

TOWN OF COVENTRY, VERMONT

FINANCIAL STATEMENTS

JUNE 30, 2017

(With Accountants' Compilation Report Thereon)

TOWN OF COVENTRY, VERMONT
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ACCOUNTANTS' COMPILATION REPORT

To the Select Board
Town of Coventry, Vermont

Management is responsible for the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Coventry, Vermont (the "Town"), as of and for the year ended June 30, 2017, and related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on page 3 through page 8 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

We are not independent with respect to the Town of Coventry, Vermont.

Graham & Graham, P.C.

Graham & Graham, P.C.

Springfield, Vermont

December 5, 2017

VT Registration #92-0000282

NH Registration #659

ME Registration #FMF 1000112

TOWN OF COVENTRY, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017

Within this section of the Town of Coventry, Vermont's (the "Town") annual financial report, the Town's management provides narrative discussion and analysis of the financial activities of the Town for the year ended June 30, 2017. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. Additional information is available in the auditor's opinion letter, which precedes the management's discussion and analysis.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources on June 30, 2017 by \$11,791,196 (net position). Of this amount, \$2,515,760 (unrestricted net position) may be used by the various funds of the Town to meet the Town's ongoing obligations.
- The Town's total net position attributable to governmental activities increased by \$830,910.
- Fund balances of governmental funds increased by \$1,426,167 during the year ended June 30, 2017. The General Fund had \$2,309,914 of unassigned fund balance at June 30, 2017 which is in excess of the approved FYE17 General Fund Budget.

Overview of the Town's Financial Statements

Management's discussion and analysis introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-Wide Financial Statements. The Town's annual report includes two government-wide financial statements which provide both long- term and short-term information about the Town's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Position. This is a government-wide statement of position presenting information that includes all of the Town's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the overall financial position of the Town is improving or deteriorating. In addition to the financial information provided in this report, evaluation of the overall health of the Town would extend to other non-financial factors such as diversification of the taxpayer base, the continued financial support of the state and federal governments, and the condition of the Town's infrastructure.

The second government-wide statement is the Statement of Activities. This statement reports how the Town's net position changed during the current fiscal year. All current revenues and expenditures are included regardless of when cash is received or paid. An important purpose for the design of the Statement of Activities is to show the financial reliance of the Town's activities or functions on revenues provided by the Town's taxpayers.

Both of the above 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 fees and charges (business-type activities). The governmental activities of the Town include general government, municipal transit, public safety, highways and streets, sanitation and recycling, culture and recreation, special articles, intergovernmental, and cemetery. The Town does not maintain business-type activities.

TOWN OF COVENTRY, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017

The government-wide financial statements are presented on pages 10 through 11 of this report.

Fund Financial Statements. A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, propriety funds, and fiduciary funds.

The fund financial statements provide detailed information about each of the Town's most significant funds, called *major funds*. The concept of major funds, and the determination of which are major funds, was established by GASB 34 and replaces the concept of combining alike funds and presenting them in total. Instead, each *major fund* is presented individually, with all *non-major funds* summarized and presented in a single column.

Governmental Funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, the governmental fund statements focus on the near-term inflows and outflows of resources available for spending. These statements illustrate short-term fiscal accountability in the use of such resources and the balances of such resources at the end of the fiscal year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of such resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both of the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance have been reconciled in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position to assist in understanding the differences between these two perspectives.

A Budgetary Comparison Schedule is included in the financial statements for the General Fund, Highway Fund and Solid Waste Fund. This schedule demonstrates regulatory compliance with the Town's adopted and final revised budget.

The basic governmental fund financial statements are presented on pages 12 through 15 of this report.

The Town has three major governmental funds. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Town.

Proprietary Funds are used by the Town to report functions of business-type activities in the government-wide statements. The Town maintains one propriety fund that is an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town does not maintain enterprise funds.

In addition to the statements above, the report also contains the following fund financial statements.

Notes to Financial Statements. The notes provide additional information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 16 of this report.

TOWN OF COVENTRY, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017

The following condensed and reformatted financial information is a condensed version of the government-wide financial statements presented in this report.

Government-wide Financial Analysis

The Government's net position at fiscal year end is \$11,791,196. This represents a \$830,910 increase from last year's net position of \$10,960,286 (as restated). The following table provides a summary of the Town's net position:

Summary of Net Position

		Governmental Activities
Current and other assets	\$	2,621,120
Non-current assets		9,279,843
Total assets		11,900,963
Deferred outflows of resources		21,961
Current liabilities		131,611
Long-term liabilities		-
Total liabilities		131,611
Deferred inflows of resources		117
Net position		
Net investment in capital assets		1,964,544
Restricted		7,310,892
Unrestricted		2,515,760
Total net position	\$	11,791,196

The portion of the Town's net position, \$1,964,544, reflects its investment in capital assets (e.g. land, buildings and improvements, infrastructure, and furniture and equipment), less any related debt (capital lease obligations) used to acquire those assets that are still outstanding.

The Town uses these capital assets to provide services to the Town; consequently, these assets are not available for future spending.

Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of the general fund is not restricted by state law and is available for spending at the Town's discretion.

In summary, (as indicated in the Statement of Net Position on page 10) the net position restricted for capital projects and special revenue funds amounted to \$7,406,699 and (95,807), respectively.

TOWN OF COVENTRY, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017

The following table provides a summary of government-wide revenues, expenses, and net position for the year ended June 30, 2017:

Summary of Changes in Net Position

	Governmental Activities
Revenues	
Program revenues	
Charges for services	\$ 1,234,141
Operating grants and contributions	92,826
Property taxes	7,961
Investment income	76,280
Other revenue	500,651
Total revenues	1,911,859
 Expenses	
Governmental Activities:	
General government	434,166
Public safety	89,629
Highway and streets	499,865
Sanitation and recycling	7,718
Culture and recreation	41,313
Cemetery	8,258
Total expenses	1,080,949
Change in net position	830,910
Net position, beginning of year	10,960,286
Net position, end of year	\$ 11,791,196

Financial Analysis of the Town's Funds

As discussed, the Town's governmental funds are reported in the fund statements with a modified accrual basis that focuses on the short-term inflow and outflow of resources available for spending. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements.

Governmental Activities

Program Revenues. In accordance with GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues.

Total program revenues from governmental activities were \$1,326,967 in fiscal year 2017 compared to \$1,308,963 in the prior year. The increase is primarily the result of additional host community fees collected from Waste USA. Governmental program revenues come from *charges for services*, which include licenses and permits, planning fees, developer fees, forfeitures, and several other revenues and *operating grants and contributions*, which include operating-specific and discretionary (either operating or capital) grants.

TOWN OF COVENTRY, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017

General Revenues. All other revenues not categorized as program revenues, and include all taxes, as well as unrestricted grants, contributions and investment earnings. Total general revenues from governmental activities were \$584,892 in fiscal year 2017 compared to \$78,407 in the prior year. \$499,000, or 99% of the total increase from the prior year is attributable to an insurance recovery received by the Town during the fiscal year to replace prior years’ missing Town funds. Taxes and related revenue of \$7,961 (excluding Waste USA fees) comprised approximately 1.4% of the Town’s general revenues for fiscal year 2017.

Governmental Expenses. Total government activity expenses were \$1,080,949 in fiscal year 2017 compared to \$847,608 in fiscal year 2016, an increase of approximately 28%. The increase is primarily the result of re-paving Main Street. The largest expenses were incurred for general government, public safety and highways and streets.

Financial Analysis of Individual Funds

As noted earlier, the Town used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$9,636,380.

The fund balance of the General Fund as of June 30, 2017 was \$3,087,773, a decrease of \$280,068 from the prior year.

General Fund Budgetary Highlights

The Budgetary Comparison Schedule – General Fund beginning on page 33 compares the actual results for fiscal year 2017 to the approved budget for the General Fund, Highway Fund and Solid Waste Fund. Differences between budgeted amounts and actual amounts are briefly summarized below.

The most significant variances were as follows:

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue and Other Sources			
Investment income	\$ 3,400	\$ 49,125	\$ 45,725
Waste USA fees	842,698	834,902	(7,796)
Expenses and Other Uses			
Administration	60,680	153,389	(43,921)
Public Safety	68,250	89,629	(21,379)
Miscellaneous	101,524	253,226	(151,702)
Highway	465,768	324,658	141,110

The revenues and other sources were over budget due to realized gains on investment value during the current fiscal year and over-budgeted host community fee revenue from Waste USA.

Administrative costs were greater than budgeted for during the 2017 fiscal year, largely due to higher legal and litigation support costs.

TOWN OF COVENTRY, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017

Costs charged to the Town for the use of Newport Ambulance services were significantly greater than anticipated for the 2017 fiscal year.

The Town's Select Board engaged the services of an audit firm to perform a forensic investigation of the Town's accounting system, resulting in increased audit fees.

Highway costs were less than amounts budgeted for fiscal year 2017 due primarily to the early pay off of capital leases for equipment.

Capital Assets and Debt Administration

Capital Assets

The Town's government activities investment in capital assets, net of accumulated depreciation and related short and long-term debt as of June 30, 2017, was \$1,964,544, which represents a decrease of \$27,000 as compared to the prior year. Investment in capital assets includes land, land improvements, machinery and equipment, buildings, and infrastructure. Infrastructure assets are items that are normally immovable and of value to the Town such as roads, bridges, streets, drainage systems, lighting systems and similar items. The additions, net of any trade-in allowances and disposals, amounted to \$-0-. Depreciation expense for the 2017 fiscal year totaled \$180,807. The net decrease in capital assets was \$180,807.

Economic Climate

The general economic climate in the Town of Coventry mirrors the rest of Northern Vermont. Affordable housing and full time employment opportunities continue to stress the region, as does an aging population and shrinking demographics state wide.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in the report or requests for additional information should be addressed to:

Town of Coventry
PO Box 104
Coventry, VT 05825

TOWN OF COVENTRY, VERMONT
STATEMENT OF NET POSITION
June 30, 2017

ASSETS

Cash and cash equivalents	\$ 2,076,500
Investments	7,109,454
Receivables, net:	
Delinquent taxes, interest and penalties	183,633
Host community fees	360,987
Notes receivable	126,706
Capital assets:	
Not depreciable	30,000
Depreciable	2,830,725
Accumulated depreciation	(817,042)
TOTAL ASSETS	<u><u>11,900,963</u></u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related outflows	21,961
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>21,961</u>

LIABILITIES

Accounts payable	8,198
Accrued salary and benefits	44,274
Unearned revenue	79,139
TOTAL LIABILITIES	<u>131,611</u>

DEFERRED INFLOWS OF RESOURCES

Pension related inflows	117
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>117</u>

NET POSITION

Invested in capital assets, net	1,964,544
Restricted:	
Capital project funds	7,406,699
Special revenue funds	(95,807)
Unrestricted	2,515,760
TOTAL NET POSITION	<u><u>\$ 11,791,196</u></u>

See Accompanying Notes and Accountants' Report

TOWN OF COVENTRY, VERMONT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	Program Revenues				Net (Expense)/ Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	
Functions/Programs:					
Governmental Activities:					
General government	\$ 434,166	\$ 9,032	\$ 10,799	\$ -	\$ (414,335)
Public safety	89,629	405	-	-	(89,224)
Highways and streets	499,865	388,227	82,027	-	(29,611)
Sanitation and recycling	7,718	834,902	-	-	827,184
Culture and recreation	41,313	1,575	-	-	(39,738)
Cemetery	8,258	-	-	-	(8,258)
Total governmental activities	1,080,949	1,234,141	92,826	-	246,018
Total government	\$ 1,080,949	\$ 1,234,141	\$ 92,826	\$ -	\$ 246,018
General Revenues:					
Property taxes				\$ 7,961	
Investment income				76,280	
Insurance recovery				499,000	
Miscellaneous				1,651	
Total general revenues				584,892	
Change in net position					830,910
Net position - beginning of year, as restated					10,960,286
Net position - end of year					\$ 11,791,196

See Accompanying Notes and Accountants' Report.

TOWN OF COVENTRY, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Highway Fund	Building and Maintenance Fund	Roads and Bridges Fund	Non-Major Funds	Total Government Funds
ASSETS						
Cash and cash equivalents	\$ 935,630	\$ -	\$ 664,961	\$ 382,919	\$ 92,991	\$ 2,076,501
Investments	1,607,524	-	2,263,289	2,298,002	940,638	7,109,453
Receivables, net:						
Delinquent taxes receivable, net	183,632	-	-	-	-	183,632
Host community fees	360,987	-	-	-	-	360,987
Due from other funds	-	-	319,976	654,455	34,936	1,009,367
TOTAL ASSETS	3,087,773	-	3,248,226	3,335,376	1,068,565	10,739,940
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts payable	8,198	-	-	-	-	8,198
Accrued salary and benefits	6,711	145	-	-	-	6,856
Unearned revenue	79,139	-	-	-	-	79,139
Due to other funds	683,811	224,353	-	-	101,203	1,009,367
TOTAL LIABILITIES	777,859	224,498	-	-	101,203	1,103,560
FUND BALANCES						
Restricted for:						
Capital projects	-	-	3,248,226	3,335,376	823,097	7,406,699
Special revenue funds	-	(224,498)	-	-	144,265	(80,233)
Unassigned	2,309,914	-	-	-	-	2,309,914
TOTAL FUND BALANCES	2,309,914	(224,498)	3,248,226	3,335,376	967,362	9,636,380
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,087,773	\$ -	\$ 3,248,226	\$ 3,335,376	\$ 1,068,565	\$ 10,739,940

See Accompanying Notes and Accountant's Report.

TOWN OF COVENTRY, VERMONT
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO THE
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
June 30, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 9,636,380
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not considered financial resources for fund perspective reporting and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$2,860,725 and the accumulated depreciation is \$817,042	2,043,683
Long-term notes receivable from the Gilman Housing Trust are not available to pay for current-period expenditures and therefore are not reported as assets in the governmental funds.	126,706
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position (refer to Note 8)	21,963
Pension related deferrals (Refer to Note 8)	(117)
Net pension liability (refer to Note 8)	<u>(37,419)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ <u><u>11,791,196</u></u>

See Accompanying Notes and Accountant's Report.

TOWN OF COVENTRY, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Building and Maintenance Fund</u>	<u>Roads and Bridges Fund</u>	<u>Non-Major Funds</u>	<u>Total Government Funds</u>
REVENUES						
Taxes, interest and penalties	\$ 7,961	\$ -	\$ -	\$ -	\$ -	\$ 7,961
Investment income (loss)	49,125	-	13,350	13,905	(100)	76,280
Town clerk fees and licenses	9,033	-	-	-	-	9,033
Federal and state grant revenue	5,682	82,027	-	-	5,117	92,826
Waste USA fees	834,902	388,227	-	-	-	1,223,129
Departmental income	1,575	-	-	-	-	1,575
Miscellaneous	1,655	325	-	-	75	2,055
Total revenues	<u>909,933</u>	<u>470,579</u>	<u>13,350</u>	<u>13,905</u>	<u>5,092</u>	<u>1,412,859</u>
EXPENDITURES						
General government	434,166	-	-	-	-	434,166
Public safety	89,629	-	-	-	-	89,629
Highways and streets	-	324,659	-	11,557	-	336,216
Cemetery	7,851	-	-	-	7,718	15,569
Culture and recreation	18,009	-	-	-	-	18,009
Total expenditures	<u>549,655</u>	<u>324,659</u>	<u>-</u>	<u>11,557</u>	<u>7,718</u>	<u>893,589</u>
Excess/(deficiency) of revenue over/(under) expenditures	<u>360,278</u>	<u>145,920</u>	<u>13,350</u>	<u>2,348</u>	<u>(2,626)</u>	<u>927,167</u>
OTHER FINANCING SOURCES (USES)						
Insurance claim	499,000	-	-	-	-	499,000
Transfers, net	(579,210)	-	268,355	268,355	42,500	-
Total other financing sources (uses)	<u>(80,210)</u>	<u>-</u>	<u>268,355</u>	<u>268,355</u>	<u>42,500</u>	<u>499,000</u>
NET CHANGE IN FUND BALANCES	280,068	145,920	281,705	270,703	39,874	1,426,167
FUND BALANCES - JULY 1, 2016	<u>2,029,846</u>	<u>(370,418)</u>	<u>2,966,521</u>	<u>3,064,673</u>	<u>927,488</u>	<u>8,618,110</u>
FUND BALANCES - JUNE 30, 2017	<u>\$ 2,309,914</u>	<u>\$ (224,498)</u>	<u>\$ 3,248,226</u>	<u>\$ 3,335,376</u>	<u>\$ 967,362</u>	<u>\$ 10,044,277</u>

See Accompanying Notes and Accountant's Report.

**TOWN OF COVENTRY, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,426,167
Amounts reported for governmental activities in the 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 and reported as depreciation expense. This is the amount by which depreciation expense of \$180,807 exceeded capital outlays of \$-0-	(180,807)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	(6,554)
Payment of lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>(407,896)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>830,910</u></u>

See Accompanying Notes and Accountant's Report.

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

Note 1. Summary of Significant Accounting Policies

Town of Coventry, Vermont, (the "Town") has adopted the accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board ("GASB"), the accepted standard setting body for establishing accounting and financial reporting principals for government units.

The Select Board of the Town adopted the following policies which are consistently applied in the preparation of the financial statements. The following is a summary of the more significant policies.

Reporting Entity

This report includes all of the funds of the Town. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there are no entities that should be combined with the financial statements of the Town.

Basis of Presentation

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole and present a longer-term view of the Town's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town and present a shorter-term view of how operations were financed and what remains available for future spending.

Government-Wide and Fund Financial Statements: The Statement of Net Position and the Statement of Activities display information about the primary government, the Town. These statements report financial information of the Town's non-fiduciary activities as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes, state aid, grants, and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

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

Note 1. Summary of Significant Accounting Policies (continued)

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines, and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities, including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Net position (the amount by which assets and deferred outflows exceed liabilities and deferred inflows) are reported on the Statement of Net Position in three components:

- (1) Net investment in capital assets— total amount of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and other debt that are related to the acquisition or construction of those assets, including related deferred outflows of resources and deferred inflows of resources;
- (2) Restricted – for amounts when constraints placed on the net position are either externally imposed, or are imposed by constitutional provisions or enabling legislation.
- (3) Unrestricted – the total net position which do not fit the two preceding categories. When both restricted and unrestricted resources are available for use, generally it is the Town's policy to use restricted assets first with unrestricted resources utilized as needed.

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

The Town reports on the following major governmental funds:

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

Highway Fund – This special revenue fund is used to account for host community fee transportation revenue paid to the Town for use in offsetting the future costs of highway repairs and maintenance.

Building and Maintenance Fund – This capital project fund is used to account for resources held by the Town to offset the future costs of Town building repairs and maintenance.

Roads and Bridges Fund – This capital project fund is used to account for resources held by the Town to offset the costs of future street and bridge repairs and maintenance.

Fixed Asset Fund – This fund is used to account for capital assets owned by the Town.

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

Note 1. Summary of Significant Accounting Policies (continued)

Non-major governmental funds column includes the balances and activities of the following:

Reappraisal fund, grader fund, gravel pit fund, school bond reserve fund, and the Gilman Housing Trust fund – These funds are non-major special revenue and capital project funds. The funds' revenue is committed by statute and can only be utilized for their specified purposes. Principal sources of revenue include license fees, grants, and donations.

The focus of proprietary funds measurement is upon determination of operating income, changes in net position, financial position, and cash flows. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenue and expenses not meeting this definition are reported as non-operating revenue and expense. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Town does not maintain any enterprise funds.

Measurement Focus

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

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

Basis of Accounting

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

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations.

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

Note 1. Summary of Significant Accounting Policies (continued)

On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

The Town categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Receivables

Receivables in the government-wide financial statements represent amounts due to the Town at June 30 that will be collected at some time in the future. They consist primarily of accrued taxes and related interest and penalties and are reported net of allowance for uncollectible accounts. Receivables reported in the governmental funds financial statements consist primarily of accrued taxes and related interest and penalties. Other receivables include primarily fees, fines, and expenditure reimbursements due to various Town programs and activities.

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

Note 1. Summary of Significant Accounting Policies (continued)

Revenues accrued in the governmental funds' financial statements consist primarily of accrued taxes and related interest and penalties that will be collected by the Town within 60 days after year-end. The amount estimated by the Town to be collected after the 60-day revenue recognition period is recorded as unavailable revenues.

Internal Balances

Financial Activity between funds that is representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year is referred to as "Advances to/from Other Funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Cash balances deposited and invested by the Treasurer in a combined cash account are reported as "Due to/from Other Funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund reserve account (non-spendable fund balance) in the applicable funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Capital Assets

The Town's property, plant, equipment, vehicles, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure asset records consistent with all other capital assets. The Town has elected under the requirements of GASB Statement No. 34 not to capitalize infrastructure costs prior to January 1, 2004. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated.

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

The Town generally capitalizes assets with cost of \$1,000 or more for governmental funds and \$50,000 or greater for infrastructure as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	20 - 50
Equipment and Vehicles	5 - 12
Utility systems	8 - 50
Infrastructure	20 - 40

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

Note 1. Summary of Significant Accounting Policies (continued)

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

In addition to assets, the statement of financial position will sometimes 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/expenditures) until then. The Town has no items which arise under the accrual basis of accounting that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of transaction which arises under the modified accrual basis of accounting and one type which arises under the accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, “unavailable revenue”, is reported in the statement of net position and governmental funds balance sheet. The statement of net position reports unavailable revenues from one source; prepaid property taxes. The governmental funds balance sheet reports unavailable revenues from one source; unavailable property taxes, which are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Liabilities

Long-term liabilities include capital leases payable. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current liabilities on their balance sheets.

Budgetary Accounting: General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary system in accordance with various legal requirements which govern the Town's operations. The budgets of the Town of Coventry are formally acted upon at the annual Town meeting. All budget appropriations lapse at year end.

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form -prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

The emphasis in fund financial statements is on the major funds. Non-major funds by category are summarized into a single column. GASB 34 and 37 set forth minimum criteria for the determination of major funds. The General Fund, Highway Fund, Building and Maintenance Fund and Roads and Bridges Fund are shown as major governmental funds. All other governmental fund are non-major and are combined in a single column in each of the respective fund financial statements.

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

Note 1. Summary of Significant Accounting Policies (continued)

Restricted fund balance: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board, which is the Town's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes voter approved reservations and contractual obligations to the extent that the existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: This classification reflects the amounts constrained by the Board's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances on other governmental funds.

When both restricted and unrestricted fund balances are available for use, it is the Town's policy to use restricted funds first, then unrestricted funds. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Note 2. Deposits and Investments

Deposits

Custodial Credit Risk – Deposits. The Treasurer works with the Board to limit custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The table below reflects the custodial credit risk of the Town's Deposits.

Insured by FDIC	\$ 250,000
Uninsured - collateralized	_____
Total bank balances	\$ _____

Investment Securities

The fair value of investments as of June 30, 2017 are as follows:

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

Note 2. Deposits and Investments (continued)

<u>Investment Security Type</u>	<u>Fair Value</u>	<u>Fair Value Hierarchy</u>
Money market funds	\$ 610,151	Level 1
Corporate equities	41,136	Level 1
Mutual funds	3,683,182	Level 1
Municipal bonds	50,885	Level 3
Corporate bonds	25,254	Level 3
Unit trusts	57,230	Level 3
Annuity	2,641,616	Level 3
	<u>\$ 7,109,454</u>	

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law with regard to cemeteries limits investments in domestic common or preferred stocks to no more than 35% of the portfolio. The rest may be invested in bonds of the United States or the State of Vermont, in bonds or notes issued in anticipation of taxes, loaned upon the first mortgage of real estate (limited to 60% of the value of the underlying real estate), or in the stock of a bank. The Town has no other investment policy that would limit its investments beyond any donor-imposed restrictions on certain endowment donations.

Investment income – the components of governmental funds investment income for fiscal year 2017 were as follows:

	<u>General Fund</u>	<u>Building and Maintenance Fund</u>	<u>Roads and Bridges Fund</u>	<u>Non-major Funds</u>	<u>Total</u>
Interest and dividends	\$ 6,439	\$ 61	\$ 44	\$ 6	\$ 6,550
Unrealized gains (losses)	42,686	13,289	13,861	(106)	69,730
Realized gains	-	-	-	-	-
	<u>\$ 49,125</u>	<u>\$ 13,350</u>	<u>\$ 13,905</u>	<u>\$ (100)</u>	<u>\$ 76,280</u>

Note 3. Inter-fund Transfers

Inter-fund transfers for the year ended June 30, 2017 were as follows:

	<u>General Fund</u>	<u>Building and Maintenance</u>	<u>Roads and Bridges</u>	<u>Non-major Funds</u>
(To)/From general fund	\$ (579,210)	\$ 268,355	\$ 268,355	\$ 42,500
(To)/From other Governmental funds	-	-	-	-
Totals	<u>\$ (579,210)</u>	<u>\$ 268,355</u>	<u>\$ 268,355</u>	<u>\$ 42,500</u>

Transfers are used to move revenues from the fund that statute or budget requires it to be collected in to the fund that statute or budget requires it to be expended from.

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

Note 3. Inter-fund Transfers (continued)

Transfers are also used for unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The general fund allocated Board approved transfers of \$579,210 to other governmental funds according to budgetary authorizations. There were no transfers to the general fund from other funds during fiscal year ended June 30, 2017.

Note 4. Due to/From Other Funds

The Town has combined some of the cash resources of its governmental and proprietary funds for accounting and reporting purposes. That portion of the pooled cash balance is reported in the specific fund as an inter-fund balance. Inter-fund balances at June 30, 2017 were as follows:

		Due from Other Funds		Due to Other Funds
Governmental Funds	\$		\$	
General Fund		-		(683,811)
Highway Fund		-		(224,353)
Building and Maintenance Fund		319,976		-
Roads and Bridges Fund		654,455		-
Non-Major Funds		34,936		(101,203)
Totals	\$	1,009,367	\$	(1,009,367)

Note 5. Capital Assets Activity

Governmental Activities capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Total capital assets not being depreciated	30,000	-	-	30,000
Capital Assets being depreciated:				
Land improvements	350,048	-	-	350,048
Buildings and improvements	1,737,761	-	-	1,737,761
Furniture and equipment	12,500	-	-	12,500
Vehicles and related equipment	730,216	-	-	730,216
Total capital assets being depreciated	2,830,525	-	-	2,830,525
Accumulated depreciation				
Land improvements	-	-	-	-
Buildings and improvements	304,109	43,444	-	347,553
Furniture and equipment	9,500	1,500	-	11,000
Vehicles and related equipment	322,626	135,863	-	458,489
Total accumulated depreciation	636,235	180,807	-	817,042
Governmental Activities Capital Assets, Net	\$ 2,224,290	\$ (180,807)	\$ -	\$ 2,043,483

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

Note 5. Capital Assets Activity (continued)

Depreciation expense was charged to governmental functions as follows:

Highways and streets	\$ 157,095
Culture and recreation	23,304
Cemetery	408
Total	<u>\$ 180,807</u>

Note 6. Notes Receivable

Notes receivable as of June 30, 2017 consist of \$74,297 of interest bearing and \$36,500 of non-interest bearing notes due from local businesses for business expansion and other working capital needs.

Note 7. Unearned Revenue and Deferred Inflows of Resources

Deferred inflows of resources in the General Fund consists of \$-0- of delinquent property taxes, penalties and interest on those taxes that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Note 8. Pension Plan

Summary of Significant Accounting Policies

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), and additions to/deductions from VMERSs' fiduciary net position has been determined on the same basis as that reported by VMERS.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description

The Vermont Municipal Employees' Retirement System is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Select Board. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter.

Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2015, the retirement system consisted of 437 participating employers. The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

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

Note 8. Pension Plan (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 Select Board 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.

Summary of System Provisions

Membership	Full-time employees of participating municipalities. Municipality elects coverage under Groups A, B, C or D provisions.
Creditable service	Service as a member plus purchased service
Average Final Compensation (AFC)	Group A – average annual compensation during the highest 5 consecutive years. Group B and C – average annual compensation during highest 3 consecutive years. Group D – average annual compensation during highest 2 consecutive years.
Service Retirement Allowance Eligibility	Group A – the earlier of age 65 with 5 years of service or age 55 with 35 years of service. Group B – the earlier of age 62 with 5 years of service or age 55 with 30 years of service. Groups C and D – age 55 with 5 years of service.
Amount	Group A – 1.4% of AFC x service Group B – 1.7% of AFC x service as Group B member plus percentage earned as Group A member x AFC. Group C – 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x AFC. Group D – 2.5% of AFC x service as a Group D member plus percentage earned as a Group A, B, or C member x AFC Maximum benefit is 60% of AFC for Groups A and B and 50% of AFC for Groups C and D. The above includes the portion of the allowance provided by member contributions.
Early Retirement Allowance Eligibility	Age 55 with 5 years of service for Groups A and B; age 50 with 20 years of service for Group D.
Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement proceeds Normal Retirement Age for Group A and B members, and payable without reduction to Group D members.

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

Note 8. Pension Plan (continued)

Vested Retirement Allowance	
Eligibility	5 years of service.
Amount	Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on "Post-Retirement Adjustments" described below.
Disability Retirement Allowance	
Eligibility	5 years of service and disability as determined by Retirement Board.
Amount	Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.
Death Benefit	
Eligibility	Death after 5 years of service.
Amount	For Groups A, B, C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefits under disability annuity computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.
Optional Benefit and Death after Retirement	For Groups A, B, C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.
Refund of Contribution	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.
Post-Retirement Adjustments	Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in consumer price index but not more than 2% for Group A and 3% for Groups B, C and D.
Member Contributions	Group A – 2.5% effective July 1, 2000 (reduced from 3.0%) Group B – 4.875% effective July 1, 2016 (increased from 4.75%) Group C – 10.00% effective July 1, 2016 (increased from 9.75%) Group D – 11.35% effective July 1, 2016 (increased from 11.25%)
Employer Contributions	Group A – 4.0% Group B – 5.50% (changed from 5.375%) effective July 1, 2015 Group C – 7.25% (changed from 7.125%) effective January 1, 2016 Group D – 9.85% effective July 1, 2014 (increased from 9.75%)
Retirement Stipend	\$25 per month payable at the option of the Board of Retirees.

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

Note 8. Pension Plan (continued)

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

At June 30, 2017, the Town reported a liability of \$37,419 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Obligation was determined by an actuarial valuation as of that date. The Town's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.02908%, which was an increase of 0.00248% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$12,174.

At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 769	\$ -
Change of assumptions	6,009	-
Net difference between projected and actual earnings on pension plan investments	12,133	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,050	117
Total	\$ 21,961	\$ 117

\$5,882 was 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2018	\$ 5,882
2019	7,986
2020	2,094
2021	-
Thereafter	-

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

Note 8. Pension Plan (continued)

Employer contribution history for the Town as of June 30, 2017 is as follows:

FY 2016	\$	4,419
FY 2015		3,718
FY 2014		2,095
FY 2013		2,095

Significant Actuarial Assumptions and Methods

Interest Rate: A select-and-ultimate interest rate set, specified below. The interest rate set is restarted every year:

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and Later: 9.00%
Year 9: 8.50%	

Salary Increases: 5% per year.

Deaths:

Active Participants – 50% of the probabilities in the 1995 Buck Mortality Tables for males and females.

Non-disabled retirees and terminated vested participants – the 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females.

Disabled retirees – RP-2000 Disabled Life Tables.

Beneficiaries – 1995 Buck Mortality Tables for males and females.

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

Cost-of-living Adjustments to Benefits Terminated Vested and Retired Participants: 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.

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

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

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

Note 8. Pension Plan (continued)

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

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

The long-term expected rate of return on System 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. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

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:

Asset Class	Target Allocation	Long-Term Expected
Equity	31.50%	8.54%
Fixed Income	33.00%	2.36%
Alternatives	15.50%	8.35%
Multi-strategy	20.00%	4.90%

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 Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the entity's proportionate share of the net pension liability calculated using the discount rate of 7.95 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%):

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

Note 8. Pension Plan (continued)

	1% Decrease (6.95%)	Current Discount Rate (7.95%)	1% Decrease (8.95%)
Town's proportionate share of the net pension liability	\$ 62,120	\$ 37,419	\$ 16,738

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available as a 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 10. Property Taxes

Property taxes attach as an enforceable lien on property as of July 1. Town taxes levied in July are payable on November 5th and become delinquent on November 6th. Property taxes are recognized as revenue in the period for which they are levied, which is the fiscal year during which tax payments are due, provided the taxes are received within sixty (60) days after year-end. The remaining receivables are reported as unearned revenue, a deferred inflow of resources.

The tax rates for fiscal year 2017 were:

	Residential	Non-Residential
State Education Tax	\$ 1.3405	\$ 1.4316
Municipal Tax	0	0
Total	\$ 1.3405	\$ 1.4316

Note 11. Contingencies

In December 2016 the Town filed an insurance claim to recover tax revenue that was determined by a forensic investigation to be missing from the Town's property. During the fiscal year ended June 30, 2017 \$500,000 was recovered from this insurance claim.

Note 12. Subsequent Events

Management has evaluated subsequent events through December 5, 2017, the date that the financial statements were available to be issued.

**TOWN OF COVENTRY, VERMONT
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes			
Property taxes - general	\$ -	\$ 602	\$ 602
Delinquent interest	4,000	3,298	(702)
Delinquent penalties	6,400	4,061	(2,339)
Total property taxes	10,400	7,961	(2,439)
Investment income	3,400	49,125	45,725
Town Clerk			
Licenses and permits	700	459	(241)
Recording and clerk fees	10,000	8,574	(1,426)
Total charges for services - Town Clerk	10,700	9,033	(1,667)
Highway			
State aid	83,000	82,027	(973)
Waste USA transportation fees	388,227	388,227	-
Reserve fund	-	-	-
Other	5,000	-	(5,000)
Total highway	476,227	470,254	(5,973)
Departmental income			
Listers	-	-	-
Waste USA fees	842,698	834,902	(7,796)
Community center and furniture rental	1,100	1,575	475
Total departmental income	843,798	836,477	(7,321)
Miscellaneous			
Agency of Natural Resources grant	6,500	5,682	(818)
Miscellaneous	2,200	1,980	(220)
	8,700	7,662	(1,038)
Total revenues	1,353,225	1,380,512	27,287
EXPENDITURES			
Current Expenditures			
General government			
Administration			
Salaries			
Town clerk	10,695	11,771	(1,076)
Town treasurer	10,695	10,127	568
Town administrator	-	24,787	(24,787)
Delinquent tax collector	-	2,369	(2,369)
Assistant town clerk	5,824	602	5,222

See Accompanying Notes and Accountant's Report.

TOWN OF COVENTRY, VERMONT
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Select Board members	2,400	2,450	(50)
Health officer	200	200	-
Dog warden	500	600	(100)
Moderator	100	100	-
Ballot clerk	1,200	880	320
Planning commission	1,500	1,469	31
Benefits			
FICA	2,266	4,233	(1,967)
Insurance	500	3,048	(2,548)
Pension	-	857	(857)
Town report	3,300	1,123	2,177
Equipment/supplies	4,000	9,376	(5,376)
Dues and fees	5,000	5,228	(228)
Postage	2,000	1,817	183
Seminars and workshops	1,000	515	485
Legal and litigation support	3,000	46,921	(43,921)
Advertising	1,500	2,279	(779)
Computer software and repairs	1,000	20,449	(19,449)
Telephone	1,000	1,073	(73)
Miscellaneous	3,000	1,115	1,885
Total administration	<u>60,680</u>	<u>153,389</u>	<u>(92,709)</u>
Listers			
Salaries	3,600	3,617	(17)
FICA	230	154	76
Postage	200	67	133
Equipment/supplies	1,850	639	1,211
Dues and fees	900	50	850
Tax mapping update	1,200	1,100	100
Education	-	1,983	(1,983)
Total listers	<u>7,980</u>	<u>7,610</u>	<u>370</u>
Insurance and fidelity bond			
Workers' compensation	8,000	7,839	161
Property and liability	15,000	17,879	(2,879)
Bond insurance	-	-	-
Total insurance and fidelity bond	<u>23,000</u>	<u>25,718</u>	<u>(2,718)</u>
Utilities			
Street lights	<u>3,150</u>	<u>2,779</u>	<u>371</u>
Total utilities	<u>3,150</u>	<u>2,779</u>	<u>371</u>
Community Center			
Equipment	1,000	694	306

See Accompanying Notes and Accountant's Report.

TOWN OF COVENTRY, VERMONT
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Cleaning services	300	6,375	(6,075)
Supplies	1,000	776	224
Utilities	2,350	2,292	58
Heat	5,500	916	4,584
Repairs and maintenance	7,000	6,136	864
Total community center	<u>17,150</u>	<u>17,189</u>	<u>(39)</u>
Emergency Shelter			
Propane	1,000	-	1,000
Supplies	1,500	-	1,500
Repairs and maintenance	500	116	384
Total emergency shelter	<u>3,000</u>	<u>116</u>	<u>2,884</u>
Public Safety			
Newport City Fire Department	45,000	36,255	8,745
Coventry Fire District	-	1,500	(1,500)
Sheriff's Department	9,000	7,121	1,879
Stray dog kenneling	-	357	(357)
Newport Ambulance Service	-	31,100	(31,100)
Orleans Fire Department	14,250	13,296	954
Total public safety	<u>68,250</u>	<u>89,629</u>	<u>(21,379)</u>
Miscellaneous			
Village common repair/upkeep	1,000	25	975
Audit services	15,000	193,090	(178,090)
Recreation - general	2,500	(1,150)	3,650
Coventry Day	12,000	16,196	(4,196)
Health clubs	3,000	2,914	86
Orleans County tax	17,500	17,662	(162)
Appropriations	39,220	15,940	23,280
Cemetery Association expenses	10,954	7,851	3,103
Miscellaneous	350	698	(348)
Total miscellaneous	<u>101,524</u>	<u>253,226</u>	<u>(151,702)</u>
Total expenditures - General Fund	<u>284,734</u>	<u>549,656</u>	<u>(264,922)</u>
Highway			
Salaries			
Highway salaries	90,896	107,568	(16,672)
Benefits			
FICA	6,954	8,246	(1,292)
Insurance	19,613	8,685	10,928
Pension	4,600	4,763	(163)
Water - Main Street	800	650	150

See Accompanying Notes and Accountant's Report.

TOWN OF COVENTRY, VERMONT
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Supplies	4,000	3,948	52
Heating	5,100	7,289	(2,189)
Electricity	3,000	2,487	513
Propane - generator	250	116	134
Parts		4,183	(4,183)
Telephone, cell phones, pagers	550	583	(33)
Equipment leases	80,405	-	80,405
Equipment acquisition, repairs and maintenance	89,000	90,540	(1,540)
Road maintenance	123,000	48,042	74,958
Road signs	2,000	1,630	370
Building repairs and maintenance	1,000	2,317	(1,317)
Gravel pit	500	935	(435)
Gravel pit garage	-	-	-
Summer contracted services	7,500	8,075	(575)
Fuel	25,500	21,471	4,029
Uniforms	-	2,684	(2,684)
Miscellaneous	1,100	446	654
Total highway	<u>465,768</u>	<u>324,658</u>	<u>141,110</u>
Solid Waste fund	<u>7,000</u>	<u>7,718</u>	<u>(718)</u>
Total Solid Waste fund	<u>7,000</u>	<u>7,718</u>	<u>(22,097)</u>
Total expenditures	<u>757,502</u>	<u>882,032</u>	<u>(22,097)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>595,723</u>	<u>498,480</u>	<u>49,384</u>
OTHER FINANCING SOURCES (USES)			
Insurance claim, net	-	499,000	499,000
Transfer to Solid Waste Fund	(2,500)	(2,500)	-
Transfer to Grader Fund	(15,000)	(15,000)	-
Transfer to Reappraisal Reserve	(10,000)	(10,000)	-
Transfer to Roads and Bridges Reserve Fund	(268,355)	(268,355)	-
Transfer to Building and Maintenance Reserve Fund	(268,355)	(268,355)	-
Transfer to Gravel Pit Fund	(15,000)	(15,000)	-
Total other financing sources (uses)	<u>(579,210)</u>	<u>(80,210)</u>	<u>499,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ 16,513</u>	418,270	<u>418,270</u>
FUND BALANCE - JULY 1, 2016		<u>1,687,340</u>	
FUND BALANCE - JUNE 30, 2017		<u>\$ 2,105,610</u>	

See Accompanying Notes and Accountant's Report.

TOWN OF COVENTRY, VERMONT
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Solid Waste	Reappraisal	Grader	Gravel Pit	Total
	Fund	Fund	Fund	Fund	Non-Major
					Government
					Funds
ASSETS					
Cash and cash equivalents	\$ 5,881	\$ 22,241	\$ 32,362	\$ 32,507	\$ 92,991
Investments	54,505	79,026	88,631	718,476	940,638
Due from other funds	-	20,268	-	14,668	34,936
	<u>60,386</u>	<u>121,535</u>	<u>120,993</u>	<u>765,651</u>	<u>1,068,565</u>
TOTAL ASSETS					
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Due to other funds	<u>37,656</u>	<u>-</u>	<u>63,547</u>	<u>-</u>	<u>101,203</u>
TOTAL LIABILITIES	<u>37,656</u>	<u>-</u>	<u>63,547</u>	<u>-</u>	<u>101,203</u>
FUND BALANCES					
Restricted for:					
Capital projects	-	-	57,446	765,651	823,097
Special revenue funds	<u>22,730</u>	<u>121,535</u>	<u>-</u>	<u>-</u>	<u>144,265</u>
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>22,730</u>	<u>121,535</u>	<u>57,446</u>	<u>765,651</u>	<u>967,362</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 60,386</u>	<u>\$ 121,535</u>	<u>\$ 120,993</u>	<u>\$ 765,651</u>	<u>\$ 1,068,565</u>

See Accompanying Notes and Accountant's Report.

TOWN OF COVENTRY, VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	<u>Solid Waste Fund</u>	<u>Reappraisal Fund</u>	<u>Grader Fund</u>	<u>Gravel Pit Fund</u>	<u>Total Non-Major Government Funds</u>
REVENUES					
Taxes, interest and penalties	-	-	-	-	-
Investment income (loss)	\$ (39)	\$ 702	\$ 93	\$ (856)	\$ (100)
Town clerk fees and licenses	-	-	-	-	-
Federal and state grant revenue	-	5,117	-	-	5,117
Departmental income	-	-	-	-	-
Miscellaneous	75	-	-	-	75
Total revenues	<u>36</u>	<u>5,819</u>	<u>93</u>	<u>(856)</u>	<u>5,092</u>
EXPENDITURES					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Highways and streets	-	-	-	-	-
Sanitation and recycling	7,718	-	-	-	7,718
Culture and recreation	-	-	-	-	-
Cemetery	-	-	-	-	-
Total expenditures	<u>7,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,718</u>
Excess/(deficiency) of revenue over/(under) expenditures	<u>(7,682)</u>	<u>5,819</u>	<u>93</u>	<u>(856)</u>	<u>(2,626)</u>
OTHER FINANCING SOURCES (USES)					
Transfers, net	<u>2,500</u>	<u>10,000</u>	<u>15,000</u>	<u>15,000</u>	<u>42,500</u>
Total other financing sources (uses)	<u>2,500</u>	<u>10,000</u>	<u>15,000</u>	<u>15,000</u>	<u>42,500</u>
NET CHANGE IN FUND BALANCES	(5,182)	15,819	15,093	14,144	39,874
FUND BALANCES - JULY 1, 2016	<u>27,912</u>	<u>105,716</u>	<u>42,353</u>	<u>751,507</u>	<u>927,488</u>
FUND BALANCES - JUNE 30, 2017	<u>\$ 22,730</u>	<u>\$ 121,535</u>	<u>\$ 57,446</u>	<u>\$ 765,651</u>	<u>\$ 967,362</u>

See Accompanying Notes and Accountant's Report.