

Audited Financial Statements
and Other Financial Information

Town of Plymouth, Vermont

June 30, 2017



Proven Expertise & Integrity

TOWN OF PLYMOUTH, VERMONT

CONTENTS

JUNE 30, 2017

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 10
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	11
STATEMENT B - STATEMENT OF ACTIVITIES	12 - 13
FUND FINANCIAL STATEMENTS	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	14
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	15
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	16
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	17
NOTES TO FINANCIAL STATEMENTS	18 - 43
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	44
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND	45

SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	46
SCHEDULE 3 - SCHEDULE OF CONTRIBUTIONS	47
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	48
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	49
SCHEDULE A - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND REVENUES	50
SCHEDULE B - SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND	51
SCHEDULE C - COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS	52
SCHEDULE D - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS	53
SPECIAL REVENUE FUNDS DESCRIPTION	54
SCHEDULE E - COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS	55
SCHEDULE F - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS	56
CAPITAL PROJECTS FUNDS DESCRIPTION	57
SCHEDULE G - COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS	58
SCHEDULE H - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS	59

PERMANENT FUNDS DESCRIPTION	60
SCHEDULE I - COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS	61
SCHEDULE J - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR PERMANENT FUNDS	62

FEDERAL COMPLIANCE

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	63 - 64
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Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Selectboard
Town of Plymouth
Plymouth, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Plymouth, Vermont, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Plymouth, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Plymouth, Vermont as of June 30, 2017, 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 and pension information on pages 4 through 10 and 45 through 48 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 Plymouth, Vermont's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are 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 and combining and individual nonmajor fund financial statements 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 and combining and individual nonmajor fund financial statements 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 July 31, 2018, on our consideration of the Town of Plymouth, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 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 Plymouth, Vermont's internal control over financial reporting and compliance.

R.H.R. Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000967
July 31, 2018

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2017

(UNAUDITED)

The following management's discussion and analysis of Town of Plymouth, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

The Town of Plymouth' 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, 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.

The above mentioned financial statements have one column for the Town's activity. The type of activity presented for the Town of Plymouth is:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, recreation, community development and unclassified.

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 Plymouth, 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 Plymouth are considered governmental funds and fiduciary funds.

Governmental funds: All 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 funds financial statement.

The Town of Plymouth presents three 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

and the highway and building fund. 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.

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 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

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 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 activities. The Town's total net position for governmental activities increased by \$216,228 from \$3,157,457 to \$3,373,685.

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 governmental activities to a balance of \$899,460 at the end of this year.

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

	<u>2017</u>	<u>2016</u>
Assets:		
Current Assets	\$ 1,423,214	\$ 1,071,281
Capital Assets	<u>2,063,141</u>	<u>2,303,522</u>
Total Assets	<u>3,486,355</u>	<u>3,374,803</u>
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	<u>54,844</u>	<u>24,857</u>
Total Deferred Outflows of Resources	<u>54,844</u>	<u>24,857</u>
Liabilities:		
Current Liabilities	75,831	144,492
Long-term Debt Outstanding	<u>88,764</u>	<u>96,116</u>
Total Liabilities	<u>164,595</u>	<u>240,608</u>
Deferred Inflows of Resources:		
Deferred Inflows Related to Pensions	<u>2,919</u>	<u>1,595</u>
Total Deferred Inflows of Resources	<u>2,919</u>	<u>1,595</u>
Net Position:		
Net Investment in Capital Assets	2,024,492	2,201,171
Restricted: Highway and Building Fund	284,864	189,902
Permanent Funds	164,869	166,671
Unrestricted	<u>899,460</u>	<u>599,713</u>
Total Net Position	<u>\$ 3,373,685</u>	<u>\$ 3,157,457</u>

Revenues and Expenses

Revenues for the Town's governmental activities decreased by 35.86% primarily due to taxes. Expenses decreased by 36.72%. This decrease was primarily due to education.

Table 2
Town of Plymouth, Vermont
Changes in Net Position
For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 291,276	\$ 208,988
Operating grants and contributions	71,152	74,980
<i>General Revenues:</i>		
Taxes	1,266,936	2,449,411
Grants and contributions not restricted to specific programs	85,902	-
Miscellaneous	54,913	26,416
Total Revenues	<u>1,770,179</u>	<u>2,759,795</u>
Expenses		
General government	619,081	608,777
Public safety	293,817	277,566
Public works	554,249	641,437
Recreation	-	1,700
Community development	10,037	8,443
Disaster buyouts	-	2,000
Education	10,757	915,832
Unclassified	14,797	-
Capital outlay	51,213	-
Total Expenses	<u>1,553,951</u>	<u>2,455,755</u>
Change in Net Position	216,228	304,040
Net Position - July 1	<u>3,157,457</u>	<u>2,853,417</u>
Net Position - June 30	<u>\$ 3,373,685</u>	<u>\$ 3,157,457</u>

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 Plymouth, Vermont
Fund Balances - Governmental Funds
June 30,

	<u>2017</u>	<u>2016</u>
General Fund:		
Unassigned	\$ 618,481	\$ 395,811
Total General Fund	<u>\$ 618,481</u>	<u>\$ 395,811</u>
Highway and Building Fund:		
Restricted	\$ 284,864	\$ 189,902
Total Highway and Building Fund	<u>\$ 284,864</u>	<u>\$ 189,902</u>
Nonmajor Funds:		
Special Revenue Funds:		
Assigned	\$ 102,388	\$ 93,523
Capital Projects Funds:		
Assigned	55,577	35,000
Permanent Funds:		
Nonspendable - principal	97,805	97,805
Restricted	67,064	68,866
Total Nonmajor Funds	<u>\$ 322,834</u>	<u>\$ 295,194</u>

The general fund total fund balance increased by \$222,670 from the prior fiscal year attributable to an increase in revenues over expenditures. The highway and building fund total fund balance increased by \$94,962 primarily due to a transfer from the general fund. The nonmajor funds total fund balances increased by \$27,640 from the prior fiscal year primarily due to an increase of revenues over expenditures.

Budgetary Highlights

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

The general fund actual revenues exceeded budget by \$223,196. All revenue categories were received in excess of budgeted amounts with the exception of intergovernmental and other revenues.

The general fund actual expenditures were over budget in total by \$194,726. All expenditures categories were within or under budget with the exception of general government and public safety.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2017, the net book value of capital assets recorded by the Town decreased by \$240,381 from the prior year. This decrease is the result of current year depreciation expense.

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

	<u>2017</u>	<u>2016</u>
Land and Non-Depreciable Assets	\$ 153,000	\$ 153,000
Buildings and Improvements	2,471,160	2,471,160
Furniture and Equipment	251,400	251,400
Vehicles	563,000	563,000
Accumulated Depreciation	<u>(1,375,419)</u>	<u>(1,135,038)</u>
Total	<u>\$ 2,063,141</u>	<u>\$ 2,303,522</u>

Debt

At June 30, 2017, the Town had \$38,649 in a capital lease outstanding versus \$102,351 in the prior year. Other obligations include net pension liability. Refer to Note 5 of Notes to Financial Statements for detailed information.

Economic Factors and Next Year's Budgets and Rates

The Town has maintained a sufficient unassigned fund balance to sustain government operations for a period of approximately four months, while also maintaining reserve accounts for future operational, capital and program needs.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at 68 Town Office Road, Plymouth, Vermont 05056.

STATEMENT A

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

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,063,755
Investments	147,296
Accounts receivable (net of allowance for uncollectibles):	
Delinquent taxes receivable	<u>212,163</u>
Total current assets	<u>1,423,214</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	153,000
Buildings and equipment, net of accumulated depreciation	<u>1,910,141</u>
Total noncurrent assets	<u>2,063,141</u>
DEFERRED OUTFLOW OF RESOURCES	<u>54,844</u>
Deferred outflows related to pensions	<u>54,844</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,541,199</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 34,759
Accrued expenses	2,423
Current portion of long-term obligations	<u>38,649</u>
Total current liabilities	<u>75,831</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Net pension liability	<u>88,764</u>
Total noncurrent liabilities	<u>88,764</u>
TOTAL LIABILITIES	<u>164,595</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,919</u>
Deferred inflows related to pensions	<u>2,919</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	
NET POSITION	2,024,492
Net investment in capital assets	284,864
Restricted: Capital projects funds	164,869
Permanent funds	899,460
Unrestricted	<u>3,373,685</u>
TOTAL NET POSITION	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 3,541,199</u>

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

STATEMENT B

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Governmental activities:					
General government	\$ 619,081	\$ 291,276	\$ -	\$ -	(327,805)
Public safety	293,817	-	-	-	(293,817)
Public works	554,249	-	71,152	-	(483,097)
Community development	10,037	-	-	-	(10,037)
Education	10,757	-	-	-	(10,757)
Unclassified	14,797	-	-	-	(14,797)
Capital outlay	51,213	-	-	-	(51,213)
Total government	\$ 1,553,951	\$ 291,276	\$ 71,152	\$ -	(1,191,523)

STATEMENT B (CONTINUED)
TOWN OF PLYMOUTH, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Activities
Changes in net position:	
Net (expense) revenue	(1,191,523)
General revenues:	
Taxes:	
Property taxes, levied for general purposes	1,266,936
Grants and contributions not restricted to specific programs	85,902
Miscellaneous	54,913
Total general revenues	1,407,751
Change in net position	216,228
NET POSITION - JULY 1	3,157,457
NET POSITION - JUNE 30	\$ 3,373,685

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

STATEMENT C

TOWN OF PLYMOUTH, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Highway and Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,008,523	\$ 20,009	\$ 35,223	\$ 1,063,755
Investments	-	-	147,296	147,296
Accounts receivable (net of allowance for uncollectibles):	212,163	-	-	212,163
Delinquent taxes receivable	-	264,855	140,315	405,170
Due from other funds	-	284,864	322,834	1,828,384
TOTAL ASSETS	\$ 1,220,686	\$ 284,864	\$ 322,834	\$ 1,828,384
LIABILITIES				
Accounts payable	\$ 34,759	\$ -	\$ -	\$ 34,759
Accrued expenses	2,423	-	-	2,423
Due to other funds	405,170	-	-	405,170
TOTAL LIABILITIES	\$ 442,352	\$ -	\$ -	\$ 442,352
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax	159,853	-	-	159,853
TOTAL DEFERRED INFLOWS OF RESOURCES	159,853	-	-	159,853
FUND BALANCES				
Nonspendable	-	-	97,805	97,805
Restricted	-	284,864	67,064	351,928
Committed	-	-	157,965	157,965
Assigned	618,481	-	-	618,481
Unassigned	618,481	284,864	322,834	1,226,179
TOTAL FUND BALANCES	618,481	284,864	322,834	1,226,179
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,220,686	\$ 284,864	\$ 322,834	\$ 1,828,384

TOWN OF PLYMOUTH, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 1,226,179
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	2,063,141
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	54,844
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	159,853
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Capital lease payable	(38,649)
Net pension liability	(88,764)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(2,919)</u>
Net position of governmental activities	<u><u>\$ 3,373,685</u></u>

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

STATEMENT E

TOWN OF PLYMOUTH, VERMONT

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

	General Fund	Highway and Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 1,216,668	\$ -	\$ -	\$ 1,216,668
Intergovernmental	157,054	-	-	157,054
Permits and licenses	291,276	-	-	291,276
Interest income	-	174	1,593	1,767
Miscellaneous	13,150	16,001	23,995	53,146
TOTAL REVENUES	<u>1,678,148</u>	<u>16,175</u>	<u>25,588</u>	<u>1,719,911</u>
EXPENDITURES				
Current:				
General government	553,559	-	2,522	556,081
Public safety	272,877	-	-	272,877
Public works	458,877	-	-	458,877
Community development	10,037	-	-	10,037
Education	10,757	-	-	10,757
Unclassified	-	-	14,797	14,797
Capital outlay	-	51,213	-	51,213
TOTAL EXPENDITURES	<u>1,306,107</u>	<u>51,213</u>	<u>17,319</u>	<u>1,374,639</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>372,041</u>	<u>(35,038)</u>	<u>8,269</u>	<u>345,272</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,206	130,000	55,577	186,783
Transfers (out)	(150,577)	-	(36,206)	(186,783)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(149,371)</u>	<u>130,000</u>	<u>19,371</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>222,670</u>	<u>94,962</u>	<u>27,640</u>	<u>345,272</u>
FUND BALANCES - JULY 1	<u>395,811</u>	<u>189,902</u>	<u>295,194</u>	<u>880,907</u>
FUND BALANCES - JUNE 30	<u>\$ 618,481</u>	<u>\$ 284,864</u>	<u>\$ 322,834</u>	<u>\$ 1,226,179</u>

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

TOWN OF PLYMOUTH, VERMONT

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

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 345,272</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 to be allocated to those expenditures over the life of the assets:	
Depreciation expense	<u>(240,381)</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>29,987</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Taxes and liens receivable	<u>50,268</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 Net Position	
	<u>63,702</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>(1,324)</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:	
Net pension liability	<u>(31,296)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 216,228</u></u>

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

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Plymouth was incorporated under the laws of the State of Vermont. The Town is governed by a selectboard and provides the following services: general government, public safety, public works, and highway.

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 do not include all accounts and all operations of the Town. We have determined that the Town has component units, such as the town school Town, 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, 2017, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The objective of the Statement is to improve the disclosure of information about benefits other than pensions (other postemployment benefits or OPEB) included in financial statements of state and local governments. This Statement will improve financial reporting through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet specified criteria. Management has determined the impact of this Statement is not material to the financial statements.

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 77, "*Tax Abatement Disclosures*". The objective of the Statement is to improve disclosure of information about the nature and magnitude of tax abatements, making these transactions more transparent to financial statement users. As such, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 80, "*Blending Requirements for Certain Component Units*". The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. 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 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. 82, "*Pension Issues*". The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. 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 governmental.

In the government-wide Statement of Net Position, the governmental activities column is (a) presented on a consolidated basis by column, and (b) is 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; 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 (general government, public safety, etc.). 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. 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.

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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 Highway and Building Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

Nonmajor Funds

- c. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- d. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- e. Permanent Funds are used to account for assets held by the Town that are legally restricted and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The emphasis in fund financial statements is on the major funds in the governmental activities category. 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 fiduciary 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.

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.

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Early 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 meeting of the inhabitants 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. 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

The Town of Plymouth, Vermont has a formal investment policy, and also follows the State of Vermont Statutes.

Receivables

Receivables include amounts due from taxpayer receivables. 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 \$0 for the year ended June 30, 2017. The allowance for uncollectible amounts is estimated to be \$0 as of June 30, 2017.

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Governmental Funds.

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.

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 has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 a capital lease payable 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.

Compensated Absences

The Town's policies regarding vacation and sick time permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2017, the Town's liability for compensated absences is \$0.

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.

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 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.

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 currently has 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 tax 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 qualify 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.

Revenue Recognition - Property Taxes - Modified Accrual Basis

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.

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

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

State statutes require that all investments made by the Town consider the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Town funds.

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. The Town does have a policy covering custodial credit risk for deposits. The Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Vermont Revised Statutes. At June 30, 2017, the Town's cash and cash equivalents balances amounting to \$1,063,755 were comprised of deposits of \$1,122,856. Of these deposits, \$299,406 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$823,450 was collateralized with securities held by the financial institution but not in the Town's name.

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Account Type	Bank Balance
Checking accounts	\$ 1,093,717
Savings accounts	18,059
Money market accounts	3,512
Cash equivalents	7,568
	\$ 1,122,856

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 have a policy for custodial credit risk for investments. The Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and brokers/dealers. The Town's investments in certificates of deposit in the amount of \$102,350 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk. The Town's investments in mutual funds in the amount of \$44,946 were fully insured by the Securities Investor Protection Corporation and was consequently not exposed to custodial credit risk.

At June 30, 2017, the Town had no investments had the following investments:

Investment Type	Fair Value	Not Applicable	Less than 1 Year	1 - 5 Years
Certificates of deposit	\$ 102,350	\$ -	\$ 4,183	\$ 98,167
Mutual funds	44,946	44,946	-	-
	\$ 147,296	\$ 44,946	\$ 4,183	\$ 98,167

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, 2017:

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

	June 30, 2017 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>				
Mutual funds - domestic and foreign	\$ 44,946	\$ 44,946	\$ -	\$ -
Total equity securities	44,946	44,946	-	-
Total investments by fair value level	44,946	\$ 44,946	\$ -	\$ -
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	7,568			
Total cash equivalents measured at the NAV	7,568			
Total investments and cash equivalents measured at fair value	\$ 52,514			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued from publicly reliable sources or using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. 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, 2017 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 \$102,350 are 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 have an investment policy on credit risk. The Town mitigates this risk by limiting investments to authorized types of securities, using qualified financial institutions authorized by the finance committee and diversifying the investment portfolio to meet the Town's current and future cash flow needs. Generally, the Town invests excess funds in cash management accounts and various insured certificates of deposit.

TOWN OF PLYMOUTH, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does have a formal investment policy that mitigates interest rate risk by limiting 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, 2017 consisted of the following individual fund receivables and payables:

	Receivables (Due From)	Payables (Due To)
Major funds:		
General fund	\$ -	\$ 405,170
Highway and building fund	264,855	-
Nonmajor funds:		
Special revenue funds	84,738	-
Capital projects funds	55,577	-
	\$ 405,170	\$ 405,170

TOWN OF PLYMOUTH, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2017:

	Balance 7/1/16	Additions	Disposals	Balance 6/30/17
Non-depreciated assets:				
Land	\$ 153,000	\$ -	\$ -	\$ 153,000
	<u>153,000</u>	<u>-</u>	<u>-</u>	<u>153,000</u>
Depreciated assets:				
Buildings & improvements	2,471,160	-	-	2,471,160
Equipment	251,400	-	-	251,400
Vehicles	563,000	-	-	563,000
	<u>3,285,560</u>	<u>-</u>	<u>-</u>	<u>3,285,560</u>
Less accumulated depreciation:	<u>(1,135,038)</u>	<u>(240,381)</u>	<u>-</u>	<u>(1,375,419)</u>
Net depreciated assets	<u>2,150,522</u>	<u>(240,381)</u>	<u>-</u>	<u>1,910,141</u>
Net capital assets	<u>\$ 2,303,522</u>	<u>\$ (240,381)</u>	<u>\$ -</u>	<u>\$ 2,063,141</u>
<u>Current year depreciation:</u>				\$ 124,069
General government				20,940
Public safety				95,372
Public works				<u>240,381</u>
Total depreciation expense				<u>\$ 240,381</u>

TOWN OF PLYMOUTH, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	Balance 7/1/16	Additions	Deletions	Balance 6/30/17	Current Year Portion
Capital lease payable	\$ 102,351	\$ -	\$ (63,702)	\$ 38,649	\$ 38,649
Net pension liability	57,468	31,296	-	88,764	-
Totals	<u>\$ 159,819</u>	<u>\$ 31,296</u>	<u>\$ (63,702)</u>	<u>\$ 127,413</u>	<u>\$ 38,649</u>

The following is a summary of the capital lease payable for the year ended June 30, 2017:

The Town leases a truck and snow plow with attachments. The term of the lease is for a four year period expiring in December of 2017. Annual principal and interest payments are \$40,032.

\$ 38,649

The future annual payments for this capital lease for the years ending June 30 are as follows:

2018	<u>\$ 40,031</u>
Total minimum lease payments	40,031
Less amount representing interest	(1,382)
Present value of future minimum lease payments	<u>\$ 38,649</u>

NOTE 6 - OPERATING LEASES

The Town leases a copier. The term of the lease is for a five year period expiring in June of 2019. Monthly principal and interest payments are \$149.

\$ 3,578

The future annual payments for the operating lease for the years ending June 30 are as follows:

2018	\$ 1,789
2019	1,789
	<u>\$ 3,578</u>

TOWN OF PLYMOUTH, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 7 - EXPENDITURES OVER APPROPRIATIONS

The Town budget was approved in total by one article and the total actual expenditures exceeded this amount by \$194,726.

NOTE 8 - RESTRICTED FUND BALANCES

At June 30, 2017, the Town had the following restricted fund balances:

Higway and building fund	\$ 284,864
Nonmajor permanent funds (Schedule I)	67,064
	\$ 351,928

NOTE 9 - ASSIGNED FUND BALANCES

At June 30, 2017, the Town had the following assigned fund balances:

Nonmajor special revenue funds (Schedule E)	\$ 102,388
Nonmajor capital projects funds (Schedule G)	55,577
	\$ 157,965

NOTE 10 - DEFINED BENEFIT PENSION PLANS

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 Towns 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 Town 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.

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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 Group B. Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

TOWN OF PLYMOUTH, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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
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.

TOWN OF PLYMOUTH, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 years ended June 30, 2017, \$8,521. The Town contributed \$9,614 for the year ended June 30, 2017. The Town's total payroll for the year ended June 30, 2017 for all employees covered under this plan was \$174,793.

Pension Liabilities

At June 30, 2017, the Town reported a liability of \$88,764 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2016, 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-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2016, the Town's proportion was 0.06897%, which was a decrease of 0.00557% from its proportion measured as of June 30, 2015.

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

For the year ended June 30, 2017, the Town recognized net pension expense of \$2,633 for the VMERS plan. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,823	\$ -
Changes of assumptions	14,255	-
Net difference between projected and actual earnings on pension plan investments	28,782	-
Changes in proportion and differences between contributions and proportionate share of contributions	370	2,919
Contributions subsequent to the measurement date	9,614	-
Total	\$ 54,844	\$ 2,919

\$9,614 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VMERS
Plan year ended June 30:	
2017	\$ 10,654
2018	10,654
2019	16,038
2020	4,966
2021	-
Thereafter	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five-year period ending June 30, 2014:

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Investment Rate of Return: 7.95% 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 3.00% to 3.25% per year.

Salary increases for the VMERS plan are 5.00% per year, including inflation.

Mortality rates for active participants in the VMERS plan for Groups A, B, C and D were based on the RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB. Groups A, B, and C with a 60% Blue Collar and 40% White Collar adjustment and Group D with a 100% Blue Collar adjustment. The post-retirement mortality assumption was chosen to recognize improved longevity experience after the valuation date.

Spouse's Age: For both plans, husbands are assumed to be three years older than their wives.

Cost-of-Living adjustments to benefits of terminated vested and retired participants were assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D of the VMERS plan.

Actuarial Cost Method: Entry Age Normal – Level Percentage of Pay.

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

TOWN OF PLYMOUTH, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.95%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the 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

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.95%, as well as what the School 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 (6.95%) or 1 percentage point higher (8.95%) than the current rate:

TOWN OF PLYMOUTH, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	<u>1%</u> <u>Decrease</u>	<u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
<u>VMERS:</u>			
Discount rate	6.95%	7.95%	8.95%
Town's proportionate share of the net pension liability	\$ 147,357	\$ 88,764	\$ 39,704

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 the VMERS or their participating employers. VMERS do 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 11 - 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.

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

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 three insurance trusts; the Property and Casualty Intermunicipal Fund, Inc. (PACIF) for multi-line insurance; the Vermont League of Cities and Towns Health Trust (VLCTHT) for health, life and disability coverage; and the Vermont League of Cities and Towns Unemployment Trust, Inc. (VLCTUT) for unemployment compensation. PACIF, VLCTHT and VLCTUT 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 insurance coverage, VLCTHT has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Benefits available include dental insurance, flexible spending accounts, life insurance, disability insurance, and long-term care insurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

To provide unemployment coverage, VLCTUT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and provides excess reinsurance protection. Contributions are based on payroll expense and the previous two year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VLCTUT is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

TOWN OF PLYMOUTH, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 - 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 14 - RELATED PARTIES

The Town contracts with two vendors that are related to a selectboard member, A.B.L.E. Waste Management and Michael's Excavation. For the year ended June 30, 2017, the Town paid A.B.L.E. Waste Management \$61,579 and Michael's Excavation was paid \$9,210.

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 PLYMOUTH, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 395,811	\$ 395,811	\$ 395,811	\$ -
Resources (Inflows):				
Property taxes	1,211,958	1,211,958	1,216,668	4,710
Intergovernmental	168,000	168,000	157,054	(10,946)
Permits and licenses	15,900	15,900	291,276	275,376
Other revenue	60,300	60,300	13,150	(47,150)
Transfers from other funds	-	-	1,206	1,206
Amounts Available for Appropriation	<u>1,851,969</u>	<u>1,851,969</u>	<u>2,075,165</u>	<u>223,196</u>
Charges to Appropriations (Outflows):				
General government	464,823	464,823	553,559	(88,736)
Public safety	108,750	108,750	272,877	(164,127)
Public works	507,771	507,771	458,877	48,894
Community development	10,037	10,037	10,037	-
Education	20,000	20,000	10,757	9,243
Transfers to other funds	150,577	150,577	150,577	-
Total Charges to Appropriations	<u>1,261,958</u>	<u>1,261,958</u>	<u>1,456,684</u>	<u>(194,726)</u>
Budgetary Fund Balance, June 30	<u>\$ 590,011</u>	<u>\$ 590,011</u>	<u>\$ 618,481</u>	<u>\$ 28,470</u>

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

TOWN OF PLYMOUTH, VERMONT

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>VMERS:</u>			
Proportion of the net pension liability	0.07%	0.07%	0.07%
Proportionate share of the net pension liability	\$ 88,764	\$ 57,468	\$ 6,652
Covered-employee payroll	\$ 189,455	\$ 170,945	\$ 175,018
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	46.85%	33.62%	3.80%
Plan fiduciary net position as a percentage of the total pension liability	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.

TOWN OF PLYMOUTH, VERMONT

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>VMERS:</u>			
Contractually required contribution	\$ 9,614	\$ 10,420	\$ 9,402
Contributions in relation to the contractually required contribution	<u>(9,614)</u>	<u>(10,420)</u>	<u>(9,402)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 174,793	\$ 189,455	\$ 170,945
Contributions as a percentage of covered-employee payroll	5.50%	5.50%	5.50%

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

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

TOWN OF PLYMOUTH, VERMONT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Changes in Assumptions

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

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

Other Supplementary Information

Other supplementary information includes financial statements 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
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds

SCHEDULE A

TOWN OF PLYMOUTH, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Resources (Inflows):				
Property taxes:				
Current real property taxes	\$ 1,211,958	\$ 1,211,958	\$ 706,162	\$ (505,796)
Delinquent real property taxes	-	-	425,803	425,803
Penalties and interest	-	-	52,188	52,188
Current use	-	-	32,515	32,515
Intergovernmental revenues:				
State aid to highways	68,000	68,000	71,152	3,152
State pilot program	100,000	100,000	85,902	(14,098)
Permits and licenses:				
Dog licenses	-	-	286	286
Liquor licenses	900	900	715	(185)
Clerk fees	15,000	15,000	12,710	(2,290)
Debt collector fees	-	-	44,748	44,748
Local fines	-	-	232,817	232,817
Other income:				
Other income	60,300	60,300	13,150	(47,150)
Transfers from other funds	-	-	1,206	1,206
Amounts Available for Appropriation	<u>\$ 1,456,158</u>	<u>\$ 1,456,158</u>	<u>\$ 1,679,354</u>	<u>\$ 223,196</u>

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

SCHEDULE B

TOWN OF PLYMOUTH, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Adjustments	Final Budget	Actual Expenditures	Variance Positive (Negative)
General government:					
Administration	\$ 36,450	\$ -	\$ 36,450	\$ 67,268	\$ (30,818)
Town clerk/treasurer	34,000	-	34,000	33,494	506
Assistant town clerk	33,000	-	33,000	19,278	13,722
Constable	300	-	300	-	300
BCA appeals	2,500	-	2,500	1,136	1,364
Auditors	15,500	-	15,500	11,709	3,791
Selectmen	1,800	-	1,800	1,800	-
Trustee/public funds	150	-	150	-	150
Delinquent tax collector	-	-	-	34,536	(34,536)
Listers	35,000	-	35,000	30,290	4,710
Municipal building	53,123	-	53,123	41,867	11,256
General expenses	250,500	-	250,500	310,481	(59,981)
Selectboard clerk	2,500	-	2,500	1,700	800
Totals	<u>464,823</u>	<u>-</u>	<u>464,823</u>	<u>553,559</u>	<u>(88,736)</u>
Public safety:					
Law enforcement	60,000	-	60,000	221,939	(161,939)
Ambulance	15,500	-	15,500	14,579	921
Fire	33,250	-	33,250	36,359	(3,109)
Totals	<u>108,750</u>	<u>-</u>	<u>108,750</u>	<u>272,877</u>	<u>(164,127)</u>
Public works:					
Garage operations	88,649	-	88,649	95,155	(6,506)
Summer maintenance	236,576	-	236,576	180,665	55,911
Winter maintenance	51,557	-	51,557	183,057	(131,500)
Winter sand	102,459	-	102,459	-	102,459
Bridges	28,530	-	28,530	-	28,530
Totals	<u>507,771</u>	<u>-</u>	<u>507,771</u>	<u>458,877</u>	<u>48,894</u>
Recreation	-	-	-	-	-
Community development:					
Appropriations	10,037	-	10,037	10,037	-
Totals	<u>10,037</u>	<u>-</u>	<u>10,037</u>	<u>10,037</u>	<u>-</u>
Education	20,000	-	20,000	10,757	9,243
Transfers to other funds	150,577	-	150,577	150,577	-
TOTAL DEPARTMENTAL OPERATIONS	<u>\$ 1,261,958</u>	<u>\$ -</u>	<u>\$ 1,261,958</u>	<u>\$ 1,456,684</u>	<u>\$ (194,726)</u>

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

TOWN OF PLYMOUTH, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 17,650	\$ -	\$ 17,573	\$ 35,223
Investments	-	-	147,296	147,296
Due from other funds	84,738	55,577	-	140,315
TOTAL ASSETS	<u>\$ 102,388</u>	<u>\$ 55,577</u>	<u>\$ 164,869</u>	<u>\$ 322,834</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	97,805	97,805
Restricted	-	-	67,064	67,064
Committed	-	-	-	-
Assigned	102,388	55,577	-	157,965
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>102,388</u>	<u>55,577</u>	<u>164,869</u>	<u>322,834</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 102,388</u>	<u>\$ 55,577</u>	<u>\$ 164,869</u>	<u>\$ 322,834</u>

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

SCHEDULE D

TOWN OF PLYMOUTH, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Interest income	\$ 2		\$ 1,591	\$ 1,593
Other income	12,591	-	11,404	23,995
TOTAL REVENUES	<u>12,593</u>	<u>-</u>	<u>12,995</u>	<u>25,588</u>
EXPENDITURES				
General government	2,522	-	-	2,522
Other	-	-	14,797	14,797
TOTAL EXPENDITURES	<u>2,522</u>	<u>-</u>	<u>14,797</u>	<u>17,319</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>10,071</u>	<u>-</u>	<u>(1,802)</u>	<u>8,269</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	55,577	-	55,577
Transfers (out)	(1,206)	(35,000)	-	(36,206)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,206)</u>	<u>20,577</u>	<u>-</u>	<u>19,371</u>
NET CHANGE IN FUND BALANCES	8,865	20,577	(1,802)	27,640
FUND BALANCES - JULY 1	<u>93,523</u>	<u>35,000</u>	<u>166,671</u>	<u>295,194</u>
FUND BALANCES - JUNE 30	<u>\$ 102,388</u>	<u>\$ 55,577</u>	<u>\$ 164,869</u>	<u>\$ 322,834</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 PLYMOUTH, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Office Equipment	Reappraisal	Record Restoration	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 17,650	\$ -	\$ 17,650
Due from other funds	56,957	10,519	17,262	84,738
TOTAL ASSETS	<u>\$ 56,957</u>	<u>\$ 28,169</u>	<u>\$ 17,262</u>	<u>\$ 102,388</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	56,957	28,169	17,262	102,388
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>56,957</u>	<u>28,169</u>	<u>17,262</u>	<u>102,388</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 56,957</u>	<u>\$ 28,169</u>	<u>\$ 17,262</u>	<u>\$ 102,388</u>

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

SCHEDULE F

TOWN OF PLYMOUTH, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Office Equipment	Reappraisal	Record Restoration	Total
REVENUES				
Interest income	\$ -	\$ 2	\$ -	\$ 2
Other income	1,238	10,277	1,076	12,591
TOTAL REVENUES	<u>1,238</u>	<u>10,279</u>	<u>1,076</u>	<u>12,593</u>
EXPENDITURES				
General government	-	2,522	-	2,522
TOTAL EXPENDITURES	<u>-</u>	<u>2,522</u>	<u>-</u>	<u>2,522</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,238</u>	<u>7,757</u>	<u>1,076</u>	<u>10,071</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	(1,206)	-	(1,206)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(1,206)</u>	<u>-</u>	<u>(1,206)</u>
NET CHANGE IN FUND BALANCES	1,238	6,551	1,076	8,865
FUND BALANCES - JULY 1	<u>55,719</u>	<u>21,618</u>	<u>16,186</u>	<u>93,523</u>
FUND BALANCES - JUNE 30	<u>\$ 56,957</u>	<u>\$ 28,169</u>	<u>\$ 17,262</u>	<u>\$ 102,388</u>

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 PLYMOUTH, VERMONT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

	<u>Emergency</u>	<u>Building Maintenance</u>	<u>Total</u>
ASSETS			
Due from other funds	\$ -	\$ 55,577	\$ 55,577
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 55,577</u>	<u>\$ 55,577</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	55,577	55,577
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>55,577</u>	<u>55,577</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 55,577</u>	<u>\$ 55,577</u>

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

TOWN OF PLYMOUTH, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Emergency</u>	<u>Building Maintenance</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Capital outlay	-	-	-
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	55,577	55,577
Transfers (out)	(35,000)	-	(35,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(35,000)</u>	<u>55,577</u>	<u>20,577</u>
NET CHANGE IN FUND BALANCES	(35,000)	55,577	20,577
FUND BALANCES - JULY 1	<u>35,000</u>	<u>-</u>	<u>35,000</u>
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ 55,577</u>	<u>\$ 55,577</u>

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

Permanent Funds

Permanent funds are used to account for assets held by the Town of Plymouth, Vermont that are legally restricted and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its citizenry. These funds have been established for various purposes including scholarships and the provision and/or maintenance of cemeteries.

SCHEDULE I

TOWN OF PLYMOUTH, VERMONT

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
JUNE 30, 2017

	Cemetery	Public Funds	Total
ASSETS			
Cash and cash equivalents	\$ 10,005	\$ 7,568	\$ 17,573
Investments	19,422	127,874	147,296
TOTAL ASSETS	<u>\$ 29,427</u>	<u>\$ 135,442</u>	<u>\$ 29,427</u>
LIABILITIES			
Due to others funds	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	97,805	97,805
Restricted	29,427	37,637	67,064
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>29,427</u>	<u>135,442</u>	<u>29,427</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 29,427</u>	<u>\$ 135,442</u>	<u>\$ 29,427</u>

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

SCHEDULE J

TOWN OF PLYMOUTH, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Cemetery</u>	<u>Public Funds</u>	<u>Total</u>
REVENUES			
Interest income	\$ 1	\$ 1,590	\$ 1,591
Other income	9,970	1,434	11,404
TOTAL REVENUES	<u>9,971</u>	<u>3,024</u>	<u>12,995</u>
EXPENDITURES			
Other	14,752	45	14,797
TOTAL EXPENDITURES	<u>14,752</u>	<u>45</u>	<u>14,797</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,781)</u>	<u>2,979</u>	<u>(1,802)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(4,781)	2,979	(1,802)
FUND BALANCES - JULY 1	<u>34,208</u>	<u>132,463</u>	<u>166,671</u>
FUND BALANCES - JUNE 30	<u>\$ 29,427</u>	<u>\$ 135,442</u>	<u>\$ 164,869</u>

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



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 Plymouth
Plymouth, 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, each major fund, and the aggregate remaining fund information of the Town of Plymouth, Vermont as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Plymouth, Vermont's basic financial statements, and have issued our report thereon dated July 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Plymouth, 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 Plymouth, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Plymouth, 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 Plymouth, 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.

R.H.R. Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000967
July 31, 2018