

**TOWN OF DORSET, VERMONT**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
**AND**  
**INDEPENDENT AUDITOR'S REPORTS**

**TOWN OF DORSET, VERMONT**

**JUNE 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

The Selectboard  
Town of Dorset, 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 Dorset, Vermont (the Town) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Summary of Opinions***

We have expressed a qualified opinion on the governmental activities.

We have expressed unmodified opinions on the General Fund, Equipment Replacement Fund, Highway Paving Fund, Reappraisal Fund and the aggregate remaining fund information.

### ***Basis for Qualified Opinion on the Governmental Activities***

As described in note 1.K, the Town has used appraisal values for certain land and buildings that are included in the capital assets reported in the Government-wide Statement of Net Position.

### ***Qualified Opinion***

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on the Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Town of Dorset, Vermont as of June 30, 2018, and the respective change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Equipment Replacement Fund, Highway Paving Fund, Reappraisal Fund and the aggregate remaining fund information of the Town of Dorset, Vermont as of June 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund 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 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.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town’s basic financial statements. The accompanying schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedules 1 and 2 are the responsibility of management and were derived from and relate 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 accompanying schedules 1 and 2 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 August 9, 2018 on our consideration of the Town's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on 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's internal control over financial reporting and compliance.

Montpelier, Vermont  
August 9, 2018

*Mudgett, Jerritt &  
Shosh-Wain, P.C.*

**TOWN OF DORSET, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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

**FINANCIAL HIGHLIGHTS**

Government-wide Highlights

The Town's assets exceeded its liabilities at June 30, 2018 by \$6,068,706 compared to \$4,224,176 at June 30, 2017. This represents an increase of \$1,844,530.

Long-term Debt

The Town borrowed a \$30,000 note payable from the State of Vermont's Municipal Equipment Revolving Loan Fund to partially fund the purchase of a 2016 wheel loader. The balance due on this note at the end of June 20, 2018 was \$18,000, compared to the balance of \$24,000 at June 30, 2017.

**FINANCIAL STATEMENTS**

The accompanying financial statements for the year ended June 30, 2018 include two separate presentations of financial statements. Government-wide financial statements (the Statement of Net Position and the Statement of Activities) present the financial picture of the Town from the "economic resources" measurement focus using the accrual basis of accounting. The Statement of Net Position includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The Statement of Activities focuses on the programs of the Town and presents information showing how the Town's net position changed during the year.

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Town does not have any business-type activities.

Fund financial statements include statements that present activities by fund. 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 funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds primarily focus on near-term inflows and outflows of spendable resources and their balance at the end of the fiscal year. The Town's governmental funds are the General Fund, Equipment Replacement Fund, Highway Paving Fund, Reappraisal Fund, Town Buildings Fund, and various other nonmajor governmental funds as reported in schedules 1 and 2.

Fiduciary Funds are used to account for resources held for the benefit of other parties. Fiduciary activity is not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The Town reports the Dillon Fund as a fiduciary fund.

## FINANCIAL ANALYSIS

### Government-wide Financial Analysis

#### Dorset's Net Position June 30, 2018 and 2017

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Current assets	\$ 916,755	\$ 832,306
Noncurrent assets	<u>5,372,137</u>	<u>3,462,971</u>
Total assets	<u>6,288,892</u>	<u>4,295,277</u>
Current liabilities	208,186	53,101
Long-term liabilities	<u>12,000</u>	<u>18,000</u>
Total liabilities	<u>220,186</u>	<u>71,101</u>
Net position:		
Net investment in capital assets	5,085,851	3,181,004
Restricted	426,955	464,818
Unrestricted	<u>555,900</u>	<u>578,354</u>
Total net position	<u>\$ 6,068,706</u>	<u>\$ 4,224,176</u>

The Statement of Net Position shows total assets of the Town as of June 30, 2018 are \$6,288,892; total assets as of June 30, 2017 were \$4,295,277. Of these totals, \$916,755 and \$832,306 represent current assets. The noncurrent assets of \$5,372,137 and \$3,462,971 at June 30, 2018 and June 30, 2017, respectively, are notes receivable and the net capital assets including land, buildings and equipment.

#### Capital Assets as of June 30, 2018 and 2017

(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 2,759,802	\$ 884,802
Construction in process	20,407	-
Buildings and improvements	390,433	397,592
Office equipment and furnishings	11,028	15,299
Computer systems	1,452	2,737
Infrastructure	1,047,307	1,075,010
Machinery and equipment	<u>873,422</u>	<u>829,564</u>
Net capital assets	<u>\$ 5,103,851</u>	<u>\$ 3,205,004</u>

The liabilities of the Town as of June 30, 2018 are \$220,186; liabilities as of June 30, 2017 were \$71,101. Of these totals, \$208,186 and \$53,101 represent current liabilities, and \$12,000 and \$18,000 represent noncurrent liabilities, which consist of long-term debt.

## Change in Net Position for Fiscal Years Ended in 2018 and 2017

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues		
Program Revenues		
Grants and contributions	\$ 1,981,497	\$ 221,109
Charges for services	85,633	87,763
Other	50,881	15,346
General Revenues		
Property taxes	11,627,348	10,980,091
Investment income	<u>80,228</u>	<u>55,782</u>
Total Revenues	<u>13,825,587</u>	<u>11,360,091</u>
Expenses		
Governmental Activities		
General government	787,916	724,661
Highways and roads	812,144	689,428
Education	9,646,235	9,049,128
Fire	-	367,732
Other	734,282	347,916
Interest	<u>480</u>	<u>600</u>
Total Expenses	<u>11,981,057</u>	<u>11,179,465</u>
Change in net position	1,844,530	180,626
Net position - Beginning	<u>4,224,176</u>	<u>4,043,550</u>
Net position - Ending	<u>\$ 6,068,706</u>	<u>\$ 4,224,176</u>

The Statement of Activities reports that the 2018 educational expenses for the Town were 80.5% (\$9,646,235) of the total operating expenses for the year; the 2017 educational expenses were 81% (\$9,049,128) of the total operating expenses of \$11,179,465 for the year. The accrual basis total includes all fund expenditures plus depreciation of capital assets, but excludes capital asset purchases. Certain revenues (labeled Program Revenues) offset expenses as they relate to specific programs, such as state and federal grants or fees charged for specific services.

Total revenues, mainly property taxes, totaled \$13,825,587 for 2018, and \$11,360,091 for 2017. The 2018 revenues were \$1,844,530 more than expenses. This increase is primarily attributable to the discounted purchase and sales agreement entered into by the Town during the year. The difference between the acquisition value and the purchase price has been recognized as a donation on the government-wide financial statements. The 2017 revenues were \$180,626 more than expenses, which increased net position in 2017. At June 30, 2018 net position totaled \$6,068,706. At June 30, 2017 net position totaled \$4,224,176.

### Fund Financial Analysis

At June 30, 2018, the Town's governmental funds reported a combined ending fund balance of \$539,569, a decrease of \$69,873 from the combined fund balance at the end of the prior year. At June 30, 2017, the Town's governmental funds reported a combined ending fund balance of \$609,442, an increase of \$121,332 from the combined fund balance at the end of the prior year. Of the 2018 fund balance, \$37,047 constitutes unassigned



fund balance of the General Fund, which is available for future use at the Town's discretion. We believe that the Town should maintain an unreserved surplus in fund equity from year to year for unanticipated expenditures and to limit the Town's need for borrowing to provide working capital for normal operations. The remainder of the fund balance is classified as described in note 9 and schedule 1.

General Fund - At June 30, 2018, assets of the General Fund were \$758,086, liabilities were \$202,186 and deferred inflows of resources were \$443,286; at June 30, 2017, assets of the General Fund were \$625,455, liabilities were \$47,101 and deferred inflows of resources were \$433,730. General Fund revenues for 2018 were more than budgeted by \$107,849; the total expenditures were more than budgeted by \$139,859. Details of revenues and expenditures compared to the 2018 budget are shown on the Statement of Revenues and Expenditures - Budget and Actual - General Fund.

Fiduciary Funds - These financial statements separately report the trust fund, totaling \$20,000, as fiduciary funds. The Town is responsible for maintenance of these funds in accordance with the Trust requirements.

### Capital Assets and Debt Administration

The Town has maintained an inventory of capital assets and reports depreciation of those assets in the government-wide financial statements. Machinery and equipment, office furniture, and computer systems have been recorded at their cost and depreciated over their estimated useful lives. The Town has used appraisal values instead of historical cost to record land and buildings as historical cost information was not readily available when the current reporting model was adopted. While the acquisition dates and historical costs for some assets have been researched, management has chosen to continue to report these assets at their appraisal values. Since 2010, the Town has recorded new infrastructure improvements and will depreciate them over their estimated useful lives; the Town was not required, as a small government, to record the cost and depreciation associated with infrastructure improvements that occurred prior to its implementation of the current reporting model.

At June 30, 2018 the Town has \$50,000 in short-term debt outstanding, in the form of a promissory note due December 31, 2018. At June 30, 2017 the Town had no short-term debt.

At June 30, 2018 the Town has \$18,000 in long-term debt outstanding, compared to \$24,000 at June 30, 2017. This long-term debt consists of a \$30,000 note payable from the State of Vermont's Municipal Equipment Revolving Loan Fund to partially fund the purchase of a 2016 wheel loader.

### Requests for Information

This financial report is designed to provide a general overview of the Town of Dorset's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Manager, Town of Dorset, P.O. Box 715, Dorset, Vermont 05253-0715.

**TOWN OF DORSET, VERMONT**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Current assets -	
Cash	\$ 689,336
Accounts receivable	2,125
Property taxes receivable	193,756
Prepaid expenditures	17,805
Restricted asset - cash	<u>13,733</u>
Total current assets	<u>916,755</u>
Noncurrent assets -	
Note receivable	268,286
Capital assets	7,040,756
less - accumulated depreciation	<u>(1,936,905)</u>
Total noncurrent assets	<u>5,372,137</u>
Total assets	<u>6,288,892</u>
<b>LIABILITIES:</b>	
Current liabilities -	
Accounts payable	129,306
Accrued payroll liabilities	9,383
Promissory note	50,000
Cash held in escrow	13,497
Current portion - Long-term debt	<u>6,000</u>
Total current liabilities	<u>208,186</u>
Noncurrent liabilities -	
Long-term debt	<u>12,000</u>
Total liabilities	<u>220,186</u>
<b>NET POSITION:</b>	
Net investment in capital assets	5,085,851
Restricted	426,955
Unrestricted	<u>555,900</u>
Total net position	<u>\$ 6,068,706</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF DORSET, VERMONT  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Grants and Contributions</u>	<u>Charges for Services</u>	<u>Other</u>	
<b>FUNCTIONS/PROGRAMS:</b>					
Governmental activities -					
General government	\$ 787,916	\$ 1,869,448	\$ 85,633	\$ 4,381	\$ 1,171,546
Highways and roads	812,144	112,049	-	46,500	(653,595)
Education	9,646,235	-	-	-	(9,646,235)
Other	734,282	-	-	-	(734,282)
Interest	<u>480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(480)</u>
 Total governmental activities	 \$ <u>11,981,057</u>	 \$ <u>1,981,497</u>	 \$ <u>85,633</u>	 \$ <u>50,881</u>	 <u>(9,863,046)</u>
 <b>GENERAL REVENUES - PROPERTY TAXES</b>					 11,627,348
- INVESTMENT INCOME					<u>80,228</u>
					<u>11,707,576</u>
 CHANGE IN NET POSITION					 1,844,530
 NET POSITION, July 1, 2017					 <u>4,224,176</u>
 NET POSITION, June 30, 2018					 \$ <u>6,068,706</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF DORSET, VERMONT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**  
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	<u>General</u> <u>Fund</u>	<u>Equipment</u> <u>Replacement</u> <u>Fund</u>	<u>Highway</u> <u>Paving</u> <u>Fund</u>	<u>Reappraisal</u> <u>Fund</u>	<u>Town</u> <u>Buildings</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u>
<b>ASSETS</b>							
Cash	\$ 689,336	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 689,336
Accounts receivable	2,125	-	-	-	-	-	2,125
Property taxes receivable	193,756	-	-	-	-	-	193,756
Due (to) from other funds	(426,955)	13,172	990	171,905	184,530	56,358	-
Note receivable	268,286	-	-	-	-	-	268,286
Prepaid expenditures	17,805	-	-	-	-	-	17,805
Restricted asset - cash	<u>13,733</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,733</u>
Total assets	<u>\$ 758,086</u>	<u>\$ 13,172</u>	<u>\$ 990</u>	<u>\$ 171,905</u>	<u>\$ 184,530</u>	<u>\$ 56,358</u>	<u>\$ 1,185,041</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY</b>							
<b>LIABILITIES:</b>							
Accounts payable	\$ 129,306	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,306
Accrued payroll liabilities	9,383	-	-	-	-	-	9,383
Promissory note	50,000	-	-	-	-	-	50,000
Cash held in escrow	<u>13,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,497</u>
Total liabilities	<u>202,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,186</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Deferred property taxes	175,000	-	-	-	-	-	175,000
Deferred housing loan	<u>268,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,286</u>
Total deferred inflows of resources	<u>443,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>443,286</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF DORSET, VERMONT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**  
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	<u>General Fund</u>	<u>Equipment Replacement Fund</u>	<u>Highway Paving Fund</u>	<u>Reappraisal Fund</u>	<u>Town Buildings Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>FUND EQUITY:</b>							
Fund balances -							
Nonspendable	17,805	-	-	-	-	-	17,805
Restricted	-	-	-	171,905	184,530	50,916	407,351
Committed	-	13,172	990	-	-	5,442	19,604
Assigned	57,762	-	-	-	-	-	57,762
Unassigned	37,047	-	-	-	-	-	37,047
Total fund balances	<u>112,614</u>	<u>13,172</u>	<u>990</u>	<u>171,905</u>	<u>184,530</u>	<u>56,358</u>	<u>539,569</u>
Total liabilities, deferred inflows of resources and fund equity	\$ <u>758,086</u>	\$ <u>13,172</u>	\$ <u>990</u>	\$ <u>171,905</u>	\$ <u>184,530</u>	\$ <u>56,358</u>	\$ <u>1,185,041</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF DORSET, VERMONT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**  
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**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION:**

Amount reported on Balance Sheet - Governmental Funds - total fund balances	\$ 539,569
Amounts reported for governmental activities in the Government-wide Statement of Net Position are different because -	
Capital assets used in governmental funds are not financial resources and are therefore not reported in the funds.	
Capital assets	7,040,756
Accumulated depreciation	(1,936,905)
Liabilities not due and payable in the current period are not reported in the governmental funds.	
Long-term debt	(18,000)
Deferred taxes are reported in the governmental funds to offset uncollected taxes which are not available financial resources.	
	175,000
Deferred revenue - housing loan is reported in the governmental funds to offset present value of long-term note receivable which is not an available financial resource.	
	<u>268,286</u>
Net position of governmental activities - Government-wide Statement of Net Position	\$ <u>6,068,706</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF DORSET, VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

(Page 1 of 3)

	<u>General</u> <u>Fund</u>	<u>Equipment</u> <u>Replacement</u> <u>Fund</u>	<u>Highway</u> <u>Paving</u> <u>Fund</u>	<u>Reappraisal</u> <u>Fund</u>	<u>Town</u> <u>Buildings</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u>
<b>REVENUES:</b>							
Taxes	\$ 11,628,111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,628,111
Licenses and permits	17,258	-	-	-	-	-	17,258
Intergovernmental	194,161	-	-	14,555	-	-	208,716
Charges for services	52,027	-	-	-	-	1,931	53,958
Interest and dividends	69,233	26	56	242	265	87	69,909
Fines and forfeits	14,417	-	-	-	-	-	14,417
Miscellaneous	2,266	1,000	-	-	-	1,115	4,381
Total revenues	<u>11,977,473</u>	<u>1,026</u>	<u>56</u>	<u>14,797</u>	<u>265</u>	<u>3,133</u>	<u>11,996,750</u>
<b>EXPENDITURES:</b>							
Current -							
General government	756,098	-	-	-	3,761	17,794	777,653
Public safety	446,246	-	-	-	-	-	446,246
Highways and streets	480,314	-	2,353	-	-	-	482,667
Health and welfare	226,869	-	-	-	-	-	226,869
Culture and recreation	60,565	-	-	-	-	-	60,565
Education	9,646,235	-	-	-	-	-	9,646,235
Debt service principal	-	6,000	-	-	-	-	6,000
Debt service interest	-	480	-	-	-	-	480
Capital outlay	120,209	145,375	138,917	-	15,407	-	419,908
Total expenditures	<u>11,736,536</u>	<u>151,855</u>	<u>141,270</u>	<u>-</u>	<u>19,168</u>	<u>17,794</u>	<u>12,066,623</u>
<b>EXCESS OF REVENUES</b> <b>OR (EXPENDITURES)</b>	240,937	(150,829)	(141,214)	14,797	(18,903)	(14,661)	(69,873)

The notes to financial statements are an integral part of this statement.

**TOWN OF DORSET, VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

(Page 2 of 3)

	<u>General Fund</u>	<u>Equipment Replacement Fund</u>	<u>Highway Paving Fund</u>	<u>Reappraisal Fund</u>	<u>Town Buildings Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Interfund transfers, net	<u>(272,947)</u>	<u>145,000</u>	<u>100,000</u>	<u>(34,053)</u>	<u>60,000</u>	<u>2,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(32,010)	(5,829)	(41,214)	(19,256)	41,097	(12,661)	(69,873)
FUND BALANCES, July 1, 2017	<u>144,624</u>	<u>19,001</u>	<u>42,204</u>	<u>191,161</u>	<u>143,433</u>	<u>69,019</u>	<u>609,442</u>
FUND BALANCES, June 30, 2018	\$ <u>112,614</u>	\$ <u>13,172</u>	\$ <u>990</u>	\$ <u>171,905</u>	\$ <u>184,530</u>	\$ <u>56,358</u>	\$ <u>539,569</u>

The notes to financial statements are an integral part of this statement.



**TOWN OF DORSET, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

(Page 3 of 3)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES:**

Net change in fund balance - total governmental funds	\$ (69,873)
Amounts reported for governmental activities in the Government-wide Statement of Activities are different because -	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Additions to capital assets, net of dispositions	2,187,107
Depreciation	(288,260)
Government-wide investment revenue includes the increase in the present value of the note receivable.	10,319
The issuance of long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.	
Payments on long-term debt	6,000
Property tax revenue in governmental funds includes deferred revenue of the prior year but excludes deferred revenue of the current year as taxes uncollected within 60 days are unavailable at year end.	
Prior year	(175,763)
Current year	<u>175,000</u>
Change in net position of governmental activities - Government-wide Statement of Activities	\$ <u>1,844,530</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF DORSET, VERMONT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

(Page 1 of 2)

	Original and Final <u>Budget</u>	Actual (Budgetary Basis) <u>Basis)</u>	Variance Over (Under)
<b>REVENUES:</b>			
Taxes, net of education and fire taxes	\$ 1,914,842	\$ 1,981,876	\$ 67,034
Delinquent tax fees (8% penalty)	32,500	26,229	(6,271)
Lister's income	250	145	(105)
Town Clerk fees	30,000	23,657	(6,343)
Vital records	-	1,996	1,996
State aid - highways	95,000	112,049	17,049
State aid - municipal planning	800	-	(800)
Liquor licenses	850	1,270	420
Dog licenses	1,800	2,488	688
Interest - delinquent taxes	35,000	55,220	20,220
- other	2,500	2,301	(199)
Zoning income	9,000	12,955	3,955
State owned properties	22,500	25,196	2,696
Federal land entitlement	12,500	15,267	2,767
State land use tax	25,000	41,649	16,649
Traffic fines	9,500	14,417	4,917
Weight permits	400	445	45
Solid waste income	-	100	100
Fire reimbursements	-	11,712	11,712
Other	-	2,266	2,266
Reappraisal reserve funding	-	34,053	34,053
Prior year surplus	65,000	-	(65,000)
Total revenues	<u>2,257,442</u>	<u>2,365,291</u>	<u>107,849</u>
<b>EXPENDITURES:</b>			
Selectboard	18,695	35,397	16,702
Town Manager	140,050	156,008	15,958
Town Clerk	82,700	82,377	(323)
Meetings and elections	4,600	4,116	(484)
Town Treasurer	3,500	3,395	(105)
Assessment department	73,500	95,062	21,562
Planning and zoning	41,667	34,497	(7,170)
Auditors	15,700	13,325	(2,375)
Town office building	23,200	22,895	(305)
Public safety	444,055	449,012	4,957

The notes to financial statements are an integral part of this statement.

**TOWN OF DORSET, VERMONT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
(Page 2 of 2)

	Original and Final <u>Budget</u>	Actual (Budgetary Basis) <u>Basis)</u>	Variance Over <u>(Under)</u>
<b>EXPENDITURES (CONTINUED):</b>			
Insurance and bonds	195,000	187,720	(7,280)
General services	195,900	295,181	99,281
Budgeted appropriations	50,150	47,832	(2,318)
Petitioned appropriations	173,700	173,700	-
Road crew wages	215,600	223,430	7,830
Highway Paving Fund	100,000	100,000	-
Equipment Replacement Fund	145,000	145,000	-
Town Buildings Fund	60,000	60,000	-
Highway Reconstruction Fund	2,000	2,000	-
Town sheds	6,725	5,476	(1,249)
Equipment maintenance	82,000	98,362	16,362
Highway and road maintenance	<u>183,700</u>	<u>162,516</u>	<u>(21,184)</u>
Total expenditures	<u>2,257,442</u>	<u>2,397,301</u>	<u>139,859</u>
EXCESS OF REVENUES OR (EXPENDITURES)/			
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>(32,010)</u>	\$ <u>(32,010)</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF DORSET, VERMONT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018**

	<u>Dillon Fund</u>
<b>ASSETS:</b>	
Certificate of deposit	\$ 20,000
 <b>LIABILITIES</b>	
	<u>-</u>
 <b>NET POSITION:</b>	
Restricted	\$ <u>20,000</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF DORSET, VERMONT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Dillon Fund</u>
<b>ADDITIONS</b>	\$ -
<b>DEDUCTIONS</b>	<u>-</u>
CHANGE IN NET POSITION	-
NET POSITION, July 1, 2017	<u>20,000</u>
NET POSITION, June 30, 2018	\$ <u>20,000</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF DORSET, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**1. Summary of significant accounting policies:**

The Town of Dorset, Vermont (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town is governed by a five-member Selectboard (the Board) and Town Manager. The Town provides various services as authorized and funded by state government or Town voters.

- A. Reporting entity - The Town is a primary unit of government under reporting criteria established by the Governmental Accounting Standards Board (GASB). Those criteria include a separately elected governing body, separate legal standing, and fiscal independence from other state and local governmental entities. Based on these criteria, there are no other entities which are component units of the Town.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing *Governmental Accounting and Financial Reporting Standards* which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.

- B. Government-wide and fund financial statements - The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town has no business-type activities.

In the government-wide Statement of Net Position, the financial position of the Town is consolidated and incorporates capital assets as well as all long-term debt and obligations. The government-wide Statement of Activities reflects both the gross and net costs by category. Direct expenses that are clearly identifiable with the category are offset by program revenues of the category. Program revenues include charges for services provided by a particular function or program and grants that are restricted to meeting the operational or capital requirements of the particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds, if any, are summarized in a single column.

- C. Basis of presentation - The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund balances or net position, revenues and expenditures or expenses, as appropriate.

**TOWN OF DORSET, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**1. Summary of significant accounting policies (continued):**

C. Basis of presentation (continued) -

The Town reports the following major governmental funds:

General Fund - 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.

Equipment Replacement Fund - The Equipment Replacement Fund is used to account for voter approved commitments for future equipment related capital outlay.

Highway Paving Fund - The Highway Paving Fund is used to account for voter approved commitments for future paving projects.

Reappraisal Fund - The Reappraisal Fund is used to account for funds set aside for future reappraisal costs.

Town Buildings Fund - The Town Buildings Fund is used to account for voter approved commitments for future building related capital outlay.

Additionally, the Town reports as other governmental funds several funds which are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified services. The Town also reports fiduciary funds which are used to account for assets held in a trustee capacity (trust funds) or as an agent (agency funds) for the benefit of parties outside of the Town. The Town's fiduciary fund is the Dillon Fund.

D. Measurement focus and basis of accounting - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become both measurable and available. "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures generally are recorded when the fund liability is incurred, if measurable, as under accrual accounting. However, debt service expenditures are recorded only when payment is made.

Assets are reported at fair value using observable market data (level 1 inputs) for current assets or corroborated by observable market data (level 2 inputs) for noncurrent assets except for appraisal values assigned in prior years and used to report the basis of certain land and buildings.

Property taxes are recorded as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. Penalties and interest related to property taxes, licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received because they are generally not measurable prior to collection. Investment earnings and certain intergovernmental grants are recorded as earned.

**TOWN OF DORSET, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**1. Summary of significant accounting policies (continued):**

- E. Budgets and budgetary accounting - The Town approves a budget for the General Fund at an annual Town Meeting. The tax rate is determined by the Board based on the education, municipal and fire grand lists and the approved operating budget. The accounting method used for budget presentation is the same method used for the financial presentation of operations under U.S. GAAP, except for the reconciling items in note 10. Formal budgetary integration is employed as a management control during the year for the General Fund. The Town does not legally adopt budgets for other governmental funds. All budgeted amounts lapse at year end.
- F. Property taxes - Property taxes attach as an enforceable lien on property owned as of April 1<sup>st</sup>. Elected listers establish a grand list of all property and the Board sets the tax rate required to raise the tax revenue authorized by Town, Fire, and School District voters and the Vermont Agency of Education. Property taxes for the fiscal year ended June 30, 2018 were payable in two installments due September 12, 2017 and March 13, 2018.
- G. Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.
- H. Risk management - The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and others; environmental liability; and natural disasters. The Town manages these risks through commercial insurance packages and participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.
- I. Cash and cash equivalents - The Town considers all cash on hand, demand deposits, and short-term investments to be cash and cash equivalents.
- J. Prepaid items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.
- K. Capital assets - Capital assets, which include land, buildings, equipment, vehicles and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than thresholds listed below and an estimated useful life in excess of one year. Appraisal values are used to report the value of certain land and buildings. Except as described above, such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Town does not retroactively report infrastructure assets. The Town began capitalizing newly acquired or constructed general infrastructure assets since the implementation of GASB Statement No. 34. Donated capital assets are recorded at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest costs are capitalized on projects during the construction period. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. Capital assets are depreciated using the straight-line method over the asset's useful life.



**TOWN OF DORSET, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**1. Summary of significant accounting policies (continued):**

K. Capital assets (continued) - The useful lives and thresholds for capital assets are as follows:

	<u>Years</u>	<u>Thresholds</u>
Buildings and improvements	20 - 50	\$ 20,000
Infrastructure improvements	10 - 50	\$ 20,000
Machinery and equipment	5 - 20	\$ 2,000
Office furniture and equipment	5 - 10	\$ 2,000
Computer systems	3 - 5	\$ 2,000

L. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources and deferred inflows of resources are reported as separate sections in the applicable statement of net position or balance sheet. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period.

M. Compensated absences - The Town has a policy under which unused compensated absences are paid at year-end up to a maximum of ten days. No amounts vest for future use or payment.

N. Long-term obligations - Governmental activities report long-term debt and other long-term obligations as liabilities in the statement of net position. Governmental funds report the amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.

O. Fund equity - In the fund financial statements, governmental funds may report five categories of fund balances: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance includes amounts associated with inventory, prepaid expenditures, long-term loans or notes receivable, and trust fund principal to be held in perpetuity.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes determined by the Town's highest level of decision making authority, the voters, as a result of articles passed at Annual or Special Town Meetings.

Assigned fund balance includes amounts that are intended to be used by the Town for specific purposes as authorized by the Board.

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in another classification. Deficits are also classified as unassigned.

The Town's policy is to apply expenditures against unassigned fund balance unless motions by the Board specify otherwise.

**TOWN OF DORSET, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**2. Deposits:**

Custodial credit risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk; however, the Town addresses this risk by depositing cash in FDIC insured banks. As of June 30, 2018, the Town's depository accounts were fully insured or collateralized.

**3. Note receivable:**

The Town holds a mortgage note for \$525,000 from the Dorset Community Housing Limited Partnership with zero percent interest and a single payment of the outstanding principal balance due on August 11, 2035. The Town received a Vermont Community Development Grant of \$525,000 to fund the loan. The Town holds a subordinate interest in assets of the limited partnership. The note is reported as a General Fund asset with offsetting deferred revenue of \$268,286, which represents the discounted present value of the note using an estimated market interest rate of 4 percent.

**4. Capital assets:**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018
Capital assets, not depreciated:				
Land	\$ 884,802	\$ 1,875,000	\$ -	\$ 2,759,802
Construction in process	-	20,407	-	20,407
Total capital assets, not depreciated	<u>884,802</u>	<u>1,895,407</u>	<u>-</u>	<u>2,780,209</u>
Capital assets, depreciated:				
Buildings and improvements - appraisal	530,070	-	-	530,070
Office equipment and furnishings	26,954	-	-	26,954
Computer systems	18,327	-	-	18,327
Infrastructure	1,794,232	138,917	-	1,933,149
Machinery and equipment	<u>1,692,667</u>	<u>204,865</u>	<u>145,485</u>	<u>1,752,047</u>
Total capital assets, depreciated	<u>4,062,250</u>	<u>343,782</u>	<u>145,485</u>	<u>4,260,547</u>
Less accumulated depreciation -				
Buildings and improvements	132,478	7,159	-	139,637
Office equipment and furnishings	11,655	4,271	-	15,926
Computer systems	15,590	1,285	-	16,875
Infrastructure	719,222	166,620	-	885,842
Machinery and equipment	<u>863,103</u>	<u>108,925</u>	<u>93,403</u>	<u>878,625</u>
Total accumulated depreciation	<u>1,742,048</u>	<u>288,260</u>	<u>93,403</u>	<u>1,936,905</u>
Total capital assets, depreciated, net	<u>2,320,202</u>	<u>55,522</u>	<u>52,082</u>	<u>2,323,642</u>
Total capital assets, net	\$ <u>3,205,004</u>	\$ <u>1,950,929</u>	\$ <u>52,082</u>	\$ <u>5,103,851</u>

**TOWN OF DORSET, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**4. Capital assets (continued):**

Depreciation expense of \$288,260 in the governmental activities was allocated to expenses of the general government (\$10,263), highways and roads (\$277,395), and other (\$602) programs based on the capital assets assigned to those functions.

**5. Interfund receivable and payable balances:**

Interfund receivable and payable balances, due to the pooling of cash for cash receipts and disbursements, as of June 30, 2018 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 426,955
Equipment Replacement Fund	13,172	-
Highway Paving Fund	990	-
Reappraisal Fund	171,905	-
Town Buildings Fund	184,530	-
Other Governmental Funds	<u>56,358</u>	<u>-</u>
	<u>\$ 426,955</u>	<u>\$ 426,955</u>

**6. Interfund transfers:**

Transfers made from the General Fund to the Equipment Replacement Fund, Highway Paving Fund, Town Buildings Fund and Other Governmental Funds of \$145,000, \$100,000, \$60,000 and \$2,000, respectively, were in accordance with the voter approved budget. A transfer from the Reappraisal Fund to the General Fund of \$34,053 was approved by management to cover current year reappraisal expenditures.

**7. Related parties:**

The Dorset Fire District No. 1 (DFD#1) and East Dorset Fire District No. 1 (EFD#1) are both municipal corporations in accordance with *Vermont Statutes Annotated*, to manage assets of the Fire Departments and Water Divisions, located within Dorset, and East Dorset, Vermont. At a Special Town Meeting in August 2016, voters approved the inclusion of the 2016-2017 DFD#1 and EFD#1's budgets in Town property tax rates to equalize the cost of fire protection. As a result, the Town has entered into a Fire Protection Agreement with DFD#1 and EFD#1 to purchase fire services based on a uniform tax rate assessed on all property in Dorset, set at the necessary amount to fund the DFD#1 and EFD#1 budgets. During FY18 payments under this agreement to the DFD#1 and EFD #1 totaled \$179,938 and \$144,067, respectively.

The Town has entered into a Financial and Administrative Services Agreement with DFD#1 to perform its financial administration and provide administrative support. Duties under this contract include bookkeeping, annual budget preparation, reporting, warrant preparation, and meeting attendance. The Town received \$11,712 during FY18 for services provided under this contract.

**TOWN OF DORSET, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**8. Debt:**

Short-term - During the year, the Town entered into a purchase and sale agreement to purchase 307 acres of land, appraised at \$1,875,000, at a discounted purchase price of \$100,000. This land has been included in the Town's capital assets, valued at the acquisition price of \$1,875,000. The difference between the acquisition price and the purchase price has been recognized as a donation on the government-wide financial statements. The Town paid \$50,000 towards this purchase, and the remaining balance due of \$50,000 was paid in the form of a promissory note to the seller, with interest at 5%, maturing December 31, 2018.

Long-term - Outstanding long-term debt as of June 30, 2018 is as follows:

Note payable, State of Vermont Municipal Equipment Loan Fund (MELF) for the purchase of a 2016 Wheel loader. Annual principal payments of \$6,000, plus interest at 2%. Matures June 30, 2021. \$ 18,000

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
State of Vermont MELF - 2012 Wheel Loader	\$ <u>24,000</u>	\$ <u>-</u>	\$ <u>6,000</u>	\$ <u>18,000</u>	\$ <u>6,000</u>

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending June 30,		
2019	\$ 6,000	\$ 360
2020	6,000	240
2021	<u>6,000</u>	<u>120</u>
	\$ <u>18,000</u>	\$ <u>720</u>

Conduit debt - The Town has obtained conduit debt on behalf of the Manchester Rescue Squad, Inc. in the form of a capital lease for an ambulance in the amount of \$176,505. Annual payments of \$62,388, including interest, begin in FY19, through FY21. This capital lease is not recorded in the government-wide financial statements as payments on this note will be made by the Manchester Squad, Inc.

**9. Fund balances:**

As of June 30, 2018, the General Fund reported a nonspendable fund balance (\$17,805) for prepaid expenditures and assigned fund balances for (\$4,000) tax mapping, (\$750) Wilson House donations and (\$53,012) voter approved 2018 surplus to be used in the 2019 fiscal year.

**TOWN OF DORSET, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**10. Budgetary basis of accounting:**

These financial statements include totals for General Fund revenues and expenditures on the Town's budgetary accounting basis, which vary from the totals of revenues and expenditures recognized on the basis of accounting prescribed by U.S. GAAP, as follows:

	<u>Revenues</u>	<u>Expenditures</u>
U.S. GAAP basis	\$ 11,977,473	\$ 11,736,536
Education	(9,646,235)	(9,646,235)
Transfers to other funds	<u>34,053</u>	<u>307,000</u>
Budget basis	\$ <u>2,365,291</u>	\$ <u>2,397,301</u>

**11. Pension plan:**

Vermont Municipal Employees' Retirement System -

Plan description: The Town contributes to the Vermont Municipal Employees' Retirement System (VMERS) a cost-sharing multiple-employer public employee retirement system with defined benefit and defined contribution plans, administered by the State of Vermont. Town employees participate in the VMERS defined contribution plan. The state statutory provisions, found in Title 24, Chapter 125 of the V.S.A., govern eligibility for benefits, service requirements and benefit provisions. The general administration and responsibility for the proper operation of VMERS is vested in the Board of Trustees consisting of five members. VMERS issues annual financial information which is available and may be reviewed at the VMERS' office, 109 State Street, Montpelier, Vermont, 05609-6200, by calling (802) 828-2305 or online at <http://www.vermonttreasurer.gov>.

Benefits provided: The VMERS defined contribution plan is available to, and utilized by, Town employees. Fidelity Investments is the administrator of member accounts for this retirement plan. Benefits for defined contribution plan members and beneficiaries are determined by the contributions to member accounts and investment returns on those accounts.

Contributions: Defined Contribution Plan members are required to contribute 5.0% of their annual covered salary and the Town is required to contribute an equal dollar amount. The contribution requirements of plan members and the Town are established and may be amended by the Board of Trustees. The Town's contributions to VMERS for the years ended June 30, 2018, 2017, and 2016 were \$23,880, \$21,216, and \$19,211, respectively, which were equal to the required contributions for each year.

**12. Post-employment health care:**

The Town provides certain health care benefits for specific retired employees and their spouses under an agreement dated April 21, 1992. Currently there are six individuals receiving these benefits. No other employees may become eligible for these benefits. The cost of retiree health care is recognized as premiums are paid. For the year ended June 30, 2018 those costs totaled \$30,638.

**TOWN OF DORSET, VERMONT**  
**COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

Schedule 1

	<u>Highway Reconstruction</u>	<u>Conservation Commission</u>	<u>Records Preservation</u>	<u>Unemployment Insurance</u>	<u>Totals</u>
<b>ASSETS</b>					
Due from other funds	\$ <u>4,126</u>	\$ <u>1,316</u>	\$ <u>173</u>	\$ <u>50,743</u>	\$ <u>56,358</u>
<b>LIABILITIES AND FUND EQUITY</b>					
LIABILITIES	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
FUND EQUITY:					
Fund balances -					
Restricted	-	-	173	50,743	50,916
Committed	<u>4,126</u>	<u>1,316</u>	<u>-</u>	<u>-</u>	<u>5,442</u>
Total fund balances	<u>4,126</u>	<u>1,316</u>	<u>173</u>	<u>50,743</u>	<u>56,358</u>
 Total liabilities and fund equity	 \$ <u>4,126</u>	 \$ <u>1,316</u>	 \$ <u>173</u>	 \$ <u>50,743</u>	 \$ <u>56,358</u>

**TOWN OF DORSET, VERMONT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Schedule 2

	<u>Highway</u> <u>Reconstruction</u>	<u>Conservation</u> <u>Commission</u>	<u>Records</u> <u>Preservation</u>	<u>Unemployment</u> <u>Insurance</u>	<u>Totals</u>
<b>REVENUES:</b>					
Interest and dividends	\$ 6	\$ 11	\$ -	\$ 70	\$ 87
Other revenue	<u>-</u>	<u>1,115</u>	<u>1,931</u>	<u>-</u>	<u>3,046</u>
Total revenues	6	1,126	1,931	70	3,133
<b>EXPENDITURES:</b>					
General government	<u>-</u>	<u>15,000</u>	<u>2,794</u>	<u>-</u>	<u>17,794</u>
EXCESS OF REVENUES OR (EXPENDITURES)	6	(13,874)	(863)	70	(14,661)
<b>OTHER FINANCING SOURCES OR (USES):</b>					
Transfers in (out)	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
NET CHANGE IN FUND BALANCES	2,006	(13,874)	(863)	70	(12,661)
FUND BALANCES, July 1, 2017	<u>2,120</u>	<u>15,190</u>	<u>1,036</u>	<u>50,673</u>	<u>69,019</u>
FUND BALANCES, June 30, 2018	\$ <u>4,126</u>	\$ <u>1,316</u>	\$ <u>173</u>	\$ <u>50,743</u>	\$ <u>56,358</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

The Selectboard  
Town of Dorset, 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 Dorset, Vermont (the Town) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated August 9, 2018 in which our opinion was qualified for valuation of capital assets.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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'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 report is not suitable for any other purpose.

Montpelier, Vermont  
August 9, 2018

  
