

Audited Financial Statements
and Other Financial Information

Town of Brandon, Vermont

June 30, 2018



Proven Expertise and Integrity

TOWN OF BRANDON, VERMONT

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JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

Selectboard
Town of Brandon
Brandon, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Brandon, Vermont, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Brandon, 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 of material misstatement.

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

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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 opinion.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Brandon, Vermont as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows 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, budgetary comparison information and pension information on pages 5 through 11 and 56 through 59 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 Brandon, Vermont's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of*

Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2019 on our consideration of the Town of Brandon, 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 Brandon, Vermont's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
March 19, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

(UNAUDITED)

The following management's discussion and analysis of the Town of Brandon, Vermont's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2018. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

The Town of Brandon's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, pension information and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have separate columns for the two different types of Town activities. The types of activities presented for the Town of Brandon are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, recreation, appropriations, education and unclassified.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of Brandon include the Wastewater Fund.

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 Brandon, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Brandon can be divided into two categories: governmental funds and proprietary funds.

Governmental funds: Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this

comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Brandon presents four columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund, transportation grant funds and the trustees of public funds. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The Town of Brandon maintains one proprietary fund, the Wastewater Fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

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 the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows - Proprietary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, a Schedule of Proportionate Share of the Net Pension Liability, a Schedule of Contributions and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental and business-type activities. The Town's total net position for governmental activities increased by \$6,470,325 from \$14,318,249 to \$20,788,574. For business-type activities, the Town's total net position increased by \$752,113 from \$1,953,014 to \$2,705,127.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased for the governmental activities to a balance of \$884,376 at the end of the fiscal year. The business-type activities do not have unrestricted net position.

Table 1
Town of Brandon, Vermont
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2018	2017 (Restated)	2018	2017
Assets:				
Current Assets	\$ 4,310,913	\$ 3,721,032	\$ 902,228	\$ 778,020
Loan Receivable	358,978	721,364		
Capital Assets	20,599,552	13,994,443	2,811,466	1,923,117
Total Assets	25,269,443	18,436,839	3,713,694	2,701,137
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	260,541	300,016	-	-
Total Deferred Outflows of Resources	260,541	300,016	-	-
Liabilities:				
Current Liabilities	1,654,529	1,974,148	83,087	291,725
Long-term Debt Outstanding	3,070,608	2,436,590	925,480	456,398
Total Liabilities	4,725,137	4,410,738	1,008,567	748,123
Deferred Inflows of Resources:				
Deferred Revenue	-	-	-	-
Deferred Inflows Related to Pensions	16,273	7,862	-	-
Total Deferred Inflows of Resources	16,273	7,862	-	-
Net Position:				
Net Investment in Capital Assets	17,792,271	12,328,442	1,854,548	1,466,719
Restricted:				
General Fund	30,913	-	-	-
Transportation Grant Funds	659,717	1,413,797	-	486,295
Trustees of Public Funds	748,369	-	-	-
Special Revenue Funds	672,928	-	-	-
Wastewater Fund	-	-	850,579	-
Unrestricted	884,376	576,010	-	-
Total Net Position	\$ 20,788,574	\$ 14,318,249	\$ 2,705,127	\$ 1,953,014

Table 2
Town of Brandon, Vermont
Change in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 259,137	\$ 370,836	\$ 696,469	\$ 708,951
Operating grants and contributions	151,869	-	140,444	-
<i>General Revenues:</i>				
Taxes	6,751,065	7,094,380	-	-
Grants and contributions not restricted to specific programs	7,402,494	4,133,054	-	-
Bond proceeds	-	-	499,000	-
Miscellaneous	547,731	113,452	22,201	12,320
Total Revenues	15,112,296	11,711,722	1,358,114	721,271
Expenses				
General government	1,123,577	1,262,220	-	-
Public safety	992,078	759,629	-	-
Public works	2,162,268	693,492	-	513,971
Recreation	187,265	183,155	-	-
Education	3,776,655	3,849,966	-	-
County tax	26,011	26,022	-	-
Appropriations	203,259	338,214	-	-
Interest on long-term debt	25,063	33,747	26,094	-
Wastewater fund	-	-	520,191	-
Depreciation	-	-	77,007	-
Unclassified	128,504	122,039	-	-
Total Expenses	8,624,680	7,268,484	623,292	513,971
Transfers	(17,291)	-	17,291	-
Change in Net Position	6,470,325	4,443,238	752,113	207,300
Net Position - July 1, Restated	14,318,249	9,875,011	1,953,014	1,745,714
Net Position - June 30	<u>\$ 20,788,574</u>	<u>\$ 14,318,249</u>	<u>\$ 2,705,127</u>	<u>\$ 1,953,014</u>

Revenues and Expenses

Revenues for the Town of Brandon's governmental activities increased by 29.04%, while total expenses increased by 18.66%. The increase in revenues was primarily due to grants and contributions not restricted to specific programs and the increase in expenses was primarily due to public works.

Revenues for the business-type activities increased by 88.29% while total expenses increased by 21.27%.

Financial Analysis of the Town's Fund Statements

Governmental funds: The financial reporting focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Town's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

Table 3
Town of Brandon, Vermont
Fund Balances - Governmental Funds
June 30,

	2018	2017
General Fund:		
Nonspendable	\$ 12,931	\$ 13,006
Unassigned	560,842	534,162
Total General Fund	\$ 573,773	\$ 547,168
Transportation Grant Funds:		
Restricted	\$ 659,717	\$ 812,874
Total Transportation Grant Funds	\$ 659,717	\$ 812,874
Trustees of Public Funds:		
Restricted	\$ 748,369	\$ 705,662
Total Trustees of Public Funds	\$ 748,369	\$ 705,662
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 672,928	\$ 410,337
Capital Projects Funds:		
Unassigned	(69,257)	(441,995)
Total Nonmajor Funds	\$ 603,671	\$ (31,658)

The general fund total fund balance increased by \$57,518 from the prior fiscal year primarily due to revenues exceeding expenditures. The transportation grants fund decreased by \$153,157 from the prior fiscal year due to expenditures that exceeded revenues and bond proceeds. The trustees of public funds total fund balance increased by \$42,707 from the prior fiscal year primarily due to investment income offset by expenditures. The nonmajor funds total fund balance increased by \$636,109 from the prior fiscal year primarily due to bond proceeds.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Wastewater Fund had an increase in the net position for the fiscal year of \$752,113 versus last year of \$207,300.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund actual revenues exceeded budget by \$130,939. All revenue categories were receipted in excess of budgeted amounts with the exception of property taxes.

The general fund actual expenditures exceeded budget by \$73,421. All expenditure categories were within or under budgeted amounts with the exception of public works, recreation and transfers to other funds.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the net book value of capital assets recorded by the Town increased by \$7,493,458 from the prior year. The increase is the result of capital additions of \$8,051,944, less net disposals of \$13,952 and current year depreciation of \$544,534.

Table 4
Town of Brandon, Vermont
Capital Assets (Net of Depreciation)
June 30,

	<u>2018</u>	<u>2017</u>
Land	\$ 630,217	\$ 644,169
Construction in progress	12,720,160	7,946,530
Buildings, building improvements and land improvements	2,806,812	2,845,878
Machinery, equipment and vehicles	976,915	1,115,269
Infrastructure	6,276,914	3,365,714
Total	<u>\$ 23,411,018</u>	<u>\$ 15,917,560</u>

Debt

At June 30, 2018, the Town had \$3,656,373 in bonds and capital leases outstanding versus \$2,554,470 last year, an increase of 43.14%. Other obligations include accrued compensated absences and net pension liability. Refer to Note 7 of the Notes to the Financial Statements for detailed information.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

The Town's unassigned fund balance has fallen below a level sufficient to sustain government operations for less than a period of three months. However, the Town continues to maintain significant reserves for future operations, capital and program needs.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's Office at 49 Center Street, Brandon, Vermont 05733.

TOWN OF BRANDON, VERMONT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,668,781	\$ -	\$ 2,668,781
Investments	725,401	-	725,401
Accounts receivable (net of allowance for uncollectibles):			
Taxes	284,253	-	284,253
Other	17,046	528,229	545,275
Due from other governments	975,720	-	975,720
Loans receivable (net of allowance for uncollectibles)	358,978	-	358,978
Prepaid items	13,711	-	13,711
Internal balances	(373,999)	373,999	-
Total current assets	<u>4,669,891</u>	<u>902,228</u>	<u>5,572,119</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	12,146,864	1,203,513	13,350,377
Depreciable assets, net of accumulated depreciation	<u>8,452,688</u>	<u>1,607,953</u>	<u>10,060,641</u>
Total noncurrent assets	<u>20,599,552</u>	<u>2,811,466</u>	<u>23,411,018</u>
TOTAL ASSETS	<u>25,269,443</u>	<u>3,713,694</u>	<u>28,983,137</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>260,541</u>	-	<u>260,541</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>260,541</u>	-	<u>260,541</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 25,529,984</u>	<u>\$ 3,713,694</u>	<u>\$ 29,243,678</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 470,330	\$ 36,308	\$ 506,638
Accrued expenses	11,731	4,413	16,144
Accrued interest payable	7,783	10,928	18,711
Grant anticipation note	962,784	-	962,784
Current portion of long-term obligations	201,901	31,438	233,339
Total current liabilities	<u>1,654,529</u>	<u>83,087</u>	<u>1,737,616</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	2,205,702	925,480	3,131,182
Capital leases payable	297,243	-	297,243
Accrued compensated absences	102,435	-	102,435
Net pension liability	465,228	-	465,228
Total noncurrent liabilities	<u>3,070,608</u>	<u>925,480</u>	<u>3,996,088</u>
TOTAL LIABILITIES	<u>4,725,137</u>	<u>1,008,567</u>	<u>5,733,704</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>16,273</u>	-	<u>16,273</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>16,273</u>	-	<u>16,273</u>
NET POSITION			
Net investment in capital assets	17,792,271	1,854,548	19,646,819
Restricted: General fund	30,913	-	30,913
Transportation grant funds	659,717	-	659,717
Trustees of public funds	748,369	-	748,369
Special revenue funds	672,928	-	672,928
Sewer fund	-	850,579	850,579
Unrestricted	<u>884,376</u>	-	<u>884,376</u>
TOTAL NET POSITION	<u>20,788,574</u>	<u>2,705,127</u>	<u>23,493,701</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 25,529,984</u>	<u>\$ 3,713,694</u>	<u>\$ 29,243,678</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 1,123,577	\$ 259,137	\$ -	\$ -	\$ (864,440)	\$ -	\$ (864,440)
Public safety	992,078	-	-	-	(992,078)	-	(992,078)
Public works	2,162,268	-	151,869	-	(2,010,399)	-	(2,010,399)
Recreation	187,265	-	-	-	(187,265)	-	(187,265)
Education	3,776,655	-	-	-	(3,776,655)	-	(3,776,655)
County tax	26,011	-	-	-	(26,011)	-	(26,011)
Appropriations	203,259	-	-	-	(203,259)	-	(203,259)
Interest on long-term debt	25,063	-	-	-	(25,063)	-	(25,063)
Unclassified	128,504	-	-	-	(128,504)	-	(128,504)
Total governmental activities	<u>8,624,680</u>	<u>259,137</u>	<u>151,869</u>	<u>-</u>	<u>(8,213,674)</u>	<u>-</u>	<u>(8,213,674)</u>
Business-type activities:							
Wastewater fund	623,292	696,469	140,444	-	-	213,621	213,621
Total business-type activities	<u>623,292</u>	<u>696,469</u>	<u>140,444</u>	<u>-</u>	<u>-</u>	<u>213,621</u>	<u>213,621</u>
Total government	<u>\$ 9,247,972</u>	<u>\$ 955,606</u>	<u>\$ 292,313</u>	<u>\$ -</u>	<u>(8,213,674)</u>	<u>213,621</u>	<u>(8,000,053)</u>

STATEMENT B (CONTINUED)

TOWN OF BRANDON, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	<u>(8,213,674)</u>	<u>213,621</u>	<u>(8,000,053)</u>
General revenues:			
Taxes, levied for general purposes	6,751,065	-	6,751,065
Grants and contributions not restricted to specific programs	7,402,494	-	7,402,494
Miscellaneous	547,731	22,201	569,932
Bond proceeds	-	499,000	499,000
Transfers	<u>(17,291)</u>	<u>17,291</u>	<u>-</u>
Total general revenues and transfers	<u>14,683,999</u>	<u>538,492</u>	<u>15,222,491</u>
Change in net position	6,470,325	752,113	7,222,438
NET POSITION - JULY 1, RESTATED	<u>14,318,249</u>	<u>1,953,014</u>	<u>16,271,263</u>
NET POSITION - JUNE 30	<u><u>\$ 20,788,574</u></u>	<u><u>\$ 2,705,127</u></u>	<u><u>\$ 23,493,701</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Transportation Grant Funds	Trustees of Public Funds	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,621,964	\$ -	\$ 46,817	\$ -	\$ 2,668,781
Investments	-	-	701,552	23,849	725,401
Accounts receivable (net of allowance for uncollectibles):					
Taxes	284,253	-	-	-	284,253
Other	17,046	-	-	-	17,046
Due from other governments	-	975,720	-	-	975,720
Loans receivable (net of allowance for uncollectibles)	-	-	-	358,978	358,978
Prepaid items	12,931	-	-	780	13,711
Due from other funds	69,257	1,047,235	-	649,079	1,765,571
TOTAL ASSETS	\$ 3,005,451	\$ 2,022,955	\$ 748,369	\$ 1,032,686	\$ 6,809,461
LIABILITIES					
Accounts payable	\$ 69,876	\$ 400,454	\$ -	\$ -	\$ 470,330
Accrued expenses	11,731	-	-	-	11,731
Grant anticipation note	-	962,784	-	-	962,784
Due to other funds	2,070,313	-	-	69,257	2,139,570
TOTAL LIABILITIES	2,151,920	1,363,238	-	69,257	3,584,415
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues	248,845	-	-	358,978	607,823
TOTAL DEFERRED INFLOWS OF RESOURCES	248,845	-	-	358,978	607,823
FUND BALANCES					
Nonspendable - prepaid items	12,931	-	-	780	13,711
Restricted	30,913	659,717	748,369	672,928	2,111,927
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	560,842	-	-	(69,257)	491,585
TOTAL FUND BALANCES	604,686	659,717	748,369	604,451	2,617,223
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,005,451	\$ 2,022,955	\$ 748,369	\$ 1,032,686	\$ 6,809,461

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 2,617,223
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, net of accumulated depreciation	20,599,552
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	248,845
Loans receivable	358,978
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	260,541
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(2,346,450)
Capital leases payable	(353,005)
Accrued compensated absences	(107,826)
Net pension liability	(465,228)
Accrued interest payable	(7,783)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(16,273)</u>
Net position of governmental activities	<u><u>\$ 20,788,574</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Transportation Grant Funds	Trustees of Public Funds	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 6,765,182	\$ -	\$ -	\$ -	\$ 6,765,182
Intergovernmental	206,661	6,886,981	-	460,721	7,554,363
Charges for services	259,137	-	-	-	259,137
Investment income, net of realized/unrealized gains/(losses)	-	-	65,994	5,700	71,694
Miscellaneous revenues	118,419	10,942	-	346,676	476,037
TOTAL REVENUES	7,349,399	6,897,923	65,994	813,097	15,126,413
EXPENDITURES					
Current:					
General government	1,022,166	-	-	-	1,022,166
Public safety	945,460	-	-	-	945,460
Public works	823,495	961,990	-	-	1,785,485
Recreation	182,245	-	-	-	182,245
Education	3,776,655	-	-	-	3,776,655
County tax	26,011	-	-	-	26,011
Appropriations	203,259	-	-	-	203,259
Unclassified	39,115	-	23,287	46,410	108,812
Debt service:					
Principal	213,353	-	-	-	213,353
Interest	25,063	-	-	-	25,063
Capital outlay	-	6,424,290	-	648,346	7,072,636
TOTAL EXPENDITURES	7,256,822	7,386,280	23,287	694,756	15,361,145
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	92,577	(488,357)	42,707	118,341	(234,732)
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	335,200	-	500,000	835,200
Transfers in	43,140	-	-	78,199	121,339
Transfers (out)	(78,199)	-	-	(60,431)	(138,630)
TOTAL OTHER FINANCING SOURCES (USES)	(35,059)	335,200	-	517,768	817,909
NET CHANGE IN FUND BALANCES (DEFICITS)	57,518	(153,157)	42,707	636,109	583,177
FUND BALANCES (DEFICITS) - JULY 1	547,168	812,874	705,662	(31,658)	2,034,046
FUND BALANCES (DEFICITS) - JUNE 30	\$ 604,686	\$ 659,717	\$ 748,369	\$ 604,451	\$ 2,617,223

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, 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, 2018

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 583,177</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	9,538,892
Capital asset disposals	(2,466,256)
Depreciation expense	<u>(467,527)</u>
	<u>6,605,109</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported	
Taxes and liens receivable	(14,117)
Loans receivable	<u>(19,692)</u>
	<u>(33,809)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	
	<u>(39,475)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	
	<u>213,353</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	
	<u>(835,200)</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	
	<u>(8,411)</u>
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:	
Accrued interest	(3,455)
Accrued compensated absences	(5,225)
Net pension liability	<u>(5,739)</u>
	<u>(14,419)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 6,470,325</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018

	<u>Enterprise Funds</u>
	<u>Wastewater Fund</u>
ASSETS	
Current assets:	
Accounts receivable (net of allowance for uncollectibles)	\$ 528,229
Due from other funds	373,999
Total current assets	<u>902,228</u>
Noncurrent assets:	
Capital assets:	
Construction in progress	1,203,513
Buildings and improvements	2,110,196
Equipment	819,443
Sewer lines	493,364
Less: accumulated depreciation	<u>(1,815,050)</u>
Total noncurrent assets	<u>2,811,466</u>
TOTAL ASSETS	<u><u>\$ 3,713,694</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 36,308
Accrued expenses	4,413
Accrued interest payable	10,928
Current portion of long-term obligations	31,438
Total current liabilities	<u>83,087</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	
Bonds payable	<u>925,480</u>
Total noncurrent liabilities	<u>925,480</u>
TOTAL LIABILITIES	<u>1,008,567</u>
NET POSITION	
Net investment in capital assets	1,854,548
Restricted	850,579
TOTAL NET POSITION	<u>2,705,127</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,713,694</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds
	Wastewater Fund
OPERATING REVENUES	
Intergovernmental	\$ 140,444
Charges for services	696,469
Other	5,090
TOTAL OPERATING REVENUES	842,003
OPERATING EXPENSES	
Wages and benefits	172,848
Professional services	30,365
Supplies	2,825
Equipment	1,769
Maintenance and repairs	81,254
Chemicals	35,336
Operations	141,295
Administration	30,000
Insurance	24,499
Depreciation	77,007
TOTAL OPERATING EXPENSES	597,198
OPERATING INCOME (LOSS)	244,805
NONOPERATING REVENUES (EXPENSES)	
Bond proceeds	499,000
Interest income	17,111
Interest expense	(26,094)
Transfers in	470,503
Transfers (out)	(453,212)
TOTAL NONOPERATING REVENUES (EXPENSES)	507,308
CHANGE IN NET POSITION	752,113
NET POSITION - JULY 1	1,953,014
NET POSITION - JUNE 30	\$ 2,705,127

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Enterprise Funds</u> <u>Wastewater</u> <u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 634,495
Other receipts	145,534
Internal activity - receipts (payments) from/to other funds	(62,233)
Payments to employees	(172,848)
Payments to suppliers	(531,600)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>13,348</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Interest income	17,111
Transfers in	470,503
Transfers (out)	(453,212)
NET CASH PROVIDED (USED) FROM NONCAPITAL FINANCING ACTIVITIES	<u>34,402</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest paid on long-term debt	(26,094)
Debt proceeds	499,000
Capital asset additions	(501,712)
Principal payments on long-term debt	(18,944)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(47,750)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS - JULY 1	<u>-</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 244,805
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	77,007
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(61,974)
(Increase) decrease in due from other funds	(62,233)
Increase (decrease) in accounts payable	36,308
Increase (decrease) in accrued liabilities	(230,141)
Increase (decrease) in accrued interest	9,576
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 13,348</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Brandon was incorporated under the laws of the State of Vermont. The Town operates under the Selectboard-manager form of government and provides the following services: general government, public safety, public works, recreation, appropriations, education and unclassified.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 85, "Omnibus 2017." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, "Certain Debt Extinguishment Issues." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's Wastewater Fund and is categorized as business-type activities. All other activities of the Town are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – net investment in capital assets;

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public safety, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major funds:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Transportation Grants Fund is used to account for proceeds from the transportation grant intergovernmental revenue related to capital expenditures for infrastructure improvements including Route 7 - Segment 6, Bridge 114, Churchill Bridge and Union Street Sidewalk.
- c. The Trustees of Public Funds are used to account for assets held by the Town pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

Nonmajor funds:

- d. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- e. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, infrastructure and/or equipment.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

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.

1. Accrual

Governmental activities in the government-wide financial statements and proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. In the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A Town meeting of the residents of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions
- Repurchase agreements
- Money market mutual funds

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables include amounts due for Transportation Grant funds and Enterprise funds primarily. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Allowances for uncollectible accounts netted with accounts receivable were \$1,520,995 for the year ended June 30, 2018. The allowance for uncollectible accounts in the wastewater fund is estimated to be \$5,286 as of June 30, 2018.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Prepaid Items

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town is currently working on completing its fixed asset inventory.

Estimated useful lives are as follows:

Buildings and improvements	10 - 50 years
Infrastructure	20 - 50 years
Machinery and equipment	3 - 25 years
Vehicles	3 - 25 years

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds payable, capital leases payable, accrued compensated absences and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors,

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Selectboard.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds,

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

Pensions

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement 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/expenditure) until then. The Town has only one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times 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. Deferred revenues, which arises only under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Deferred inflows related to pensions qualifies for reporting in this category as well. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied on July 15, 2017 on the assessed value listed as of April 1, annually, for all real property located in the Town. Taxes were due in four installments on August 15, November 15, February 15 and May 15. Interest accrues at 1% per month until three months following the final payment at which point 1½% per month for each month thereafter. An 8% Collector's Commission is added to the entire unpaid principal tax balance after May 15.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town's investment policies, which follow state statutes, authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all Town funds.

TOWN OF BRANDON, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Town does not have a policy covering custodial credit risk.

At June 30, 2018, the Town's cash balance of \$2,668,781 was comprised of deposits amounting to \$2,786,270. Of these deposits, \$225,275 was insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$2,560,995 were collateralized with securities held by the financial institution in the Town's name and therefore were not exposed to custodial credit risk.

Account Type	Bank Balance
Checking accounts	\$ 124,977
Repurchase agreements	2,560,995
Money market accounts	76,308
Cash equivalents	23,990
	\$ 2,786,270

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments.

At June 30, 2018, the Town's investments of \$725,401 were comprised of certificates of deposit, exchange-traded funds, closed end funds and mutual funds. Of this amount, \$24,114 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk. \$500,000 was insured by the Securities Investor Protection Corporation and consequently not exposed to custodial risk. The remaining investments of \$201,287 were uncollateralized and uninsured.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type	Fair			
	Value	N/A	< 1 Year	1 - 5 Years
Certificates of deposit	\$ 24,114	\$ -	\$ -	\$ 24,114
Exchange-traded and closed-end funds	229,653	229,653	-	-
Mutual funds	471,634	471,634	-	-
	<u>\$ 725,401</u>	<u>\$ 701,287</u>	<u>\$ -</u>	<u>\$ 24,114</u>

Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as June 30, 2018:

	June 30, 2018 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Equity securities:				
Exchange-traded and closed-end funds	\$ 229,653	\$ 229,653	\$ -	\$ -
Mutual funds - domestic and foreign	471,634	471,634	-	-
Total equity securities	<u>701,287</u>	<u>701,287</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>701,287</u>	<u>\$ 701,287</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	23,990			
Total cash equivalents measured at the NAV	<u>23,990</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 725,277</u>			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. The Town has no Level 2 or 3 investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2018 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Certificates of deposit held with local financial institutions for \$24,114 are

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

Credit risk – Statutes for the State of Vermont authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk. Generally, the Town invests excess funds in savings accounts and various certificates of deposit.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2018 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 69,257	\$ 2,070,313
Transportation Grant Funds	1,047,235	-
Nonmajor Capital Projects Funds	-	69,257
Special Revenue Funds	649,079	-
Wastewater Fund	373,999	-
	<u>\$ 2,139,570</u>	<u>\$ 2,139,570</u>

NOTE 4 - LOANS RECEIVABLE

The Town, through various federal programs, has received grants and advanced funds to encourage community development. These loans, generally secured by subordinated collateral positions, are recorded as loans receivable in the governmental funds. Until repaid, loans of federal awards are offset by deferred revenue, which is taken into operating revenue as payments are received in a future period. Upon receipt, the repayment of these loans is placed in the Town's Grant Fund and is available for future loans.

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

The following is a description of the notes receivable for the year ended June 30, 2018:

Borrower	Principal	Interest Rate	Terms
11 Center Street Ventures, LLC	\$ 17,087	1.50%	\$562 received monthly through February of 2021.
Swan & Stone, LLC	23,489	1.25%	\$355 received monthly through June of 2019. Balloon payment of \$17,846 due in July of 2019.
Neshobe River Company, LLC	20,385	1.25%	\$340 received monthly through May of 2023.
Olivia's Crouton, LLC	64,494	1.75%	\$442 received monthly through January of 2027 with a balloon payment of \$25,843 in February of 2027.
Park Village Partners, LLC	25,706	1.50%	\$326 received monthly through April of 2023 with a balloon payment of \$8,035 due in May of 2023.
Rutland County Community Land Trust Grant Fund	167,267	1.00%	\$1,278 received monthly beginning July 10, 2030 through July of 2060 and secured by a mortgage.
Red Clover Ale Company, LLC	<u>40,550</u>	2.75%	\$275 received monthly through September of 2025 with a balloon payment of \$23,964 due in October of 2025
Total	<u><u>\$ 358,978</u></u>		

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance, 7/1/17	Additions	Disposals	Balance, 6/30/18
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 644,169	\$ -	\$ (13,952)	\$ 630,217
Construction in progress	7,626,745	6,342,206	(2,452,304)	11,516,647
	<u>8,270,914</u>	<u>6,342,206</u>	<u>(2,466,256)</u>	<u>12,146,864</u>
Depreciated assets:				
Buildings and building improvements	2,268,055	11,750	-	2,279,805
Vehicles	1,072,522	-	-	1,072,522
Machinery and equipment	701,936	595	-	702,531
Infrastructure	4,896,012	3,184,341	-	8,080,353
	<u>8,938,525</u>	<u>3,196,686</u>	<u>-</u>	<u>12,135,211</u>
Less: accumulated depreciation	<u>(3,214,996)</u>	<u>(467,527)</u>	<u>-</u>	<u>(3,682,523)</u>
	<u>5,723,529</u>	<u>2,729,159</u>	<u>-</u>	<u>8,452,688</u>
Net governmental capital assets	<u>\$ 13,994,443</u>	<u>\$ 9,071,365</u>	<u>\$ (2,466,256)</u>	<u>\$ 20,599,552</u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Construction in progress	\$ 319,785	\$ 897,100	\$ (13,372)	\$ 1,203,513
	<u>319,785</u>	<u>897,100</u>	<u>(13,372)</u>	<u>1,203,513</u>
Depreciated assets:				
Buildings and improvements	\$ 2,072,093	\$ 38,103	\$ -	\$ 2,110,196
Equipment	796,621	22,822	-	819,443
Sewer lines	472,661	20,703	-	493,364
	<u>3,341,375</u>	<u>81,628</u>	<u>-</u>	<u>3,423,003</u>
Less: accumulated depreciation	<u>(1,738,043)</u>	<u>(77,007)</u>	<u>-</u>	<u>(1,815,050)</u>
	<u>1,603,332</u>	<u>4,621</u>	<u>-</u>	<u>1,607,953</u>
Net business-type capital assets	<u>\$ 1,923,117</u>	<u>\$ 901,721</u>	<u>\$ (13,372)</u>	<u>\$ 2,811,466</u>
Current year depreciation:				
<u>Governmental activities</u>				
General government				\$ 39,106
Public safety				46,618
Public works				376,783
Recreation				5,020
Total governmental activities depreciation expense				<u>\$ 467,527</u>
<u>Business-type activities</u>				
Wastewater fund				\$ 77,007
Total business-type activities depreciation expense				<u>\$ 77,007</u>

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - SHORT-TERM DEBT

The following is a description of short-term debt for the year ended June 30, 2018:

On June 30, 2017, the Town of Brandon issued a Tax Anticipation Note through National Bank of Middlebury in anticipation of revenues to meet its operating obligations during FY18. The note allowed principal draws up to \$500,000 at 1.62% interest per annum with a maturity date of June 30, 2018. The note was not used.

On June 30, 2017, the Town of Brandon issued a Construction Line of Credit through National Bank of Middlebury in anticipation of bond and grant proceeds to meet its obligations during FY18. The note allowed principal draws up to \$1,113,242 at 1.62% interest per annum with a maturity date of June 30, 2018. The LOC was held in two separate accounts at NBM. On August 29, 2017 the note was paid in full. Interest expense for the note was \$1,349.

On March 15, 2017, the Town of Brandon issued a Bond Anticipation Note through Community Bank to meet obligations for the Champlain Pump Station project financed by a USDA Bond. The note allowed principal draws up to \$499,000 at 1.80% interest per annum with a maturity date of March 14, 2018. On March 5, 2018 the note was paid in full. Interest expense for the note was \$4,343.

On March 15, 2017, the Town of Brandon issued a Grant Anticipation Note through Community Bank to meet obligations for the Champlain Pump Station project. The note allowed principal draws up to \$153,400 at 1.80% interest per annum with a maturity date of March 14, 2018. On February 21, 2018 the note was paid in full. Interest expense for the note was \$154.

On June 1, 2017, the Town of Brandon issued a Grant Anticipation Note through Bar Harbor Bank and Trust to meet obligations for highway improvements. The note allowed principal draws up to \$2,000,000 at 1.49% interest per annum with a maturity date of May 31, 2018. On May 29, 2018 this note was modified extending the maturity date to December 31, 2018 and increasing the interest rate to 2.24% on all outstanding balances.

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - SHORT-TERM DEBT (CONTINUED)

Short-term debt activity for the year ended June 30, 2018 was as follows:

	Balance, 7/1/17	Additions	Repayments	Balance, 6/30/18
Bond anticipation note	\$ 35,355	\$ 463,129	\$ (498,484)	\$ -
Grant anticipation note	962,784	89,086	(89,086)	962,784
Current expense note	500,000	-	(500,000)	-
	<u>\$ 1,498,139</u>	<u>\$ 552,215</u>	<u>\$ (1,087,570)</u>	<u>\$ 962,784</u>

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2018:

	Balance, 7/1/17 (Restated)	Additions	Deletions	Balance, 6/30/18	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 1,666,000	\$ 835,200	\$ (154,750)	\$ 2,346,450	\$ 140,748
Capital leases payable	411,608	-	(58,603)	353,005	55,762
Accrued compensated absences	102,601	5,225	-	107,826	5,391
Net pension liability	459,489	5,739	-	465,228	-
Totals	<u>\$ 2,639,698</u>	<u>\$ 846,164</u>	<u>\$ (213,353)</u>	<u>\$ 3,272,509</u>	<u>\$ 201,901</u>
<u>Business-type activities:</u>					
Bonds payable	\$ 476,862	\$ 499,000	\$ (18,944)	\$ 956,918	\$ 31,438
Totals	<u>\$ 476,862</u>	<u>\$ 499,000</u>	<u>\$ (18,944)</u>	<u>\$ 956,918</u>	<u>\$ 31,438</u>

The following is a summary of outstanding bonds and notes payable:

Governmental activities bonds payable:

\$395,000, 2012 Series 4 & 5 Bond due in annual principal payments of \$19,750 through December 1, 2032. Interest due bi-annually at a net rate of 3.148%.	\$ 296,250
\$2,750,000 2006 Series 1 Bond, refunded \$1,770,000, 2014 Series 4 Bond due in annual principal payments of \$135,000 through November 15, 2026. Interest due bi-annually at a net rate of 4.674%.	1,215,000
\$835,200, 2017 Series 3 Bond due in annual principal payments of \$41,760 through November 2037. Interest is due bi-annually at a net rate of 3.30%.	<u>835,200</u>
Total governmental activities bonds payable	<u>\$ 2,346,450</u>

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-type activities bonds payable:

\$499,000, USDA Bond due in annual principal payments of \$11,482 beginning July 1, 2018 through February 1, 2048. Interest rate is 2.25%.	\$ 499,000
\$11,000, Vermont State Revolving Fund RF1-159 due in annual principal payments of \$2,200 beginning May 1, 2020 through May 1, 2024.	11,000
\$478,343, VMBB 2012 Series 4 & 5 Bond due in varying annual principal payments and semi-annual interest payments through December 2036.	414,956
\$48,063, VMBB 2012 Series 4 & 5 Bond due in varying annual principal payments and semi-annual interest payments through December 2025.	<u>32,170</u>
Total business-type activities bonds payable	<u><u>\$ 957,126</u></u>

The following is a summary of outstanding bonds principal and interest requirements for the fiscal years ending June 30:

Governmental activities:

	Principal	Interest	Total Debt Service
2019	\$ 196,510	\$ 80,509	\$ 277,019
2020	196,510	73,071	269,581
2021	196,510	59,984	256,494
2022	196,510	57,530	254,040
2023	196,510	50,134	246,644
2024-2028	847,550	141,173	988,723
2029-2033	307,550	63,866	371,416
2034-2038	208,800	19,145	227,945
	<u>\$ 2,346,450</u>	<u>\$ 545,412</u>	<u>\$ 2,891,862</u>

Business-type activities:

	Principal	Interest	Total Debt Service
2019	\$ 31,438	\$ 27,123	\$ 58,561
2020	34,622	26,126	60,748
2021	35,637	25,097	60,734
2022	36,687	24,034	60,721
2023	37,770	22,935	60,705
2024-2028	188,005	97,242	285,247
2029-2033	201,161	67,628	268,789
2034-2038	187,193	35,148	222,341
2039-2043	204,405	25,025	229,430
	<u>\$ 956,918</u>	<u>\$ 350,358</u>	<u>\$ 1,307,276</u>

TOWN OF BRANDON, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 7 - LONG-TERM DEBT (CONTINUED)

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for business-type activities for the year ended June 30, 2018 was \$26,094.

All bonds payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town.

The following is a summary of outstanding capital leases payable for governmental activities:

The Town leases a Caterpillar motor grader with Caterpillar Financial Services Corp. under a non-cancelable lease agreement dated February 26, 2016. The term of the lease is for a nine year period expiring February of 2025. Annual principal and interests payments are \$32,408.	\$ 203,828
The Town leases a Mack dump truck with KS StateBank under a non-cancelable lease agreement dated July 19, 2016. The term of the lease is for a five year period expiring August of 2021. Annual principal and interests payments are \$32,518.	<u>149,177</u>
Total capital leases payable	<u><u>\$ 353,005</u></u>

Future minimum payments by year and in the aggregate under these leases are as follows:

Year Ending June 30:	
2019	\$ 64,926
2020	64,926
2021	64,926
2022	64,926
2023	32,408
2024-2028	<u>97,224</u>
Total minimum lease payment	389,336
Less amount representing interest	<u>(36,331)</u>
Present value of future minimum lease payments	<u><u>\$ 353,005</u></u>

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - NONSPENDABLE FUND BALANCES

At June 30, 2018, the Town had the following nonspendable fund balances:

General fund:	
Prepaid items	\$ 12,931
Nonmajor capital projects funds	<u>780</u>
	<u>\$ 13,711</u>

NOTE 9 - RESTRICTED FUND BALANCES

At June 30, 2018, the Town had the following restricted fund balances:

General fund:	
Record preservation	\$ 8,409
Football recreation	3,930
Donations golf-ski club	10,989
Basketball	7,585
Transportation grant funds	659,717
Trustee of public funds	748,369
Nonmajor special revenue funds (Schedule E)	<u>672,928</u>
	<u>\$ 2,111,927</u>

NOTE 10 - DEFICIT FUND BALANCE

At June 30, 2018, the Town had the following deficit fund balance:

Equipment and Infrastructure Fund	<u>\$ 68,477</u>
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NOTE 11 - OVERSPENT APPROPRIATIONS

The Town was noncompliant with the legally adopted budget overspending the entire allowed appropriation of \$6,504,025 by \$73,421 for the year ended June 30, 2018.

NOTE 12 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the prior year and amounts of settlements have not exceeded insurance coverage in the past three years. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - RISK MANAGEMENT (CONTINUED)

In addition, the Town is a member of the Vermont League of Cities and Towns (VLCT). The VLCT has set up two insurance trusts; the Property and Casualty Intermunicipal Fund, Inc. (PACIF) for multi-line insurance; the Vermont League of Cities and Towns Employment Resource Benefits Trust (VERB) for unemployment, life, disability and other ancillary coverage. PACIF and VERB are nonprofit corporations formed to provide insurance and risk management programs for Vermont cities and towns and is owned by the participating members. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, PACIF has established a self-funded insurance trust. It provides extensive coverage for losses to member municipalities for property damage, auto accidents, injured employees, public official liability and employment practices liability. Members gain additional benefits from PACIF's unique public safety and risk management programs as well as dedicated in-house claims adjusters. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and PACIF is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

To provide unemployment insurance coverage, VERB has established a self-funded fully insured program. Contributions fund unemployment claims and are based on payroll expense and the claim experience from the best four years out of the last five. Other benefits available include dental insurance, vision plans, flexible spending accounts, life insurance, disability insurance, and long-term care insurance. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VERB is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset 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.

NOTE 13 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - CONTINGENCIES (CONTINUED)

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

NOTE 14 - DEFINED BENEFIT PENSION PLAN

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

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. The plan was established effective July 1, 1975, and is governed by *Title 24, V.S.A. Chapter 125*. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. Employees of the School other than Teachers are eligible to participate in the VMERS providing they work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year.

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 Schools 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. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR may be viewed on the State's Department of Finance & Management website at:

http://finance.vermont.gov/reports_and_publications/cafr.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided

The pension plan is divided into four membership groups:

- Group A – general employees whose legislative bodies have not elected to become a member of Group B or Group C
- Groups B & C – general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D – sworn police officers, firefighters and emergency medical personnel

The Town participates in Groups A, B and C. Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

VMERS	Group A	Group B	Group C	Group D
Normal service retirement eligibility	Age 65 with 5 years of service, or age 55 with 35 years of service	Age 62 with 5 years of service, or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

VMERS	Group A	Group B	Group C	Group D
Early Retirement Reduction	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

** - A special early retirement factor of 3% per year only for municipal police officers who have attained age 60

Members of all groups may qualify for vested deferred allowance, disability allowances and death benefit allowance subject to meeting various eligibility requirements. Benefits are based on AFC and service.

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund, and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group are as follows:

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	2.5% of gross salary	4.875% of gross salary	10.0% of gross salary	11.35% of gross salary
Employer Contributions	4.0% of gross salary	5.5% of gross salary	7.25% of gross salary	9.85% of gross salary

Employee contributions are withheld pre-income tax by the Town and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2018 totaled \$65,273. The Town also contributes up to 3% of the employees' contributions. This amounted to \$23,406 for the year ended June 30, 2018. The Town contributed \$61,772 for the year ended June 30, 2018. The Town's total payroll for the year ended June 30, 2018 for all employees covered under this plan was \$1,118,217.

Pension Liabilities

At June 30, 2018, the Town reported a liability of \$465,228 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2017, the Town's proportion was 0.38399204% for VMERS, which was an increase of 0.026962% from its proportion measured as of June 30, 2016 for VMERS.

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the Town recognized pension expense of \$53,625 for the VMERS plan. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>VMERS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,768	\$ 11,517
Changes of assumptions	97,395	-
Net difference between projected and actual earnings on pension plan investments	77,486	-
Changes in proportion and differences between contributions and proportionate share of contributions	17,120	4,756
Contributions subsequent to the measurement date	<u>61,772</u>	<u>-</u>
Total	<u>\$ 260,541</u>	<u>\$ 16,273</u>

\$61,772 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF BRANDON, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

		VMERS Plan
Plan year ended June 30:		
2018	\$	63,403
2019		91,879
2020		27,431
2021		(216)
2022		-
Thereafter		-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed on July 27, 2015:

Investment Rate of Return: 7.50% per annum.

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments for both plans are consistent with an expected annual inflation rate of 2.50% per year.

Salary Increases: 5.00% per year.

Deaths After Retirement: Mortality rates for pre-retirement, healthy retirees and disabled retirees in the VMERS plan for Groups A, B, C and D were based variations of RP-2014 Tables with generational improvement using Scale SSA-2017 as follows:

- Pre-retirement - Groups A, B, and C blended with a 60% Blue Collar Employee and 40% Healthy Employee, and Group D with a Blue Collar Annuitant Table
- Healthy Retiree - Groups A, B and C with a 60% Blue Collar Annuitant and 40% Healthy Annuitant, and Group D with a Blue Collar Annuitant Table
- Disabled Retiree - All Groups with a Disabled Mortality Table

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Separation from Service Before Retirement (Due to Withdrawal and Disability):
Representative values of the assumed annual rates of withdrawal and disability are as follows:

Withdrawal

Service	Male	Female	
	All Ages	Ages 25-34	Other Ages
0	22.5%	45.0%	30.0%
1	16.2%	33.0%	22.0%
2	13.5%	27.0%	18.0%
3	12.2%	22.5%	15.0%
4	10.8%	18.0%	12.0%
5	9.0%	15.0%	10.0%
6	8.1%	13.5%	9.0%
7	7.2%	12.0%	8.0%
8	7.2%	9.0%	6.0%
9	6.3%	9.0%	6.0%
10+	3.6%	7.5%	5.0%

Disability

Age	Male	Female
25	0.0100%	0.0050%
30	0.0130%	0.0065%
35	0.0170%	0.0085%
40	0.0300%	0.0150%
45	0.0500%	0.0250%
50	0.0900%	0.0450%
55	0.1800%	0.0900%
60	0.3150%	0.1575%
65	0.3150%	0.1575%

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Retirement Rates:

Retirement Group A

Age	Male	Female	Age	Male	Female
55	3.0%	4.9%	63	21.0%	22.5%
56	7.5%	7.7%	64	21.0%	25.0%
57	5.0%	7.0%	65	56.0%	25.0%
58	5.0%	4.9%	66	15.0%	20.0%
59	7.2%	7.0%	67	20.0%	30.0%
60	7.2%	4.9%	68	20.0%	20.0%
61	12.0%	10.5%	69	20.0%	20.0%
62	28.0%	10.5%	70	100.0%	100.0%

Retirement Group B

Age	Male	Female	Age	Male	Female
55	4.9%	4.9%	63	24.0%	14.0%
56	4.9%	4.9%	64	18.0%	14.0%
57	4.9%	8.4%	65	48.0%	28.0%
58	4.9%	8.4%	66	30.0%	18.0%
59	4.9%	4.9%	67	30.0%	14.0%
60	4.9%	8.4%	68	30.0%	14.0%
61	14.0%	10.5%	69	30.0%	14.0%
62	36.0%	17.5%	70	100.0%	100.0%

Retirement Group C

Age	Male	Female	Age	Male	Female
55	30.0%	0.0%	63	10.0%	20.0%
56	10.0%	5.0%	64	20.0%	20.0%
57	5.0%	5.0%	65	35.0%	35.0%
58	20.0%	25.0%	66	35.0%	35.0%
59	20.0%	5.0%	67	35.0%	35.0%
60	10.0%	5.0%	68	35.0%	35.0%
61	10.0%	5.0%	69	35.0%	35.0%
62	40.0%	5.0%	70	100.0%	100.0%

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Retirement Group D

Age	<20 Years of Service	20+ Years of Service	Age	<20 Years of Service	20+ Years of Service
50	0.0%	40.0%	58	10.0%	10.0%
51	0.0%	35.0%	59	10.0%	10.0%
52	0.0%	30.0%	60	15.0%	15.0%
53	0.0%	25.0%	61	10.0%	10.0%
54	0.0%	20.0%	62	25.0%	25.0%
55	15.0%	15.0%	63	25.0%	25.0%
56	10.0%	10.0%	64	25.0%	25.0%
57	10.0%	10.0%	65	100.0%	100.0%

Inactive Members: Valuation liability equals 200% of accumulated contributions.

Future Administrative Expenses: An expense adjustment based on actual expenses for the previous year is reflected in the development of recommended employer contribution levels.

Unknown Data for Participants: The same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

Percent Married: 85% of male members and 50% of female members are assumed to be married.

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

Cost-of-Living Adjustments: Adjustments are assumed to occur on January 1 following one year of retirement. These occur at the rate of 1.15% per annum for Group A members and 1.30% per annum for Groups B, C and D members (beginning Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for Group A, B and D members who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit).

Actuarial Cost Method: The Entry Age Actuarial Cost Method is used. Entry age is the age at date of employment, or, if date is unknown, current age minus years of service. Normal Cost and Accrued Actuarial Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

A smoothing *asset valuation method* was used for funding purposes in the VMERS plan, 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. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

The *long-term expected rate of return* on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class. These best estimate ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	16.00%	6.07%
Non-US Equity	16.00%	7.42%
Global Equity	9.00%	6.85%
Fixed Income	24.00%	2.41%
Real Estate	8.00%	4.62%
Private Markets	15.00%	7.80%
Hedge Funds	8.00%	3.95%
Risk Parity	4.00%	4.84%

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the VMERS plan. 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 which exceeds the actuarially determined contribution rate. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 7.50% for the VMERS plan, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
<u>VMERS:</u>			
Discount rate	6.50%	7.50%	8.50%
Town's proportionate share of the net pension liability	\$ 830,633	\$ 465,228	\$ 162,183

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VMERS or their participating employers. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance & Management website at: http://finance.vermont.gov/reports_and_publications/cafr

NOTE 15 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Town's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 16 - RESTATEMENTS

In 2017, the Town determined that certain transactions in prior years had been recorded incorrectly. Therefore, a restatement to the 2017 government-wide financial statements was required. The capital lease payable balance was restated in the amount of \$26,536 from \$438,144 to \$411,608 for the 2017 fiscal year. Deferred outflows of resources were restated by \$62,709 from \$237,307 to \$300,016 to correct

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 16 - RESTATEMENTS (CONTINUED)

the contributions subsequent to the measurement date. The beginning net position was restated by \$641,632 to include deferred revenues from 2017.

The resulting restatements increased net position by \$730,877 from \$13,587,372 to \$14,318,249.

NOTE 17 - SUBSEQUENT EVENTS

On July 24, 2018, the Town issued a general obligation note with the Vermont Municipal Bond Bank in the amount of \$29,500 at 0% interest. The note will mature in August of 2027.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Supplementary Information

TOWN OF BRANDON, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, Restated	\$ 547,168	\$ 547,168	\$ 547,168	\$ -
Resources (Inflows):				
Property taxes	6,770,680	6,770,680	6,765,182	(5,498)
Intergovernmental	196,715	196,715	206,661	9,946
Charges for services	217,405	217,405	259,137	41,732
Miscellaneous revenues	76,800	76,800	118,419	41,619
Transfers from other funds	-	-	43,140	43,140
Amounts Available for Appropriation	<u>7,808,768</u>	<u>7,808,768</u>	<u>7,939,707</u>	<u>130,939</u>
Charges to Appropriations (Outflows):				
General government	1,059,658	1,059,658	1,022,166	37,492
Public safety	1,042,700	1,042,700	945,460	97,240
Public works	755,910	755,910	823,495	(67,585)
Recreation	103,043	103,043	182,245	(79,202)
Education	3,776,655	3,776,655	3,776,655	-
County tax	28,000	28,000	26,011	1,989
Appropriations	203,259	203,259	203,259	-
Debt service:				
Principal	227,937	227,937	213,353	14,584
Interest	25,063	25,063	25,063	-
Unclassified	39,375	39,375	39,115	260
Transfers to other funds	-	-	78,199	(78,199)
Total Charges to Appropriations	<u>7,261,600</u>	<u>7,261,600</u>	<u>7,335,021</u>	<u>(73,421)</u>
Budgetary Fund Balance, June 30	<u>\$ 547,168</u>	<u>\$ 547,168</u>	<u>\$ 604,686</u>	<u>\$ 57,518</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>VMERS:</u>				
Proportion of the net pension liability	0.38%	0.36%	0.34%	0.00%
Proportionate share of the net pension liability	\$ 465,228	\$ 459,489	\$ 263,484	\$ 33,210
Covered-employee payroll	\$ 1,136,033	\$ 986,618	\$ 865,453	\$ 594,130
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	40.95%	46.57%	30.44%	5.59%
Plan fiduciary net position as a percentage of the total pension liability	83.64%	80.95%	87.42%	98.32%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>VMERS:</u>				
Contractually required contribution	\$ 61,772	\$ 62,709	\$ 54,264	\$ 47,773
Contributions in relation to the contractually required contribution	<u>(61,772)</u>	<u>(62,709)</u>	<u>(54,264)</u>	<u>(47,773)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,118,217	\$ 1,136,033	\$ 986,618	\$ 865,453
Contributions as a percentage of covered-employee payroll	5.52%	5.52%	5.50%	5.52%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Changes of Assumptions

The actuarial assumptions regarding inflation, investment return, COLA increase and mortality were changed based on reviews of economic assumptions, rates of mortality and future expectations of experience for VMERS.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

TOWN OF BRANDON, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property taxes	\$ 6,770,680	\$ 6,770,680	\$ 6,765,182	\$ (5,498)
Intergovernmental revenues:				
State aid - highways	148,715	148,715	151,869	3,154
PILOT	48,000	48,000	54,792	6,792
Charges for services:				
Fees and fines	200	200	-	(200)
Licenses and permits	19,455	19,455	18,693	(762)
Clerk revenue	76,100	76,100	69,725	(6,375)
Zoning revenue	500	500	-	(500)
Police revenue	50,100	50,100	60,984	10,884
Recreation revenue	51,750	51,750	74,388	22,638
Solid waste revenue	18,400	18,400	33,743	15,343
Public works	900	900	1,604	704
Other income:				
Interest and penalties	55,000	55,000	62,689	7,689
Interest income	10,000	10,000	8,674	(1,326)
Tax sale revenue	-	-	12,700	12,700
Other income	11,800	11,800	34,356	22,556
Transfers from other funds	-	-	43,140	43,140
TOTAL REVENUES	<u>\$ 7,261,600</u>	<u>\$ 7,261,600</u>	<u>\$ 7,392,539</u>	<u>\$ 130,939</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES					
General government:					
Administration	\$ 355,300	\$ -	\$ 355,300	\$ 356,702	\$ (1,402)
Assessor	39,760	-	39,760	30,220	9,540
Code enforcement	85,700	-	85,700	83,841	1,859
Town clerk	183,900	-	183,900	169,394	14,506
Insurance	188,425	-	188,425	177,967	10,458
Economic development	33,623	-	33,623	30,093	3,530
Town buildings and maintenance	172,950	-	172,950	173,949	(999)
	<u>1,059,658</u>	<u>-</u>	<u>1,059,658</u>	<u>1,022,166</u>	<u>37,492</u>
Public safety:					
Public safety	761,000	-	761,000	663,760	97,240
Fire department	281,700	-	281,700	281,700	-
	<u>1,042,700</u>	<u>-</u>	<u>1,042,700</u>	<u>945,460</u>	<u>97,240</u>
Public works:					
Administration	423,700	-	423,700	388,178	35,522
Professional services	12,500	-	12,500	4,380	8,120
Supplies and equipment	3,500	-	3,500	3,919	(419)
Winter roads	95,000	-	95,000	111,565	(16,565)
Summer roads	104,000	-	104,000	181,700	(77,700)
Vehicle repairs & maintenance	51,200	-	51,200	68,827	(17,627)
Leased equipment	66,010	-	66,010	64,926	1,084
	<u>755,910</u>	<u>-</u>	<u>755,910</u>	<u>823,495</u>	<u>(67,585)</u>
Recreation	<u>103,043</u>	<u>-</u>	<u>103,043</u>	<u>182,245</u>	<u>(79,202)</u>
Education	<u>3,776,655</u>	<u>-</u>	<u>3,776,655</u>	<u>3,776,655</u>	<u>-</u>
County tax	<u>28,000</u>	<u>-</u>	<u>28,000</u>	<u>26,011</u>	<u>1,989</u>

TOWN OF BRANDON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Debt service:					
Principal	227,937	-	227,937	213,353	14,584
Interest	25,063	-	25,063	25,063	-
	<u>253,000</u>	<u>-</u>	<u>253,000</u>	<u>238,416</u>	<u>14,584</u>
Appropriations:					
BIDCC - 4th of July	6,000	-	6,000	6,000	-
Brandon rescue squad	20,735	-	20,735	20,735	-
Chamber of Commerce	1,000	-	1,000	1,000	-
RSVP	550	-	550	550	-
SW VT Council on Aging	2,400	-	2,400	2,400	-
RAVNA	10,200	-	10,200	10,200	-
Rutland Mental Health	6,624	-	6,624	6,624	-
ARC of Rutland	3,500	-	3,500	3,500	-
Stephen A. Douglas Inc.	2,500	-	2,500	2,500	-
Brandon Library	85,500	-	85,500	85,500	-
Senior Citizen Center	13,500	-	13,500	13,500	-
Paving projects	50,000	-	50,000	50,000	-
Rutland Co Humane Society	750	-	750	750	-
	<u>203,259</u>	<u>-</u>	<u>203,259</u>	<u>203,259</u>	<u>-</u>
Unclassified:					
Rut. Regional Commission	925	-	925	925	-
Green-up Day	300	-	300	300	-
Public transit	3,500	-	3,500	3,500	-
REDC	500	-	500	500	-
Rut Nat Resources Conservation	250	-	250	-	250
Mosquito control	33,900	-	33,900	33,890	10
	<u>39,375</u>	<u>-</u>	<u>39,375</u>	<u>39,115</u>	<u>260</u>
Transfers to other funds	-	-	-	78,199	(78,199)
Total Departmental Operations	<u>\$ 7,261,600</u>	<u>\$ -</u>	<u>\$ 7,261,600</u>	<u>\$ 7,335,021</u>	<u>\$ (73,421)</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Investments	\$ 23,849	\$ -	\$ 23,849
Loans receivable (net of allowance for uncollectibles)	358,978	-	358,978
Prepaid items	-	780	780
Due from other funds	649,079	-	649,079
TOTAL ASSETS	<u>\$ 1,031,906</u>	<u>\$ 780</u>	<u>\$ 1,032,686</u>
LIABILITIES			
Due to other funds	\$ -	\$ 69,257	\$ 69,257
TOTAL LIABILITIES	<u>-</u>	<u>69,257</u>	<u>69,257</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	358,978	-	358,978
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>358,978</u>	<u>-</u>	<u>358,978</u>
FUND BALANCES (DEFICITS)			
Nonspendable - prepaid items	-	780	780
Restricted	672,928	-	672,928
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	(69,257)	(69,257)
TOTAL FUND BALANCES (DEFICITS)	<u>672,928</u>	<u>(68,477)</u>	<u>604,451</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	<u>\$ 1,031,906</u>	<u>\$ 780</u>	<u>\$ 1,032,686</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ -	\$ 460,721	\$ 460,721
Investment income, net of realized/unrealized gains/(losses)	5,700	-	5,700
Other	292,161	54,515	346,676
TOTAL REVENUES	<u>297,861</u>	<u>515,236</u>	<u>813,097</u>
EXPENDITURES			
Capital outlay	-	648,346	648,346
Program expenses	40,270	6,140	46,410
TOTAL EXPENDITURES	<u>40,270</u>	<u>654,486</u>	<u>694,756</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>257,591</u>	<u>(139,250)</u>	<u>118,341</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	500,000	500,000
Transfers in	5,000	73,199	78,199
Transfers (out)	-	(60,431)	(60,431)
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,000</u>	<u>512,768</u>	<u>517,768</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	262,591	373,518	636,109
FUND BALANCES (DEFICITS) - JULY 1, RESTATED	<u>410,337</u>	<u>(441,995)</u>	<u>(31,658)</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 672,928</u>	<u>\$ (68,477)</u>	<u>\$ 604,451</u>

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

TOWN OF BRANDON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Reappraisal Reserve	Revolving Loan Funds	Town Farm Fund	Public Safety Funds	Other Grant Programs	Local Option Tax Fund	Total
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	15,839	-	8,010	-	23,849
Loans receivable (net of allowance for uncollectibles)	-	358,978	-	-	-	-	358,978
Due from other funds	230,410	155,139	-	1,399	-	262,131	649,079
TOTAL ASSETS	\$ 230,410	\$ 514,117	\$ 15,839	\$ 1,399	\$ 8,010	\$ 262,131	\$ 1,031,906
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue	-	358,978	-	-	-	-	358,978
TOTAL DEFERRED INFLOWS OF RESOURCES	-	358,978	-	-	-	-	358,978
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	230,410	155,139	15,839	1,399	8,010	262,131	672,928
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	230,410	155,139	15,839	1,399	8,010	262,131	672,928
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 230,410	\$ 514,117	\$ 15,839	\$ 1,399	\$ 8,010	\$ 262,131	\$ 1,031,906

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Reappraisal Reserve	Revolving Loan Funds	Town Farm Fund	Public Safety Funds	Other Grant Programs	Local Option Tax Fund	Total
REVENUES							
Interest income	\$ -	\$ 3,913	\$ 67	\$ -	\$ 165	\$ 1,555	\$ 5,700
Other income	18,708	85,948	-	10	-	187,495	292,161
TOTAL REVENUES	18,708	89,861	67	10	165	189,050	297,861
EXPENDITURES							
Other	-	40,270	-	-	-	-	40,270
TOTAL EXPENDITURES	-	40,270	-	-	-	-	40,270
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	18,708	49,591	67	10	165	189,050	257,591
OTHER FINANCING SOURCES (USES)							
Transfers in	5,000	-	-	-	-	-	5,000
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	5,000	-	-	-	-	-	5,000
NET CHANGE IN FUND BALANCES	23,708	49,591	67	10	165	189,050	262,591
FUND BALANCES - JULY 1, RESTATED	206,702	105,548	15,772	1,389	7,845	73,081	410,337
FUND BALANCES - JUNE 30	\$ 230,410	\$ 155,139	\$ 15,839	\$ 1,399	\$ 8,010	\$ 262,131	\$ 672,928

See accompanying independent auditors' report and notes to financial statements.

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

TOWN OF BRANDON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

	Equipment and Infrastructure Fund	Town Office Funds	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Prepaid items	\$ 780		780
TOTAL ASSETS	<u>\$ 780</u>	<u>\$ -</u>	<u>\$ 780</u>
LIABILITIES			
Due to other funds	\$ 69,257	\$ -	\$ 69,257
TOTAL LIABILITIES	<u>69,257</u>	<u>-</u>	<u>69,257</u>
FUND BALANCES (DEFICITS)			
Nonspendable - prepaid items	780	-	780
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	(69,257)	-	(69,257)
TOTAL FUND BALANCES (DEFICITS)	<u>(68,477)</u>	<u>-</u>	<u>(68,477)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 780</u>	<u>\$ -</u>	<u>\$ 780</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Equipment and Infrastructure Fund	Town Office Funds	Total
REVENUES			
Intergovernmental	\$ 460,721	\$ -	\$ 460,721
Other income	54,515	-	54,515
TOTAL REVENUES	<u>515,236</u>	<u>-</u>	<u>515,236</u>
EXPENDITURES			
Capital outlay	648,346	-	648,346
Program expenses	2,950	3,190	6,140
TOTAL EXPENDITURES	<u>651,296</u>	<u>3,190</u>	<u>654,486</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(136,060)</u>	<u>(3,190)</u>	<u>(139,250)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	500,000	-	500,000
Transfers in	73,199	-	73,199
Transfers (out)	(60,431)	-	(60,431)
TOTAL OTHER FINANCING SOURCES (USES)	<u>512,768</u>	<u>-</u>	<u>512,768</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	376,708	(3,190)	373,518
FUND BALANCES (DEFICITS) - JULY 1	<u>(445,185)</u>	<u>3,190</u>	<u>(441,995)</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ (68,477)</u>	<u>\$ -</u>	<u>\$ (68,477)</u>

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

TOWN OF BRANDON, VERMONT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2018

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
General government	\$ 598,415	\$ 1,496,067	\$ 123,773	\$ -	\$ 2,218,255
Public safety	-	583,449	313,520	-	896,969
Public works	11,546,049	30,571	1,283,236	8,080,353	20,940,209
Recreation	2,400	169,718	54,524	-	226,642
Wastewater fund	1,203,513	2,110,196	819,443	493,364	4,626,516
Total General Capital Assets	13,350,377	4,390,001	2,594,496	8,573,717	28,908,591
Less: Accumulated Depreciation	-	(1,583,189)	(1,617,581)	(2,296,803)	(5,497,573)
Net General Capital Assets	<u>\$ 13,350,377</u>	<u>\$ 2,806,812</u>	<u>\$ 976,915</u>	<u>\$ 6,276,914</u>	<u>\$ 23,411,018</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2018

	General Capital Assets 7/1/17	Additions	Deletions	General Capital Assets 6/30/18
General government	\$ 2,219,866	\$ 12,341	\$ (13,952)	\$ 2,218,255
Public safety	896,969	-	-	896,969
Public works	13,865,962	9,526,551	(2,452,304)	20,940,209
Recreation	226,642	-	-	226,642
Wastewater fund	3,661,160	978,728	(13,372)	4,626,516
Total General Capital Assets	20,870,599	10,517,620	(2,479,628)	28,908,591
Less: Accumulated Depreciation	(4,953,039)	(544,534)	-	(5,497,573)
Net General Capital Assets	<u>\$ 15,917,560</u>	<u>\$ 9,973,086</u>	<u>\$ (2,479,628)</u>	<u>\$ 23,411,018</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF BRANDON, VERMONT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Public Safety				
Passed through State of Vermont Agency of Transportation				
HMGP 4022	97.039	02140-34000-092	\$ 25,763	\$ -
PA 4330	97.036	02140-84330-006	395,179	-
Total U.S. Department of Public Safety			<u>420,942</u>	<u>-</u>
U.S. Department of Transportation Agency				
Passed through State of Vermont Agency of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	08100-CA0439	1,093	-
Highway Planning and Construction	20.205	08126-CA0067	5,178,284	-
Highway Planning and Construction	20.205	08126-CA0120	4,967	-
Highway Planning and Construction	20.205	08126-CA0290	483,761	-
Total Highway Planning and Construction Cluster			<u>5,668,105</u>	<u>-</u>
Highway Safety Cluster				
State and Community Highway Safety	20.600	08100-GR0811	400	-
State and Community Highway Safety	20.600	08100-GR0907	3,636	-
Total Highway Safety Cluster			<u>4,036</u>	<u>-</u>
Total U.S. Department of Transportation Agency			<u>5,672,141</u>	<u>-</u>
U.S. Department of Agriculture				
Direct award				
Water and Waste Program Cluster				
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	145,582	-
Total Water and Waste Program Cluster			<u>145,582</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>145,582</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 6,238,665</u>	<u>\$ -</u>

TOWN OF BRANDON, VERMONT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Brandon, Vermont under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Brandon, Vermont, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Brandon, Vermont.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Town of Brandon, Vermont has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.



Proven Expertise and Integrity

INDEPENDENT AUDITORS' 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 Brandon
Brandon, Vermont

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, business-type activities, each major fund and the aggregate remaining fund information of the Town of Brandon, Vermont as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Brandon, Vermont's basic financial statements, and have issued our report thereon dated March 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Brandon, 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 Brandon, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Brandon, 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
March 19, 2019



Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE

Selectboard
Town of Brandon, Vermont
Brandon, Vermont

Report on Compliance for Each Major Federal Program

We have audited the Town of Brandon, Vermont's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Brandon, Vermont's major federal programs for the year ended June 30, 2018. The Town of Brandon, Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Brandon, Vermont's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Brandon, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Brandon, Vermont's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Brandon, Vermont complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Town of Brandon, Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Brandon, Vermont's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Brandon, Vermont's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Brandon, Vermont's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing

based on the requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
March 19, 2019

TOWN OF BRANDON, VERMONT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted? yes no

- *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with section OMB Compliance Supplement? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None