingerprinting Fees	3,500	3,325	(175)
Report Copies Fees	2,000	2,146	146
Special Details - Police Officer	0	12,834	12,834
SIU Revenue	0	10,000	10,000
Vermont State Police Rent	18,427	0	(18,427)
Miscellaneous Police Fees	0	1,410	1,410
Miscellaneous Fire Fees	0	2,111	2,111
Ambulance Billings	188,600	190,434	1,834
Elmore Ambulance Calls	25,000	25,000	0
Miscellaneous Ambulance Fees	0	384	384
Overweight Permits	600	690	90
Miscellaneous Highway Fees	2,000	10,603	8,603
Interest - Sweep Account	29,000	42,348	13,348
Interest - General NOW Account	200	263	63
Interest - Payroll Account	0	23	23
Interest - Money Market	1,000	31	(969)
Interest - Miscellaneous	0	25	25
Donations	0	405	405
Miscellaneous - Parking Lot Maintenance	4,236	4,236	0
Miscellaneous - Other	500	2,334	1,834
Transfers	0	2,126	2,126
Total Revenues	6,047,160	6,123,026	75,866

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures:			
General Government:			
Legislating:			
Salaries & Wages	\$ 7,500	\$ 7,500	\$ 0
Employee Benefits	575	574	1
Dues & Subscriptions	6,700	6,700	0
Meetings & Trainings	200	0	200
Insurance	276,000	283,920	(7,920)
Insurance Deductibles	3,000	2,410	590
Contingency	500	0	500
Total Legislating	<u>294,475</u>	<u>301,104</u>	<u>(6,629)</u>
Town Administration:			
Salaries & Wages	111,950	108,028	3,922
Cash in Lieu of Health Insurance	4,428	6,642	(2,214)
Deferred Compensation	6,967	3,153	3,814
Mileage Stipend	1,800	1,535	265
Employee Benefits	18,600	18,312	288
Dues & Subscriptions	800	722	78
Meetings & Trainings	1,000	250	750
Other Purchased Services	4,000	2,954	1,046
Travel & Transportation	500	164	336
Total Town Administration	<u>150,045</u>	<u>141,760</u>	<u>8,285</u>
Animal Control/Shelter:			
Salaries & Wages	900	900	0
Employee Benefits	70	69	1
Other Purchased Services	1,000	330	670
Total Animal Control/Shelter	<u>1,970</u>	<u>1,299</u>	<u>671</u>
Conservation Committee:			
Operating Supplies	475	0	475
Green Up	0	893	(893)
Travel & Transportation	100	0	100
Total Conservation Committee	<u>575</u>	<u>893</u>	<u>(318)</u>
Fire Warden:	<u>100</u>	<u>124</u>	<u>(24)</u>
Fourth of July Fireworks:	<u>5,500</u>	<u>5,500</u>	<u>0</u>
Ordinance Printings & Proceedings:	<u>5,000</u>	<u>3,488</u>	<u>1,512</u>

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BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
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	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Clerk/Treasurer's Office:			
Salaries & Wages	\$ 158,650	\$ 173,382	\$ (14,732)
Cash in Lieu of Health Insurance	0	4,428	(4,428)
Employee Benefits	79,263	69,536	9,727
Election Expenses	6,500	3,038	3,462
Dues & Subscriptions	300	148	152
Meetings & Trainings	700	270	430
Credit Card Fees/Processing	700	509	191
Miscellaneous	100	0	100
Print Tax Bills	700	693	7
Dog License Expense	3,100	3,736	(636)
Marriage License Expense	1,400	0	1,400
Travel & Transportation	300	184	116
Replacement Equipment	500	778	(278)
	<u>252,213</u>	<u>256,702</u>	<u>(4,489)</u>
Total Town Clerk/Treasurer's Office			
Board of Civil Authority:			
Salaries & Wages	3,000	2,732	268
Employee Benefits	230	209	21
Meetings & Trainings	50	0	50
	<u>3,280</u>	<u>2,941</u>	<u>339</u>
Total Board of Civil Authority			
Accounting & Bookkeeping:			
Salaries & Wages	96,950	99,588	(2,638)
Deferred Compensation	6,222	5,724	498
Employee Benefits	35,838	35,612	226
Meetings & Trainings	500	367	133
	<u>139,510</u>	<u>141,291</u>	<u>(1,781)</u>
Total Accounting & Bookkeeping			
Computer/Technology:			
Office Supplies	8,000	7,168	832
Postage	8,500	7,478	1,022
Phones - Landline	6,300	6,229	71
Phones - Cell	1,010	1,076	(66)
Internet/Cable	540	540	0
Copier	11,000	10,855	145
Software Maintenance Contract	6,815	5,910	905
Email Licenses Contract	1,430	1,567	(137)
Web Page Contract	265	177	88
Folder/Inserter Contract	995	1,095	(100)
ACS Services Contract	12,760	11,740	1,020
Cloud Backup	2,880	3,745	(865)
Safety Net Services	15,500	16,632	(1,132)
Network System Lease	7,600	7,740	(140)
Replacement Equipment	2,000	1,608	392
New Equipment	0	410	(410)
	<u>85,595</u>	<u>83,970</u>	<u>1,625</u>
Total Computer/Technology			

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Auditing:			
Professional Services	\$ 17,900	\$ 18,577	\$ (677)
Printing Town Reports	2,800	2,084	716
Total Auditing	<u>20,700</u>	<u>20,661</u>	<u>39</u>
Delinquent Tax Collector:			
Salaries & Wages	6,180	6,180	0
Employee Benefits	798	1,284	(486)
Total Delinquent Tax Collector	<u>6,978</u>	<u>7,464</u>	<u>(486)</u>
Tax Listing:			
Salaries & Wages	62,100	58,110	3,990
Employee Benefits	23,413	23,173	240
Meetings & Trainings	500	1,325	(825)
Mapping Program	4,425	6,075	(1,650)
Appraiser Services	12,000	12,000	0
Travel & Transportation	800	639	161
Total Tax Listing	<u>103,238</u>	<u>101,322</u>	<u>1,916</u>
Legal Services:	<u>8,000</u>	<u>733</u>	<u>7,267</u>
Planning & Zoning:			
Salaries & Wages	44,800	45,077	(277)
Employee Benefits	23,213	23,848	(635)
Advertising	1,200	980	220
Dues & Subscriptions	400	345	55
Meetings & Trainings	200	250	(50)
Printing	500	0	500
Travel & Transportation	200	150	50
Total Planning & Zoning	<u>70,513</u>	<u>70,650</u>	<u>(137)</u>
Community Development Coordinator:			
Salaries & Wages	33,450	34,258	(808)
Deferred Compensation	5,574	5,161	413
Employee Benefits	5,590	5,570	20
Downtown WIFI	900	1,173	(273)
Dues & Subscriptions	200	0	200
Meetings & Trainings	200	148	52
Travel & Transportation	600	96	504
Live Music Summer Event	8,300	5,802	2,498
Total Community Development Coordinator	<u>54,814</u>	<u>52,208</u>	<u>2,606</u>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Transfer to Recreation Fund:	\$ 9,400	\$ 9,400	\$ 0
Winter Recreation:			
Salaries & Wages	1,100	0	1,100
Employee Benefits	75	0	75
Operating Supplies	200	962	(762)
Facility Maintenance	350	0	350
Improvements	750	0	750
Total Winter Recreation	<u>2,475</u>	<u>962</u>	<u>1,513</u>
Buildings & Grounds:			
Operating Supplies	2,800	1,697	1,103
Flag Replacement Program	1,000	988	12
Repair & Maintenance Supplies	1,000	625	375
Waste Disposal/Recycling	780	878	(98)
Water Coolers	550	162	388
Town Clock Maintenance	825	780	45
Mowing - Streets & Oxbow	7,900	7,600	300
Repair & Maintenance Services	10,000	15,748	(5,748)
Contract Services	2,000	0	2,000
Heating Oil	3,500	2,745	755
Street Lights	46,000	34,495	11,505
Street Light LED Conversion	0	43,884	(43,884)
Electricity	7,500	8,522	(1,022)
Water & Sewer	1,000	1,124	(124)
Noyes House	3,000	2,645	355
Mapping - LVRT Kiosk	0	1,575	(1,575)
Total Buildings & Grounds	<u>87,855</u>	<u>123,468</u>	<u>(35,613)</u>
Miscellaneous:			
Health/Wellness Expenses	1,000	365	635
County Tax	60,220	59,637	583
Total Miscellaneous	<u>61,220</u>	<u>60,002</u>	<u>1,218</u>
Appropriations:			
MACC	6,500	6,500	0
Morrisville Military Band	1,500	1,500	0
Morristown Centennial Library	159,410	159,410	0
Total Appropriations	<u>167,410</u>	<u>167,410</u>	<u>0</u>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Cemeteries:			
Supplies	\$ 1,000	\$ 0	\$ 1,000
Sexton Cemetery	2,000	2,000	0
Pleasant View Cemetery	15,000	15,000	0
Morristown Cemetery Association	<u>12,000</u>	<u>12,000</u>	<u>0</u>
Total Cemeteries	<u>30,000</u>	<u>29,000</u>	<u>1,000</u>
Debt Service:			
Short-term Debt Interest	25,000	25,907	(907)
RF1-111 Sewer Study	700	700	0
Library Improvements	63,250	62,996	254
Municipal Building	39,164	39,164	0
2014 Freightliner	72,530	72,557	(27)
Bridge Street Bridge Project	83,366	83,373	(7)
Maple Street Project	<u>75,000</u>	<u>83,061</u>	<u>(8,061)</u>
Total Debt Service	<u>359,010</u>	<u>367,758</u>	<u>(8,748)</u>
Compensated Absences:	<u>15,000</u>	<u>15,000</u>	<u>0</u>
Total General Government	<u>1,934,876</u>	<u>1,965,110</u>	<u>(30,234)</u>
Police Department:			
Administration:			
Office Supplies	2,000	2,286	(286)
Dues & Subscriptions	700	644	56
Meetings & Trainings	100	0	100
Other Purchased Services	1,000	0	1,000
Lease - Copier	5,200	4,023	1,177
Printing - Forms	500	864	(364)
Replacement Equipment	<u>1,000</u>	<u>1,539</u>	<u>(539)</u>
Total Administration	<u>10,500</u>	<u>9,356</u>	<u>1,144</u>
Personnel:			
Administration	87,500	87,763	(263)
Clerical	57,600	60,419	(2,819)
Regular & Leave	478,800	476,722	2,078
Overtime	85,600	116,281	(30,681)
Cash in Lieu	13,300	13,284	16
Part-time Clerical	13,500	9,198	4,302
Employee Benefits	254,594	252,321	2,273
Canine Unit	<u>2,500</u>	<u>1,362</u>	<u>1,138</u>
Total Personnel	<u>993,394</u>	<u>1,017,350</u>	<u>(23,956)</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF MORRISTOWN, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Crime Investigation:			
Operating Supplies	\$ 2,000	\$ 1,536	\$ 464
Equipment Contracts	1,500	905	595
Total Crime Investigation	3,500	2,441	1,059
Police Training:			
Meetings & Trainings	7,000	6,517	483
Total Police Training	7,000	6,517	483
Communications:			
Repair & Maintenance Supplies	600	82	518
Postage	500	204	296
Phone - Land Lines	2,040	2,634	(594)
Phone - Cell	360	360	0
Pagers	72	73	(1)
Data - Hot Spots/Air Cards	3,200	3,319	(119)
Internet/Cable	360	413	(53)
Data Circuit	5,000	4,678	322
Computer Repairs	3,540	3,715	(175)
LCSD - Dispatch	44,817	43,664	1,153
Repair & Maintenance - Radios	1,000	702	298
IT Systems	10,500	17,551	(7,051)
Computers/Printers	4,000	1,820	2,180
Replacement Equipment	3,000	3,311	(311)
Total Communications	78,989	82,526	(3,537)
Operate & Maintain Building:			
Operating Supplies	3,300	2,750	550
Repair & Maintenance Supplies	500	1,471	(971)
Other Purchased Services	1,020	677	343
Waste/Recycle	1,050	1,059	(9)
Generator	350	0	350
Repair & Maintenance Service Contracts	14,000	13,587	413
Heating Oil	3,450	2,241	1,209
Propane	55	0	55
Electricity	8,500	5,917	2,583
Water & Sewer	1,000	1,553	(553)
Building Improvements	5,000	3,894	1,106
Total Operate & Maintain Building	38,225	33,149	5,076

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TOWN OF MORRISTOWN, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Vehicles/Equipment Maintenance:			
Gasoline	\$ 13,740	\$ 11,154	\$ 2,586
Tires	4,000	2,053	1,947
Uniforms	9,500	8,905	595
Tasers/Supplies	800	142	658
Ammunition	2,500	2,347	153
Maintenance Supplies - Vehicles	750	147	603
Maintenance Supplies - Equipment	700	326	374
Equipment - Vehicles	500	126	374
Equipment - Officers	4,000	2,102	1,898
Repair & Maintenance Services	10,000	13,229	(3,229)
New Machinery (Lease)	34,000	33,537	463
	<u>80,490</u>	<u>74,068</u>	<u>6,422</u>
Total Vehicles/Equipment Maintenance	<u>80,490</u>	<u>74,068</u>	<u>6,422</u>
Total Police Department	<u>1,212,098</u>	<u>1,225,407</u>	<u>(13,309)</u>
Fire Department:			
Administration:			
Office Supplies	600	264	336
Replace Class A Uniforms	3,000	3,080	(80)
Software Maintenance	725	675	50
Repair & Maintenance Services	400	578	(178)
Miscellaneous	100	266	(166)
	<u>4,825</u>	<u>4,863</u>	<u>(38)</u>
Total Administration	<u>4,825</u>	<u>4,863</u>	<u>(38)</u>
Personnel:			
Salaries & Wages - Paid Volunteers	70,000	56,958	13,042
Salaries & Wages - Officers	2,250	2,500	(250)
Employee Benefits	5,500	4,549	951
	<u>77,750</u>	<u>64,007</u>	<u>13,743</u>
Total Personnel	<u>77,750</u>	<u>64,007</u>	<u>13,743</u>
Fire Fighting:			
Operating Supplies	1,000	158	842
Foam	2,000	458	1,542
Coffee/Food	1,000	1,678	(678)
Personal Protection Clothing	10,000	12,832	(2,832)
Equipment Rentals	100	0	100
Dry Hydrants	750	334	416
	<u>14,850</u>	<u>15,460</u>	<u>(610)</u>
Total Fire Fighting	<u>14,850</u>	<u>15,460</u>	<u>(610)</u>

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TOWN OF MORRISTOWN, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Communications:			
Repair & Maintenance Supplies	\$ 1,500	\$ 175	\$ 1,325
Tower	300	100	200
Phone - Land Lines	700	776	(76)
Internet/Cable	1,000	1,419	(419)
Dispatching Software	550	1,062	(512)
LSCD - Dispatch	44,816	43,664	1,152
Repair Services - Radios	1,500	2,369	(869)
Replacement Equipment	1,500	1,842	(342)
Total Communications	<u>51,866</u>	<u>51,407</u>	<u>459</u>
Fire Prevention Supplies:	<u>1,000</u>	<u>439</u>	<u>561</u>
Fire Training:			
Dues & Subscriptions	1,000	874	126
Meetings & Trainings	1,500	3,239	(1,739)
Total Fire Training	<u>2,500</u>	<u>4,113</u>	<u>(1,613)</u>
Provide Medical Services:			
Vaccine	300	8	292
Professional Medical Services	1,000	2,331	(1,331)
Total Provide Medical Services	<u>1,300</u>	<u>2,339</u>	<u>(1,039)</u>
Operate & Maintain Building:			
Operating Supplies	1,600	534	1,066
Repair & Maintenance Supplies	1,200	1,000	200
Waste/Recycle	615	764	(149)
Generator	690	751	(61)
Repair & Maintenance Service Contracts	2,500	2,677	(177)
Heating Oil	5,000	4,022	978
Propane	550	833	(283)
Electricity	5,500	5,353	147
Water & Sewer	960	946	14
Building Improvements	15,000	15,000	0
Building Addition Reserve	10,000	10,000	0
Total Operate & Maintain Building	<u>43,615</u>	<u>41,880</u>	<u>1,735</u>

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TOWN OF MORRISTOWN, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Trucks/Equipment Maintenance:			
Gasoline	\$ 350	\$ 428	\$ (78)
Diesel Fuel	2,500	2,457	43
Repair & Maintenance Supplies	5,000	5,208	(208)
Small Tools & Equipment - Vehicles	1,500	621	879
Repair & Maintenance Services	18,000	17,335	665
Hose Testing	4,000	4,224	(224)
Replacement Equipment	3,000	5,549	(2,549)
New Machinery	2,000	2,265	(265)
Hose	4,000	4,438	(438)
SCBA	9,500	6,282	3,218
Imagers & Meters	1,000	1,197	(197)
	<u>50,850</u>	<u>50,004</u>	<u>846</u>
Total Trucks/Equipment Maintenance			
	<u>50,850</u>	<u>50,004</u>	<u>846</u>
Total Fire Department	<u>248,556</u>	<u>234,512</u>	<u>14,044</u>
EMS Department:			
Administration:			
Office Supplies	1,000	1,393	(393)
Food/Coffee	600	253	347
Advertising	1,000	430	570
Dues & Subscriptions	509	100	409
Lease - Copier	1,100	943	157
Software Support Scheduling	1,896	2,441	(545)
Repairs & Maintenance Services	1,416	1,416	0
Travel & Transportation	250	0	250
New Equipment	1,000	825	175
Medicaid Tax	0	4,585	(4,585)
	<u>8,771</u>	<u>12,386</u>	<u>(3,615)</u>
Total Administration			
	<u>8,771</u>	<u>12,386</u>	<u>(3,615)</u>
Personnel:			
Full-time Regular & Leave	159,550	156,874	2,676
Part-time Shift Coverage	67,500	62,174	5,326
Part-time Paramedic	500	0	500
Paid Volunteers - Runs	33,700	26,285	7,415
Paid Volunteers - Training	2,900	2,268	632
Employee Benefits	91,800	77,132	14,668
	<u>355,950</u>	<u>324,733</u>	<u>31,217</u>
Total Personnel			
	<u>355,950</u>	<u>324,733</u>	<u>31,217</u>
EMS Services:			
Operating Supplies	12,500	12,264	236
Oxygen	800	780	20
Supplies for Other Departments	2,000	1,718	282
Coverage - Paramedic	2,500	250	2,250
Repair & Maintenance Services	3,000	296	2,704
	<u>20,800</u>	<u>15,308</u>	<u>5,492</u>
Total EMS Services			
	<u>20,800</u>	<u>15,308</u>	<u>5,492</u>

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TOWN OF MORRISTOWN, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Communications:			
Batteries	\$ 500	\$ 679	\$ (179)
Phones - Land Lines	1,560	1,513	47
Phones - Cell	720	720	0
Data - Hot Spots	0	252	(252)
Internet/Cable	1,600	2,944	(1,344)
LCSD - Dispatch	44,817	43,664	1,153
eDispatch Software	0	1,062	(1,062)
Maintenance Services - Radios	1,225	1,632	(407)
Replacement Equipment	4,000	581	3,419
Total Communications	<u>54,422</u>	<u>53,047</u>	<u>1,375</u>
Training:	<u>10,438</u>	<u>6,069</u>	<u>4,369</u>
Maintain Building:			
Operating Supplies	1,500	1,288	212
Waste/Recycle	870	975	(105)
Generator	420	0	420
Repair & Maintenance Services	0	3,764	(3,764)
Water	75	134	(59)
Heating Oil	1,750	1,461	289
Propane	770	1,151	(381)
Electricity	2,800	2,874	(74)
Water & Sewer	860	1,344	(484)
Machinery & Equipment Replacement	0	1,414	(1,414)
Machinery & Equipment New	1,000	2,163	(1,163)
Total Maintain Building	<u>10,045</u>	<u>16,568</u>	<u>(6,523)</u>
Maintain Vehicle:			
Gasoline	0	179	(179)
Diesel Fuel	1,700	2,491	(791)
Batteries for Equipment	0	1,340	(1,340)
Uniforms	4,170	5,139	(969)
Repair & Maintenance Supplies - Vehicle	1,620	2,631	(1,011)
Narcotic Securing/DEA Standards	2,860	0	2,860
Repair & Maintenance Services	4,250	8,926	(4,676)
Repair & Maintenance - Equipment	900	1,118	(218)
Replacement Equipment	30,000	1,666	28,334
Total Maintain Vehicle	<u>45,500</u>	<u>23,490</u>	<u>22,010</u>
Total EMS Department	<u>505,926</u>	<u>451,601</u>	<u>54,325</u>

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TOWN OF MORRISTOWN, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway Department:			
Administration:			
Salaries & Wages	\$ 597,000	\$ 616,140	\$ (19,140)
Employee Benefits	303,050	275,245	27,805
Office Supplies	500	1,121	(621)
Tower	1,000	1,000	0
Phone - Land Lines	745	823	(78)
Phone - Cell	660	843	(183)
Internet	925	979	(54)
Meetings & Trainings	2,400	2,107	293
Other Purchased Services	0	580	(580)
Total Administration	<u>906,280</u>	<u>898,838</u>	<u>7,442</u>
Trucks & Equipment:			
Fuel	100,000	105,407	(5,407)
Blades & Plow Shoes	24,925	21,902	3,023
Tires & Chains	20,000	20,800	(800)
Small Equipment	16,900	8,028	8,872
Supplies	47,275	28,519	18,756
Repairs - Parts & Service	90,800	95,322	(4,522)
Replacement Equipment	0	7,764	(7,764)
New Equipment	106,665	136,139	(29,474)
Total Trucks & Equipment	<u>406,565</u>	<u>423,881</u>	<u>(17,316)</u>
Summer Maintenance:			
Supplies	20,120	33,564	(13,444)
Line Painting	5,000	7,010	(2,010)
Hot Mix	13,600	11,391	2,209
Guard Rails	13,000	11,993	1,007
Chipping	15,000	14,800	200
Chloride	48,000	52,718	(4,718)
Culverts/Improvements	20,000	30,939	(10,939)
Repair & Maintenance Services	0	4,043	(4,043)
Total Summer Maintenance	<u>134,720</u>	<u>166,458</u>	<u>(31,738)</u>
Traffic Control:	<u>2,750</u>	<u>4,478</u>	<u>(1,728)</u>
Sidewalk Construction:	<u>5,050</u>	<u>1,205</u>	<u>3,845</u>
Winter Maintenance:			
Salt	162,000	122,443	39,557
Calcium Chloride	6,000	4,140	1,860
Cold Patch	4,800	7,091	(2,291)
Other Purchased Services	0	1,597	(1,597)
Total Winter Maintenance	<u>172,800</u>	<u>135,271</u>	<u>37,529</u>

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TOWN OF MORRISTOWN, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Storm Drains:			
Supplies	\$ 1,175	\$ 427	\$ 748
Swirl Separator/Disposal Fees	1,000	225	775
Discharge Permits	700	3,333	(2,633)
Total Storm Drains	2,875	3,985	(1,110)
Bridge Maintenance:			
Supplies	1,500	97	1,403
Maintenance - Bridge Washing	10,445	0	10,445
Reserves	30,000	30,000	0
Total Bridge Maintenance	41,945	30,097	11,848
Operate & Maintain Building:			
Supplies	12,800	24,635	(11,835)
Crushing	10,000	0	10,000
Heating Oil	4,750	4,280	470
Propane	3,900	3,074	826
Electricity	6,900	5,608	1,292
Water & Sewer	1,100	1,117	(17)
Building Improvements	5,050	5,180	(130)
Total Operate & Maintain Building	44,500	43,894	606
Total Highway Department	1,717,485	1,708,107	9,378
Appropriations:			
Central Vermont Adult Basic Education	2,900	2,900	0
Central Vermont Community Action	900	900	0
Central Vermont Council on Aging	2,500	2,500	0
Clarina Howard Nichols Center	1,750	1,750	0
Green Mountain Transit	5,763	5,763	0
Lamoille County Civic Association	2,500	2,500	0
Lamoille County Community Food Share Inc.	5,000	5,000	0
Lamoille County Court Diversion	1,500	1,500	0
Lamoille County Mental Health	3,900	3,900	0
Lamoille County Planning Commission	3,577	3,577	0
Lamoille County Economic Development	4,000	4,000	0
Lamoille County Family Center	3,000	3,000	0
Lamoille County Home Health Agency	15,681	15,681	0
Lamoille County Housing Partners	1,000	1,000	0
LENS Meals on Wheels	7,000	7,000	0
Lamoille County Youth Center	12,000	12,000	0
North Country Animal League	1,000	1,000	0
Out & About Adult Day Care	4,000	4,000	0
Rural County Transport	5,200	5,200	0
Retired Senior Volunteer Program	1,000	1,000	0
Justice for Dogs	1,000	1,000	0
River Arts	10,000	10,000	0
Total Appropriations	95,171	95,171	0

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TOWN OF MORRISTOWN, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Paving:	\$ 210,000	\$ 210,000	\$ 0
Transfer to Fire Capital Equipment Fund:	61,524	62,369	(845)
Transfer to Highway Capital Equipment Fund:	61,524	62,369	(845)
Total Expenditures	<u>6,047,160</u>	<u>6,014,646</u>	<u>32,514</u>
Excess of Revenues Over Expenditures	<u>\$ 0</u>	108,380	<u>\$ 108,380</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Unbudgeted Village Administration Charges		14,750	
Unbudgeted Village Administration Expenses		(13,696)	
Unbudgeted Proceeds from Long-term Debt		39,212	
Unbudgeted Police Cruiser Purchase		(39,212)	
Unbudgeted General Government Grant Income		26,994	
Unbudgeted General Government Grant Expenses		(37,583)	
Unbudgeted Police Department Grant Income		19,442	
Unbudgeted Police Department Grant Expenses		(19,998)	
Unbudgeted EMS Grant Income		1,634	
Unbudgeted EMS Grant Expenses		(3,268)	
Unbudgeted Highway Grant Income		337	
Unbudgeted Highway Grant Expenses		(337)	
Unbudgeted Infrastructure Grant Income		29,907	
Unbudgeted Infrastructure Grant Expenses		(12,663)	
General Designations Fund Income		19,463	
General Designations Fund Transfers In		139,920	
General Designations Fund Expenses		(28,860)	
General Designations Fund Transfers Out		(21,755)	
Compensated Absences Fund Income		54	
Compensated Absences Fund Transfers In		15,000	
Compensated Absences Fund Expenses		(40,573)	
Forest Land Fund Income		4,447	
Electric Charging Station Fund Income		465	
Recreation Fund Income		47,209	
Recreation Fund Transfers In		9,400	
Recreation Fund Expenses		(49,976)	
HRA Fund Income		81	
HRA Fund Transfers In		160,796	
HRA Fund Expenses		<u>(124,448)</u>	
Net Change in Fund Balance		245,122	
Fund Balance - July 1, 2016		<u>724,582</u>	
Fund Balance - June 30, 2017		<u>\$ 969,704</u>	

The reconciling items are due to combining six (6) funds, the General Designations Fund, the Compensated Absences Fund, the Forest Land Fund, the Electric Charging Station Fund, the Recreation Fund and the HRA Fund with the General Fund in order to comply with GASB Statement No. 54, unbudgeted capital purchases and related funding, unbudgeted grant revenue and related expenditures and expenditures and related charges to the Village for administration.

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TOWN OF MORRISTOWN, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2017

	2017	2016	2015
Total Plan Net Pension Liability	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.9435%	0.9216%	0.9808%
Town's Proportionate Share of the Net Pension Liability	\$ 1,214,196	\$ 710,549	\$ 89,512
Town's Covered Employee Payroll	\$ 2,088,445	\$ 1,963,064	\$ 1,809,488
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	58.1388%	36.1959%	4.9468%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: The actuarial assumptions regarding the incidence of mortality, terminations, retirements, and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014.

Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

TOWN OF MORRISTOWN, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 151,747	\$ 143,391	\$ 128,832
Contributions in Relation to the Actuarially Determined Contributions	<u>151,747</u>	<u>143,391</u>	<u>128,832</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 2,088,445	\$ 1,963,064	\$ 1,809,488
Contributions as a Percentage of Town's Covered Employee Payroll	7.266%	7.304%	7.120%

Notes to Schedule

Valuation Date: June 30, 2016

Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF MORRISTOWN, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Pleasant View Cemetery Endowment Fund	Total
<u>ASSETS</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash	\$ 41,952	\$ 109,800	\$ 2,327	\$ 154,079
Investments	330,345	216,284	366,165	912,794
Prepaid Expenses	<u>6,525</u>	<u>0</u>	<u>0</u>	<u>6,525</u>
Total Assets	<u>\$ 378,822</u>	<u>\$ 326,084</u>	<u>\$ 368,492</u>	<u>\$ 1,073,398</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 0	\$ 222	\$ 0	\$ 222
Due to Other Funds	<u>0</u>	<u>156</u>	<u>0</u>	<u>156</u>
Total Liabilities	<u>0</u>	<u>378</u>	<u>0</u>	<u>378</u>
Fund Balances:				
Nonspendable	6,525	0	200,000	206,525
Restricted	129,364	207,503	168,492	505,359
Committed	0	67,081	0	67,081
Assigned	<u>242,933</u>	<u>51,122</u>	<u>0</u>	<u>294,055</u>
Total Fund Balances	<u>378,822</u>	<u>325,706</u>	<u>368,492</u>	<u>1,073,020</u>
Total Liabilities and Fund Balances	<u>\$ 378,822</u>	<u>\$ 326,084</u>	<u>\$ 368,492</u>	<u>\$ 1,073,398</u>

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TOWN OF MORRISTOWN, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Pleasant View Cemetery Endowment Fund	Total
Revenues:				
Intergovernmental	\$ 23,104	\$ 0	\$ 0	\$ 23,104
Charges for Services	3,150	450	350	3,950
Permits, Licenses and Fees	4,811	0	0	4,811
Investment Income	20,068	30,586	28,356	79,010
Donations	16,033	0	0	16,033
Other	0	240	0	240
Total Revenues	67,166	31,276	28,706	127,148
Expenditures:				
General Government	1,876	210	0	2,086
Highways and Streets	0	2,549	0	2,549
Culture and Recreation	18,135	0	0	18,135
Cemetery	28,541	0	0	28,541
Capital Outlay:				
General Government	0	23,872	0	23,872
Public Safety	0	636,153	0	636,153
Highways and Streets	0	29,705	0	29,705
Debt Service:				
Principal	0	61,803	0	61,803
Interest	0	4,459	0	4,459
Total Expenditures	48,552	758,751	0	807,303
Excess/(Deficiency) of Revenues Over Expenditures	18,614	(727,475)	28,706	(680,155)
Other Financing Sources/(Uses):				
Proceeds from Long-term Debt	0	360,000	0	360,000
Proceeds from Sale of Vehicle	0	3,000	0	3,000
Transfers In	29,802	154,738	0	184,540
Transfers Out	0	0	(9,000)	(9,000)
Total Other Financing Sources/(Uses)	29,802	517,738	(9,000)	538,540
Net Change in Fund Balances	48,416	(209,737)	19,706	(141,615)
Fund Balances - July 1, 2016	330,406	535,443	348,786	1,214,635
Fund Balances - June 30, 2017	\$ 378,822	\$ 325,706	\$ 368,492	\$ 1,073,020

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF MORRISTOWN, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Reappraisal Fund	Restoration Fund	Garden Fund	Community Event Fund	Pleasant View Cemetery Fund	Total
<u>ASSETS</u>						
Cash	\$ 23,780	\$ 12,148	\$ 2,110	\$ 0	\$ 3,914	\$ 41,952
Investments	215,239	115,106	0	0	0	330,345
Prepaid Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,525</u>	<u>0</u>	<u>6,525</u>
Total Assets	<u>\$ 239,019</u>	<u>\$ 127,254</u>	<u>\$ 2,110</u>	<u>\$ 6,525</u>	<u>\$ 3,914</u>	<u>\$ 378,822</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:						
Nonspendable	0	0	0	6,525	0	6,525
Restricted	0	127,254	2,110	0	0	129,364
Assigned	<u>239,019</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,914</u>	<u>242,933</u>
Total Fund Balances	<u>239,019</u>	<u>127,254</u>	<u>2,110</u>	<u>6,525</u>	<u>3,914</u>	<u>378,822</u>
Total Liabilities and Fund Balances	<u>\$ 239,019</u>	<u>\$ 127,254</u>	<u>\$ 2,110</u>	<u>\$ 6,525</u>	<u>\$ 3,914</u>	<u>\$ 378,822</u>

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TOWN OF MORRISTOWN, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Reappraisal Fund	Restoration Fund	Garden Fund	Community Event Fund	Pleasant View Cemetery Fund	Total
Revenues:						
Intergovernmental	\$ 23,104	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,104
Charges for Services	0	0	0	0	3,150	3,150
Permits, Licenses and Fees	0	4,811	0	0	0	4,811
Investment Income	13,191	6,865	4	8	0	20,068
Donations	0	0	565	14,968	500	16,033
Total Revenues	<u>36,295</u>	<u>11,676</u>	<u>569</u>	<u>14,976</u>	<u>3,650</u>	<u>67,166</u>
Expenditures:						
General Government	0	1,876	0	0	0	1,876
Culture and Recreation	0	0	348	17,787	0	18,135
Cemetery	0	0	0	0	28,541	28,541
Total Expenditures	<u>0</u>	<u>1,876</u>	<u>348</u>	<u>17,787</u>	<u>28,541</u>	<u>48,552</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>36,295</u>	<u>9,800</u>	<u>221</u>	<u>(2,811)</u>	<u>(24,891)</u>	<u>18,614</u>
Other Financing Sources:						
Transfers In	0	0	0	5,802	24,000	29,802
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,802</u>	<u>24,000</u>	<u>29,802</u>
Net Change in Fund Balances	36,295	9,800	221	2,991	(891)	48,416
Fund Balances - July 1, 2016	<u>202,724</u>	<u>117,454</u>	<u>1,889</u>	<u>3,534</u>	<u>4,805</u>	<u>330,406</u>
Fund Balances - June 30, 2017	<u>\$ 239,019</u>	<u>\$ 127,254</u>	<u>\$ 2,110</u>	<u>\$ 6,525</u>	<u>\$ 3,914</u>	<u>\$ 378,822</u>

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TOWN OF MORRISTOWN, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2017

	Fire Capital Equipment Fund	Highway Capital Equipment Fund	Conservation Fund	Sidewalk Reserve Fund	Bridge Reserve Fund	Municipal Office Building Fund	Total
ASSETS							
Cash	\$ 3,003	\$ 26,642	\$ 56	\$ 0	\$ 28,977	\$ 51,122	\$ 109,800
Investments	<u>26,586</u>	<u>99,525</u>	<u>37,436</u>	<u>0</u>	<u>52,737</u>	<u>0</u>	<u>216,284</u>
Total Assets	<u>\$ 29,589</u>	<u>\$ 126,167</u>	<u>\$ 37,492</u>	<u>\$ 0</u>	<u>\$ 81,714</u>	<u>\$ 51,122</u>	<u>\$ 326,084</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 222	\$ 0	\$ 222
Due to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>156</u>	<u>0</u>	<u>156</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>378</u>	<u>0</u>	<u>378</u>
Fund Balances:							
Restricted	0	126,167	0	0	81,336	0	207,503
Committed	29,589	0	37,492	0	0	0	67,081
Assigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>51,122</u>	<u>51,122</u>
Total Fund Balances	<u>29,589</u>	<u>126,167</u>	<u>37,492</u>	<u>0</u>	<u>81,336</u>	<u>51,122</u>	<u>325,706</u>
Total Liabilities and Fund Balances	<u>\$ 29,589</u>	<u>\$ 126,167</u>	<u>\$ 37,492</u>	<u>\$ 0</u>	<u>\$ 81,714</u>	<u>\$ 51,122</u>	<u>\$ 326,084</u>

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TOWN OF MORRISTOWN, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Fire Capital Equipment Fund	Highway Capital Equipment Fund	Conservation Fund	Sidewalk Reserve Fund	Bridge Reserve Fund	Municipal Office Building Fund	Total
Revenues:							
Charges for Services	\$ 0	\$ 450	\$ 0	\$ 0	\$ 0	\$ 0	\$ 450
Investment Income	18,709	6,891	172	1	4,687	126	30,586
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>240</u>	<u>0</u>	<u>240</u>
Total Revenues	<u>18,709</u>	<u>7,341</u>	<u>172</u>	<u>1</u>	<u>4,927</u>	<u>126</u>	<u>31,276</u>
Expenditures:							
General Government	0	0	210	0	0	0	210
Highways and Streets	0	0	0	2,549	0	0	2,549
Capital Outlay:							
General Government	0	0	0	0	0	23,872	23,872
Public Safety	636,153	0	0	0	0	0	636,153
Highways and Streets	0	0	0	0	29,705	0	29,705
Debt Service:							
Principal	28,933	32,870	0	0	0	0	61,803
Interest	<u>1,146</u>	<u>3,313</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,459</u>
Total Expenditures	<u>666,232</u>	<u>36,183</u>	<u>210</u>	<u>2,549</u>	<u>29,705</u>	<u>23,872</u>	<u>758,751</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(647,523)</u>	<u>(28,842)</u>	<u>(38)</u>	<u>(2,548)</u>	<u>(24,778)</u>	<u>(23,746)</u>	<u>(727,475)</u>
Other Financing Sources:							
Proceeds from Long-term Debt	360,000	0	0	0	0	0	360,000
Proceeds from Sale of Vehicle	3,000	0	0	0	0	0	3,000
Transfers In	<u>62,369</u>	<u>62,369</u>	<u>0</u>	<u>0</u>	<u>30,000</u>	<u>0</u>	<u>154,738</u>
Total Other Financing Sources	<u>425,369</u>	<u>62,369</u>	<u>0</u>	<u>0</u>	<u>30,000</u>	<u>0</u>	<u>517,738</u>
Net Change in Fund Balances	(222,154)	33,527	(38)	(2,548)	5,222	(23,746)	(209,737)
Fund Balances - July 1, 2016	<u>251,743</u>	<u>92,640</u>	<u>37,530</u>	<u>2,548</u>	<u>76,114</u>	<u>74,868</u>	<u>535,443</u>
Fund Balances - June 30, 2017	<u>\$ 29,589</u>	<u>\$ 126,167</u>	<u>\$ 37,492</u>	<u>\$ 0</u>	<u>\$ 81,336</u>	<u>\$ 51,122</u>	<u>\$ 325,706</u>

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TOWN OF MORRISTOWN, VERMONT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS
 JUNE 30, 2017

	Scholarship Fund	Trustee of Public Funds Fund	Total
<u>ASSETS</u>			
Cash	\$ 1,060	\$ 307	\$ 1,367
Investments	37,259	3,376	40,635
Total Assets	\$ 38,319	\$ 3,683	\$ 42,002
<u>LIABILITIES</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
<u>NET POSITION</u>			
Restricted:			
Held in Trust For:			
Individuals and Organizations	38,319	3,683	42,002
Total Net Position	38,319	3,683	42,002
Total Liabilities and Net Position	\$ 38,319	\$ 3,683	\$ 42,002

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TOWN OF MORRISTOWN, VERMONT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Scholarship Fund	Trustee of Public Funds Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Investment Income	\$ 4,481	\$ 21	\$ 4,502
	<u> </u>	<u> </u>	<u> </u>
Total Additions	4,481	21	4,502
	<u> </u>	<u> </u>	<u> </u>
Deductions:			
Scholarships	500	0	500
	<u> </u>	<u> </u>	<u> </u>
Total Deductions	500	0	500
	<u> </u>	<u> </u>	<u> </u>
Change in Net Position	3,981	21	4,002
Net Position - July 1, 2016	<u>34,338</u>	<u>3,662</u>	<u>38,000</u>
Net Position - June 30, 2017	<u>\$ 38,319</u>	<u>\$ 3,683</u>	<u>\$ 42,002</u>

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
"Government Auditing Standards"

Selectboard
Town of Morristown, Vermont
P.O. Box 748
Morrisville, Vermont 05661

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Morristown, Vermont as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Morristown, Vermont's basic financial statements and have issued our report thereon dated November 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Morristown, Vermont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Morristown, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Morristown, Vermont's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Morristown, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2017-1 through 2017-3, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Morristown, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards".

We also noted certain other matters that we reported to the management of the Town of Morristown, Vermont in a separate letter dated November 13, 2017.

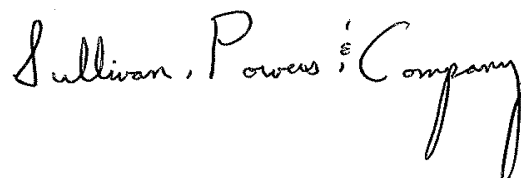
Town of Morristown, Vermont's Response to Deficiencies in Internal Control

The Town of Morristown, Vermont's response to the deficiencies in internal control identified in our audit is included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Town of Morristown, Vermont's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Morristown, Vermont's internal control or on compliance. This report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Morristown, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 13, 2017
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF MORRISTOWN, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2017

Deficiencies in Internal Control:

Material Weaknesses:

None noted.

Significant Deficiencies:

2017-1 Unavailable Loans Receivable

Criteria:

Internal controls should be in place to ensure that the deferred inflows of resources balance related to the unavailable loans receivable is recorded properly at year end.

Condition:

The deferred inflows of resources account related to the unavailable loans receivable was not reconciled to the actual balance at year end which resulted in an adjustment to revenue.

Cause:

Unknown.

Effect:

The Town's deferred inflows of resources balance related to the unavailable loans receivable was incorrect.

Recommendation:

We recommend that the Town reconcile the deferred inflows of resources balance related to unavailable loans receivable to supporting documentation at least annually in order to detect and correct errors.

2017-2 Netting Revenues and Expenditures

Criteria:

Internal controls should be in place to ensure that revenues are not netted with expenditures in order to conform with generally accepted accounting principles.

Condition:

The Town netted charges to the Village for work performed with the related expenditures account during the year. This nets out the revenue and expenditures as if they did not exist and results in the understatement of both revenue and expenditures.

TOWN OF MORRISTOWN, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2017

Cause:

The Town was not aware that this practice is not in accordance with generally accepted accounting principles.

Effect:

This will result in understatement of revenue and expenditures.

Recommendation:

We recommend that the Town implement controls to ensure that revenues are not netted with expenditures.

2017-3 Accounts Payable

Criteria:

Internal controls should be in place to ensure that expenditures are recorded in the proper fiscal year. Expenditures should be recorded based on the timing of services provided or when goods are received.

Condition:

There were insufficient controls in place to ensure all accounts payable were recorded in the proper fiscal year. The Town hired the Morrisville Water & Light Department to replace Town street lights with repayment to be in monthly installments. The Town did not record the balance owed in accounts payable when the services were provided.

Cause:

Unknown.

Effect:

The Town's accounts payable balance was incorrect.

Recommendation:

We recommend that the Town review their end of the year invoices more thoroughly in order to properly classify expenditures to the correct fiscal year.



Finance Department
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cbradley@morristownvt.org

November 15, 2017

Sullivan, Powers & Co., P.C.
PO Box 947
Montpelier VT 05601

RE: Management Letter Responses for 2017 Audit

Good Morning;

Enclosed please our responses to your Schedule of Findings and Deficiencies In Internal Control.

2017-1: The Town will create an entry to record unavailable loans receivable as an expense with a credit to Deferred Loans Receivable and reconcile.

2017-2: The Town will not net revenues with expenditures.

2017-3: The Town will review year end invoices to properly classify expenditures to the correct fiscal year.

If you have questions, please feel free to contact me.

Sincerely,

Carol L. Bradley
Finance Director