

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

**TOWN OF COVENTRY, VERMONT**

**JUNE 30, 2018**

**TABLE OF CONTENTS**

	<u>Page(s)</u>
Independent Auditor's Report .....	1 - 2
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	3
Statement of Activities .....	4
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	8
Statement of Fiduciary Net Position.....	9
Statement of Changes in Fiduciary Net Position .....	10
Notes to Financial Statements.....	11 - 19
Required Supplementary Information:	
Schedule of Revenues and Expenditures - Budget and Actual - General Fund .....	20 - 22
Schedule of Revenues and Expenditures - Budget and Actual - Highway Fund .....	23 - 24
Schedule of Proportionate Share of the Net Pension Liability .....	25
Schedule of Pension Contributions.....	26
Combining Fund Financial Statements:	
Combining Balance Sheet - Nonmajor Governmental Funds.....	27
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	28
Internal Control and Compliance:	
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 <i>Government Auditing Standards</i> .....	29 - 30
Schedule of Findings .....	31

**INDEPENDENT AUDITOR'S REPORT**

The Select Board  
Town of Coventry, 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 Coventry, Vermont, 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.

Except for the matter described in the "Basis for Qualified Opinion on General Fund" paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

**Basis for Qualified Opinion on General Fund**

We were unable to obtain sufficient appropriate audit evidence about the amount recognized for delinquent property tax receivables, as of June 30, 2018, due to potential deficiencies in the Town's Grand List and incomplete records from prior years. The amount by which this scope limitation could affect the assets, liabilities, fund balance, revenues and expenditures of the General Fund has not been determined.

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the Town of Coventry, VT, as of June 30, 2018, and the changes in financial position 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 budgetary comparison information, schedule of the proportionate share of the net pension liability and schedule of pension contributions on pages 20 to 26 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Coventry, Vermont's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements 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 combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2019, on our consideration of the Town of Coventry, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Coventry, VT's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Coventry, Vermont's internal control over financial reporting and compliance.

*Pace & Hawley, LLC*

Berlin, VT  
February 18, 2019

**TOWN OF COVENTRY, VERMONT**  
**Statement of Net Position**  
**June 30, 2018**

	Governmental Activities
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 2,368,999
Investments	7,024,848
Landfill host fees receivable	346,470
Grants receivable	10,246
Property taxes, penalties and and interest receivable, net	41,148
Notes receivable	86,500
Interest receivable on notes	24,797
Total current assets	9,903,008
Noncurrent assets:	
Capital assets	3,437,893
(Accumulated depreciation)	(984,673)
Total noncurrent assets	2,453,220
Total assets	12,356,228
<b>Deferred outflows of resources</b>	
Pension related - VMERS	28,110
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	51,064
Accrued payroll and benefits	4,796
Total current liabilities	55,860
Noncurrent liabilities:	
Net pension liability - VMERS	41,692
Total noncurrent liabilities	41,692
Total liabilities	97,552
<b>Deferred inflows of resources</b>	
Property taxes received in advance	2,230
Pension related - VMERS	1,090
Total deferred inflows of resources	3,320
<b>Net position</b>	
Net investment in capital assets	2,453,220
Restricted	117,525
Unrestricted	9,712,721
Total net position	\$ 12,283,466

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF COVENTRY, VERMONT**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities</b>					
General government	\$ 362,553	\$ 17,449	\$ 5,262	\$ -	\$ (339,842)
Highways	702,406	-	113,582	277,739	(311,085)
Public safety	91,061	-	-	-	(91,061)
Solid waste	5,623	-	-	-	(5,623)
Culture and recreation	40,711	-	-	-	(40,711)
Cemetery	14,102	-	-	-	(14,102)
Total governmental activities	\$ <u>1,216,456</u>	\$ <u>17,449</u>	\$ <u>118,844</u>	\$ <u>277,739</u>	<u>(802,424)</u>
<b>General revenues</b>					
					15,329
					1,364,472
					(39,740)
					20,000
					25,397
					<u>1,385,458</u>
					583,034
					<u>11,700,432</u>
					\$ <u>12,283,466</u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF COVENTRY, VERMONT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2018**

	General Fund	Highway Fund	Building and Maintenance Fund	Roads and Bridges Fund	Non-major Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 948,659	\$ -	\$ 717,956	\$ 419,233	\$ 283,151	\$ 2,368,999
Investments	1,474,406	-	2,237,145	2,271,922	1,041,375	7,024,848
Landfill host fees receivable	346,470	-	-	-	-	346,470
Grants receivable	-	-	-	10,246	-	10,246
Property taxes, penalties and interest receivable, net	41,148	-	-	-	-	41,148
Notes receivable	-	-	-	-	86,500	86,500
Interest receivable on notes	-	-	-	-	24,797	24,797
Due from other funds	-	146	301,363	315,276	-	616,785
Total assets	<u>\$ 2,810,683</u>	<u>\$ 146</u>	<u>\$ 3,256,464</u>	<u>\$ 3,016,677</u>	<u>\$ 1,435,823</u>	<u>\$ 10,519,793</u>
<b>Liabilities, deferred inflows of resources and fund balances</b>						
Liabilities:						
Accounts payable	\$ 51,064	\$ -	\$ -	\$ -	\$ -	\$ 51,064
Accrued payroll & benefits	4,650	146	-	-	-	4,796
Due to other funds	555,778	-	-	-	61,007	616,785
Total liabilities	<u>611,492</u>	<u>146</u>	<u>-</u>	<u>-</u>	<u>61,007</u>	<u>672,645</u>
Deferred inflows of resources:						
Property taxes received in advance	2,230	-	-	-	-	2,230
Unavailable revenue - notes receivable	-	-	-	-	111,297	111,297
Total deferred inflows of resources	<u>2,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,297</u>	<u>113,527</u>
Fund balance:						
Restricted	-	-	-	-	117,525	117,525
Committed	-	-	3,256,464	3,016,677	1,145,994	7,419,135
Unassigned	2,196,961	-	-	-	-	2,196,961
Total fund balance	<u>2,196,961</u>	<u>-</u>	<u>3,256,464</u>	<u>3,016,677</u>	<u>1,263,519</u>	<u>9,733,621</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,810,683</u>	<u>\$ 146</u>	<u>\$ 3,256,464</u>	<u>\$ 3,016,677</u>	<u>\$ 1,435,823</u>	<u>\$ 10,519,793</u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF COVENTRY, VERMONT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2018**

Total fund balances - governmental funds		\$ 9,733,621
<p>Amounts reported for governmental activities in the government-wide statement of net position are different because:</p>		
<p>Capital assets used in governmental funds are not current financial resources and therefore are not reported in the governmental funds balance sheet:</p>		
Capital assets		3,437,893
(Accumulated depreciation)		(984,673)
<p>Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the governmental funds balance sheet:</p>		
		111,297
<p>Deferred outflows of resources, deferred inflows of resources and the net pension liability related to the Town's proportionate share of the VMERS pension plan are not reported in the governmental funds balance sheet</p>		
		<u>(14,672)</u>
Net position - governmental activities		\$ <u>12,283,466</u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF COVENTRY, VERMONT**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2018**

	General Fund	Highway Fund	Building and Maintenance Fund	Roads and Bridges Fund	Non-major Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Interest & penalties on delinquent taxes	\$ 15,329	\$ -	\$ -	\$ -	\$ -	\$ 15,329
Intergovernmental	7,791	113,581	-	277,739	5,262	404,373
Charges for services	9,659	-	-	-	-	9,659
Landfill host fees	1,147,506	216,966	-	-	-	1,364,472
Investment income (loss)	25,352	-	(24,012)	(25,199)	(15,881)	(39,740)
Miscellaneous	24,607	790	-	-	-	25,397
Total revenues	<u>1,230,244</u>	<u>331,337</u>	<u>(24,012)</u>	<u>252,540</u>	<u>(10,619)</u>	<u>1,779,490</u>
<b>Expenditures</b>						
Current:						
General government	343,904	-	-	-	-	343,904
Appropriations	16,275	-	-	-	-	16,275
Highways	-	354,105	-	162,986	-	517,091
Public safety	91,061	-	-	-	-	91,061
Solid waste	5,623	-	-	-	-	5,623
Culture and recreation	17,578	-	-	-	-	17,578
Cemetery	13,694	-	-	-	-	13,694
Capital outlay	-	-	130,994	470,674	-	601,668
Total expenditures	<u>488,135</u>	<u>354,105</u>	<u>130,994</u>	<u>633,660</u>	<u>-</u>	<u>1,606,894</u>
Excess of revenues or (expenditures)	<u>742,109</u>	<u>(22,768)</u>	<u>(155,006)</u>	<u>(381,120)</u>	<u>(10,619)</u>	<u>172,596</u>
<b>Other financing sources (uses)</b>						
Transfers in (out)	<u>(1,000,510)</u>	<u>247,266</u>	<u>163,244</u>	<u>400,000</u>	<u>190,000</u>	<u>-</u>
Net change in fund balances	(258,401)	224,498	8,238	18,880	179,381	172,596
Fund balances, beginning of year, (as restated)	<u>2,455,362</u>	<u>(224,498)</u>	<u>3,248,226</u>	<u>2,997,797</u>	<u>1,084,138</u>	<u>9,561,025</u>
Fund balances, end of year	<u>\$ 2,196,961</u>	<u>\$ -</u>	<u>\$ 3,256,464</u>	<u>\$ 3,016,677</u>	<u>\$ 1,263,519</u>	<u>\$ 9,733,621</u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF COVENTRY, VERMONT**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2018**

Net change in fund balances - governmental funds \$ 172,596

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 these assets is depreciated over the estimated useful lives:

Expenditures for capital assets	601,668
Current year depreciation	(212,131)
Gain on disposal of capital assets	20,000

The Town's contribution to VMERS is recorded as an expenditure in the governmental funds. However, in the statement of activities pension expense is actuarially determined.

901

Change in net position - governmental activities \$ 583,034

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF COVENTRY, VERMONT**  
**Statement of Fiduciary Net Position**  
**June 30, 2018**

	<u>Private Purpose Trust Funds</u>
<b>Assets</b>	
Investments	\$ <u>59,166</u>
Total assets	<u>59,166</u>
<b>Liabilities and net position</b>	
Liabilities	<u>-</u>
Net position:	
Restricted for:	
Edmunds-Douglas-Price Trust	\$ <u><u>59,166</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF COVENTRY, VERMONT**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2018**

	<u>Private Purpose Trust Funds</u>
<b>Additions</b>	
Investment income	\$ <u>18,030</u>
<b>Deductions</b>	<u>-</u>
Change in net position	18,030
Net position, beginning of year (as restated)	<u>41,136</u>
Net position, end of year	\$ <u>59,166</u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF COVENTRY, VERMONT**  
**Notes to Financial Statements**  
**June 30, 2018**

**1. Summary of significant accounting policies**

The Town of Coventry, Vermont (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town operates under a Select Board form of government and provides the following services: public safety, streets and highways, public improvements, planning and zoning, and general administrative services.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the Town have been prepared in conformity with generally accepted accounting principles as applied to governmental entities. The following is a summary of the Town's more significant accounting policies:

A. Reporting entity - The Town is a primary government under reporting criteria established by the GASB. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units and evaluated them against the criteria established by the GASB. Based on these criteria, there are no other entities that are considered to be component units of the Town that should be included in these financial statements.

B. Basis of presentation

Fund accounting: The accounts of the Town are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Government-wide statements: The Statement of Net Position and the Statement of Activities present financial information about the Town's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. The effect of interfund activity has been removed from these statements. Governmental activities include programs, which normally are supported by taxes and intergovernmental revenues. The Town has no business-type activities that rely to a significant extent on fees charged for support.

Fund financial statements: Fund financial statements are presented according to each fund category; governmental and fiduciary. Separate financial statements are provided for each of these categories. Major governmental funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund - This fund is used to account for the primary activity of the Town. Property tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Highway Fund - This special revenue fund is used to account for activities related to the highway department.

Building and Maintenance Fund - This special revenue fund is used to account for resources held by the Town for building repairs and maintenance.

Roads and Bridges Fund - This special revenue fund is used to account for resources held by the Town for street and bridge repairs and maintenance.

**TOWN OF COVENTRY, VERMONT**  
**Notes to Financial Statements**  
**June 30, 2018**

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

The Town also reports fiduciary activities for the Edmunds-Douglas-Price Endowment Trust.

- C. Measurement focus and basis of accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus refers to what items are reported on the financial statements. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this model, revenues are recognized when both measurable and available for use. Expenditures are recorded when the liability has occurred if measurable. Measurable means that the amount of the transaction 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. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the fiscal year and other revenues to be available if they are collected within 6 months of the end of the fiscal year. Expenditures related to principal and interest on long-term debt that has not matured, compensated absences, and claims and judgments are recorded only when payment is due.

Fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Additions are recorded when they occur and deductions when a liability has occurred, regardless of the related cash flows.

- D. Governmental fund equity - In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – Resources which cannot be spent because they are either a) not in spendable form; or b) legally or contractually required to be maintained intact.

Restricted – Resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – Resources which are subject to limitations the government imposes upon itself at its highest level of decision-making, and that remain binding unless removed in the same manner. For the purposes of defining the committed fund balance category, the Town considers the taxpayers, through voted Town articles, its highest level of decision-making authority.

Assigned – Resources neither restricted nor committed for which a government has a stated intended use as established by the Select Board or a body or official to which the Select Board has delegated the authority to assign amounts for specific purposes.

Unassigned – Resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include any negative residual balance resulting from expenditures exceeded amounts restricted, committed or assigned for a specific purpose.

**TOWN OF COVENTRY, VERMONT**  
**Notes to Financial Statements**  
**June 30, 2018**

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

For the classification of governmental fund balances, the Town does not have a formal policy regarding which classification should be reduced first when more than one classification is available. However, the Town has generally considered an expenditure to be made from the most restrictive first when more than one classification is available unless specifically determined.

- E. Budgetary accounting - The operating budget of the General Fund and the Highway Fund is prepared by the Town on the modified accrual basis of accounting. The budget is approved at Town Meeting and the Select Board sets the municipal property tax rate based on the grand list and approved budget.
- F. Estimates - The preparation of the financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and, disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues, expenditures, or expenses, during the reported period. Actual results could differ from those estimates.
- G. Cash and cash equivalents - Cash and cash equivalents consists of cash and short-term investments with an original maturity of three months or less.
- H. Investments - Investments are recorded at fair value based on quoted market prices. Unrealized gains and losses in the value of investments are included in revenue.
- I. Receivables - The Town has recorded an allowance for doubtful accounts of \$10,000.
- J. Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide statements and in the proprietary fund financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Town does not have a formal policy establishing criteria above which assets are capitalized. However, major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets of the Town are depreciated using the straight-line method over the following useful lives:

Building and improvements	40 years
Equipment, machinery and vehicles	5 years
Infrastructure	40 years

- K. Property tax calendar - Property taxes attach as an enforceable lien on property as of April 1<sup>st</sup>. Property taxes for fiscal year 2018 were payable in one installment due on November 2, 2017. Taxes not paid by the due date were declared delinquent and turned over to the Delinquent Tax Collector.
- L. Interfund balances and transfers – Interfund receivables and payables represent transactions incurred within the fund for other funds. These accounts are expected to be eliminated in the normal course of operations. Interfund transfers represent flows of cash or goods from one fund to another without a requirement for repayment.
- M. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources and deferred inflows of resources, if applicable, are reported as separate sections in the Government-wide Statement of Net Position and the Balance Sheet - Governmental Funds. A deferred outflow of resources is a consumption of net assets by the Town that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the Town that is applicable to a future reporting period.

**TOWN OF COVENTRY, VERMONT**  
**Notes to Financial Statements**  
**June 30, 2018**

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

N. Notes receivable - The Town has received grants and advanced funds to upgrade and construct affordable housing. Until repaid, loans of grant awards, are offset by deferred inflows, which are taken into revenue as payments are received.

**2. Cash and cash equivalents**

As of June 30, 2018, the carrying amount of all Town deposits was \$2,368,999.

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposits might not be recovered. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2018, the Town’s bank balance was \$2,443,458. Of this amount, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), \$500,000 was collateralized through participation in a public unit deposit and backed by a letter of credit from the Federal Home Loan Bank of Boston and \$1,693,458 was uninsured and uncollateralized.

**3. Investments**

As of June 30, 2018, the classification and fair value of investments held at June 30, 2018 were as follows:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Money market funds	\$ 732,377	\$ -	\$ -	\$ 732,377
Corporate bonds	25,365	-	-	25,365
Corporate equity	59,166	-	-	59,166
Municipal bonds	51,318	-	-	51,318
Mutual funds/ETFs - equity	139,153	-	-	139,153
Mutual funds/ETFs - int'l equity	94,552	-	-	94,552
Mutual funds/ETFs - fixed income	3,295,683	-	-	3,295,683
Non-qualified variable annuity	-	-	2,640,352	2,640,352
Other	46,048	-	-	46,048
	<u>\$ 4,443,662</u>	<u>\$ -</u>	<u>\$ 2,640,352</u>	<u>\$ 7,084,014</u>

The Town classifies its investments into Level 1, which refers to investments traded in an active market; Level 2, which refers to investments not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to investments not traded in an active market and for which no significant observable market inputs are available. Generally, Level 3 investments are valued based upon information provided by fund managers, including audited financial statements of the investment fund. The levels relate to valuation only and do not necessarily indicate a measure of risk.

Interest rate risk - Changes in market interest rate will affect the fair value of an interest-earning investment over time. The Town does not have a specific policy regarding interest rate risk. Maturities of interest-earning investments at June 30, 2018 were as follows:

	<u>Fair Value</u>	<u>Investment Maturity</u>		
		<u>Less than One Year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>
Corporate bonds	\$ 25,365	\$ -	\$ 25,365	\$ -
Municipal bonds	51,318	25,686	-	25,632
	<u>\$ 76,683</u>	<u>\$ 25,686</u>	<u>\$ 25,365</u>	<u>\$ 25,632</u>

**TOWN OF COVENTRY, VERMONT**  
**Notes to Financial Statements**  
**June 30, 2018**

**3. Investments (continued)**

Credit risk - The Town's investment in corporate bonds and municipal bonds are subject to credit risk. Credit risk is the risk that the bond issuer will not fulfill its obligation. The Town does not have a specific investment policy regarding credit risk. The rating of the Town's investment in corporate and municipal bonds was unavailable at June 30, 2018.

Foreign currency risk - The Town's investments in international equity mutual funds and exchange traded funds (ETFs) are subject to foreign currency risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

General investment concentration - Of the \$7,084,014 reported as investments as of June 30, 2018, 83% was invested in two securities; a fixed income mutual fund holding United States government securities and a single non-qualified variable annuity insurance contract.

Subsequent activity - Subsequent to June 30, 2018, the Town liquidated its non-qualified variable annuity and incurred a penalty of \$111,626 for early cancellation of the insurance contract. This surrender charge will be reported as a fiscal year 2019 expenditure and accordingly the June 30, 2018 fair value has not been adjusted.

Investment policy -The Town adopted a formal investment policy on August 14, 2018 to provide transparent guidelines for the investment advisory relationship between the Town and its investment advisor. The policy identifies that the portfolio objectives are focused on total return and growth with no special considerations or preferences from an investment selection or asset allocation perspective.

**4. Capital assets**

Changes in governmental activities capital assets consisted of the following:

	Balance July 1, <u>2017</u>	<u>Increase</u>	<u>Decrease</u>	Balance June 30, <u>2018</u>
Capital assets, not depreciated:				
Land	\$ 374,694	\$ -	\$ -	\$ 374,694
Capital assets, depreciated:				
Buildings and improvements	1,730,948	130,994	-	1,861,942
Furniture and equipment	755,083	79,509	44,500	790,092
Infrastructure	-	411,165	-	411,165
	<u>2,486,031</u>	<u>621,668</u>	<u>44,500</u>	<u>3,063,199</u>
Less accumulated depreciation for:				
Buildings and improvements	345,119	48,387	-	393,506
Furniture and equipment	471,923	153,465	44,500	580,888
Infrastructure	-	10,279	-	10,279
	<u>817,042</u>	<u>212,131</u>	<u>44,500</u>	<u>984,673</u>
Total capital assets depreciated, net	<u>1,668,989</u>	<u>409,537</u>	<u>-</u>	<u>2,078,526</u>
Capital assets, net, governmental activities	\$ <u>2,043,683</u>	\$ <u>409,537</u>	\$ <u>-</u>	\$ <u>2,453,220</u>

Depreciation expense in the governmental activities totaling \$212,131 was allocated to the following functions: general government \$3,275, highways and streets \$185,315, cemetery \$408, culture and recreation \$23,133.

**TOWN OF COVENTRY, VERMONT**  
**Notes to Financial Statements**  
**June 30, 2018**

**5. Risk management**

The Town is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Town manages these risks through commercial insurance packages and participation in public entity risk pools covering each of those risks of loss.

**6. Notes receivable**

As of June 30, 2018, the Town reported a note receivable in the principal amount of \$50,000 and accrued interest of \$24,298. Terms of the note require principal and interest repayment of \$376 monthly commencing October 2017 through September 2037. Interest accrues at a rate of 2.0% compounding annually. As of June 30, 2018, the Town reported a note receivable in the principal amount of \$36,500 due in one installment, September 2037 with no interest.

**7. Interfund balances**

Interfund receivable and payable balances at June 30, 2018 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 555,778
Highway Fund	146	-
Building and Maintenance Fund	301,363	-
Roads and Bridges Fund	315,276	-
Nonmajor Governmental Funds	-	61,007
	<u>\$ 616,785</u>	<u>\$ 616,785</u>

The interfund receivable and payable from the General Fund and Nonmajor Governmental Funds to the Building and Maintenance Fund and Roads and Bridges Fund resulted from the pooling of cash in a common bank account.

**8. Interfund transfers**

Interfund transfers for the year ended June 30, 2018 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 1,000,510
Highway Fund	247,266	-
Building and Maintenance Fund	163,244	-
Roads and Bridges Fund	400,000	-
Nonmajor Governmental Funds	190,000	-
	<u>\$ 1,000,510</u>	<u>\$ 1,000,510</u>

The \$247,266 transfer from the General Fund to the Highway Fund was approved by the Select Board in January 2019 effective June 30, 2018 to eliminate the deficit in the Highway Fund. The \$753,244 transfer from the General Fund to the Building and Maintenance Fund, Roads and Bridges Fund, and Nonmajor Governmental Funds was approved by voters at the March 2018 Town Meeting.

**TOWN OF COVENTRY, VERMONT**  
**Notes to Financial Statements**  
**June 30, 2018**

**9. Contingencies**

The Town receives significant financial assistance from the State of Vermont and Federal Government through grants and other forms of state aid. Entitlement to these resources is generally based on compliance with terms and conditions of grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. These funds are subject to audit by the granting authority in order to ensure compliance. Any disallowance as a result of these audits becomes a liability of the Town. Management believes that there are no significant contingent liabilities relating to compliance with grant agreements and applicable state regulations.

**10. Pension plan - Vermont Municipal Employees' Retirement System**

Plan description – The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer, defined benefit pension plan that is administered by the Vermont State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975. The State statutory provisions, found in Title 24, V.S.A. Chapter 125, govern eligibility for benefits, service requirements, contribution requirements and benefit provisions. The general administration and responsibility for formulating administrative policy and procedures of the retirement System for its members and their beneficiaries is vested in the Board of Trustees. All assets are held in a single trust and are available to pay retirement benefits to all members. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State of Vermont's Department of Finance and Management's website.

Benefits – Full-time employees of participating municipalities are covered under VMERS. Municipalities elect coverage under Groups A, B, C or D provisions. VMERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on average final compensation, years of creditable service, age upon retirement, and on the benefit structure of the Group. Vesting occurs upon the attainment of five years of creditable service.

Contributions – Municipal employees participating in the plan are required to contribute 2.5%, 4.875%, 10.0%, and 11.35% of gross wages for Groups A, B, C and D, respectively. The municipal employer contributes 4.0%, 5.5%, 7.25%, and 9.85% of gross wages for Groups A, B, C and D, respectively.

Employees of the Town are covered under Group B. Town employees contributed \$6,276 to VMERS for the year ended June 30, 2018. The Town contributed \$7,081 to VMERS for the year ended June 30, 2018.

The State of Vermont has provided the following information to all employers participating in VMERS; net pension liability, each Town's proportionate share of the net pension liability, expected rate of return on investments and discount rates. The information specific to the Town is based on its proportionate share of VMERS relative to all participating employers. Actuarial reports and schedules of employer allocations can be obtained by visiting the office of the Vermont State Treasurer at the following internet address: [www.vermonttreasurer.gov](http://www.vermonttreasurer.gov).

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – As of June 30, 2018, the Town reported a liability of \$41,692 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The Town's proportion of the net pension liability was based on the Town's proportionate share of employer contributions to the total contributions to VMERS during the fiscal year. At June 30, 2017, the Town's proportion was 0.03441%, which was an increase of 0.00533% from its proportion measured as of June 30, 2016.

**TOWN OF COVENTRY, VERMONT**  
**Notes to Financial Statements**  
**June 30, 2018**

**10. Pension plan - Vermont Municipal Employees' Retirement System (continued)**

For the year ended June 30, 2018, the Town recognized pension expense of \$11,798, related to VMERS. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to VMERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 607	\$ 1,032
Changes in assumptions	8,728	-
Net difference between projected and actual earnings on pension plan investments	6,944	-
Changes in proportional share of contributions	4,751	58
Town contributions subsequent to the measurement date	7,080	-
	<u>\$ 28,110</u>	<u>\$ 1,090</u>

\$7,080 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized in pension expense over a period of 4 years.

Actuarial assumptions – The total pension liability, as of June 30, 2017, was based on a June 30, 2016 actuarial valuation using the following actuarial assumptions: investment rate of return 7.50%, salary increases 5.00%, inflation 2.50%, cost of living adjustments 1.15% to 1.30%. Mortality rates were based on RP-2014 tables.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
US equity	16.00%	6.07%
Non-US equity	16.00%	7.42%
Global equity	9.00%	6.85%
Fixed income	24.00%	2.41%
Real estate	8.00%	4.62%
Private markets	15.00%	7.80%
Hedge funds	8.00%	3.95%
Risk parity	4.00%	4.84%
	100.00%	

Discount rate – The discount rate used to measure the total pension liability was 7.50%. 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 at the rates set by the Board of Trustees.

**TOWN OF COVENTRY, VERMONT**  
**Notes to Financial Statements**  
**June 30, 2018**

**10. Pension plan - Vermont Municipal Employees' Retirement System (continued)**

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Town's proportionate share would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%) than the current rate:

	1 % Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1 % Increase <u>(8.50%)</u>
Town's proportionate share of the net pension liability	\$ 74,438	\$ 41,692	14,534

**11. Agency funds**

The Town acts in an agency capacity for the State of Vermont for the purpose of collecting and distributing property taxes which are used to pay for public education. During the year ended June 30, 2018, the Town collected and distributed \$1,456,910 in education property taxes as instructed by the State of Vermont.

**12. Governmental fund equity**

As of June 30, 2018, governmental fund balances consisted of the following:

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Building and Maintenance Fund</u>	<u>Roads and Bridges Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Funds</u>
Restricted for:						
Cemetery	\$ -	\$ -	\$ -	\$ -	\$ 117,525	\$ 117,525
Committed for:						
Building and maintenance	-	-	3,256,464	-	-	3,256,464
Roads and bridges	-	-	-	3,016,677	-	3,016,677
Solid waste	-	-	-	-	26,727	26,727
Reappraisal	-	-	-	-	276,258	276,258
Grader	-	-	-	-	75,959	75,959
Gravel pit	-	-	-	-	767,050	767,050
	<u>-</u>	<u>-</u>	<u>3,256,464</u>	<u>3,016,677</u>	<u>1,145,994</u>	<u>7,419,135</u>
Unassigned	2,106,648	-	-	-	-	2,106,648
	<u>\$ 2,106,648</u>	<u>\$ -</u>	<u>\$ 3,256,464</u>	<u>\$ 3,016,677</u>	<u>\$ 1,263,519</u>	<u>\$ 9,643,308</u>

Amounts defined as committed in the Highway Equipment Fund and Other Governmental Funds have been established under the authority of taxpayer voted articles. Additions to these amounts may be authorized by subsequent taxpayer voted articles.

**13. Prior period restatement**

The Town has restated the beginning fund balance of the General Fund from \$2,309,914 to \$2,455,362 for the following changes; report the fund balance, \$111,886, of the Cemetery Fund as a separate special revenue fund, report the net position, \$41,136, of the Edmunds-Douglas-Price Endowment Trust as a separate private purpose trust fund, reduce property tax receivables, \$39,109, to the Town's listing of delinquent taxes, decrease the General Fund due to other funds, and increase the Roads and Bridges Fund, \$337,579, for capital lease payments made in 2017. The Town has restated the beginning fund balance of the Cemetery Fund from \$0 to \$117,525 to report the balance previously reported in the General Fund, \$111,886, and to increase the cemetery investments, \$4,890, to fair value. The Town has restated the beginning net position of the governmental activities from \$11,791,196 to \$11,700,432 to reflect the above prior period adjustments, as applicable, and to adjust the notes receivable, \$15,409, to the proper balance.

**TOWN OF COVENTRY, VERMONT**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2018**  
(Page 1 of 3)

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Interest & penalties on delinquent taxes	\$ 9,000	\$ 9,000	\$ 15,329	\$ 6,329
Intergovernmental	7,412	7,412	7,791	379
Charges for services	12,245	12,245	9,659	(2,586)
Landfill host fees	613,034	613,034	1,147,506	534,472
Investment income (loss)	3,400	3,400	25,352	21,952
Miscellaneous	500	500	24,607	24,107
Total revenues	<u>645,591</u>	<u>645,591</u>	<u>1,230,244</u>	<u>584,653</u>
<b>Expenditures</b>				
<b>Salaries</b>				
Town Clerk	10,695	10,695	17,266	(6,571)
Assistant Clerk	5,824	5,824	4,669	1,155
Town Treasurer	10,695	10,695	8,941	1,754
Assistant Treasurer	-	-	119	(119)
Select Board	2,400	2,400	2,400	-
Town Administrator	45,000	45,000	44,134	866
Delinquent Tax Collector	-	-	10,642	(10,642)
Delinquent tax penalty due	-	-	9,944	(9,944)
Health Officer	200	200	-	200
Dog Warden	500	500	1,300	(800)
Moderator	100	100	-	100
Ballot Clerks and Board of Civil Authority	600	600	974	(374)
Recreation Committee Director	-	-	3,750	(3,750)
FICA	5,524	5,524	8,817	(3,293)
Retirement	2,138	2,138	2,428	(290)
Health insurance	7,300	7,300	7,617	(317)
Unemployment	-	-	336	(336)
Total salaries	<u>90,976</u>	<u>90,976</u>	<u>123,337</u>	<u>(32,361)</u>
<b>Administration</b>				
Audit services	17,000	17,000	14,833	2,167
Investment advisor	-	-	2,775	(2,775)
Legal services	5,000	5,000	14,496	(9,496)
Litigation support	-	-	14,238	(14,238)
Equipment repairs	1,000	1,000	299	701
Postage	2,000	2,000	3,186	(1,186)
Telephone	1,800	1,800	1,893	(93)
Advertising	1,000	1,000	1,267	(267)
Town Report	1,100	1,100	3,540	(2,440)
Office supplies	3,500	3,500	4,578	(1,078)
NEMRC and information technology	-	-	5,819	(5,819)
Equipment and furniture	2,000	2,000	8,228	(6,228)
Internet and website	-	-	611	(611)
Dues and fees	5,000	5,000	4,170	830
Seminars and workshops	1,000	1,000	3,218	(2,218)
<i>continued</i>				

**TOWN OF COVENTRY, VERMONT**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2018**  
(Page 2 of 3)

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<i>continued</i>				
Gift and donation	-	-	775	(775)
Restoration and preservation	-	-	29,524	(29,524)
Miscellaneous	500	500	323	177
Total administration	<u>40,900</u>	<u>40,900</u>	<u>113,773</u>	<u>(72,873)</u>
Listers office				
Salaries	3,000	3,000	13,631	(10,631)
FICA	230	230	599	(369)
Education	-	-	895	(895)
Postage	200	200	50	150
Supplies	100	100	208	(108)
Equipment	500	500	451	49
Dues and fees	500	500	502	(2)
Tax mapping update	1,200	1,200	1,208	(8)
Mileage	-	-	938	(938)
Miscellaneous	150	150	-	150
Total Listers office	<u>5,880</u>	<u>5,880</u>	<u>18,482</u>	<u>(12,602)</u>
Insurance				
Workers compensation	7,922	7,922	4,560	3,362
Property casualty	17,382	17,382	23,048	(5,666)
Total insurance	<u>25,304</u>	<u>25,304</u>	<u>27,608</u>	<u>(2,304)</u>
Utilities				
Street lights	2,800	2,800	2,771	29
Community Center building				
Utilities	7,850	7,850	5,409	2,441
Cleaning services	6,000	6,000	7,635	(1,635)
Repairs and maintenance	5,000	5,000	5,640	(640)
Equipment and supplies	1,500	1,500	2,249	(749)
Total Community Center building	<u>20,350</u>	<u>20,350</u>	<u>20,933</u>	<u>(583)</u>
Emergency shelter				
Emergency shelter	500	500	159	341
Recreation department				
Supplies and decoration	-	-	526	(526)
Advertising and postage	-	-	223	(223)
Coventry Day	12,000	12,000	14,606	(2,606)
Total recreation department	<u>12,000</u>	<u>12,000</u>	<u>15,355</u>	<u>(3,355)</u>
Fire department				
Newport City Fire Department	40,000	40,000	35,578	4,422
Orleans Fire Department	13,295	13,295	12,000	1,295
Dry hydrants	-	-	2,823	(2,823)
Total fire department	<u>53,295</u>	<u>53,295</u>	<u>50,401</u>	<u>2,894</u>
<i>continued</i>				

**TOWN OF COVENTRY, VERMONT**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2018**  
(Page 3 of 3)

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<i>continued</i>				
Planning Commission				
Stipend	1,500	1,500	1,200	300
Administrative Assistant	1,200	1,200	2,670	(1,470)
Mailings	1,000	1,000	278	722
Training	500	500	-	500
Postage	100	100	-	100
Town Plan	1,585	1,585	107	1,478
Miscellaneous	500	500	450	50
Total planning commission	<u>6,385</u>	<u>6,385</u>	<u>4,705</u>	<u>1,680</u>
Miscellaneous				
Village Common maintenance	500	500	911	(411)
Newport Veterinary Hospital	250	250	-	250
Health clubs	5,000	5,000	2,222	2,778
Orleans County Tax	18,000	18,000	18,042	(42)
Sheriff's Department	9,000	9,000	6,198	2,802
Newport ambulance service	24,880	24,880	34,304	(9,424)
Appropriations	15,925	15,925	16,275	(350)
Animal control expenses	-	-	273	(273)
911 signs	-	-	16	(16)
Community sign	-	-	8,000	(8,000)
Miscellaneous	500	500	5,055	(4,555)
Total miscellaneous	<u>74,055</u>	<u>74,055</u>	<u>91,296</u>	<u>(17,241)</u>
Solid waste implementation plan committee				
Household hazardous waste days	7,000	7,000	4,182	2,818
School outreach	-	-	1,039	(1,039)
Business outreach	-	-	18	(18)
Office and other expense	100	100	384	(284)
Total solid waste	<u>7,100</u>	<u>7,100</u>	<u>5,623</u>	<u>1,477</u>
Cemetery Association				
General	2,850	2,850	4,249	(1,399)
Salaries	6,300	6,300	6,267	33
FICA	500	500	479	21
Equipment and maintenance	250	250	397	(147)
Cemetery tree removal	-	-	2,300	(2,300)
Miscellaneous	1,000	1,000	-	1,000
Total cemetery association	<u>10,900</u>	<u>10,900</u>	<u>13,692</u>	<u>(2,792)</u>
Total expenditures	<u>350,445</u>	<u>350,445</u>	<u>488,135</u>	<u>(137,690)</u>
Excess of revenues or (expenditures)	295,146	295,146	742,109	446,963
<b>Other financing sources (uses)</b>				
Transfers in (out)	-	-	(1,000,510)	(1,000,510)
Net change in fund balances	\$ <u>295,146</u>	\$ <u>295,146</u>	\$ <u>(258,401)</u>	\$ <u>(553,547)</u>

**TOWN OF COVENTRY, VERMONT**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual - Highway Fund**  
**For the Year Ended June 30, 2018**  
(Page 1 of 2)

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Intergovernmental	\$ 83,000	\$ 83,000	\$ 113,581	\$ 30,581
Landfill host fees	216,966	216,966	216,966	-
Miscellaneous	-	-	790	790
Total revenues	<u>299,966</u>	<u>299,966</u>	<u>331,337</u>	<u>31,371</u>
<b>Expenditures</b>				
Highway				
FICA	8,056	8,056	8,151	(95)
Health insurance	7,240	7,240	12,483	(5,243)
Retirement	4,769	4,769	4,652	117
Life insurance	740	740	738	2
Unemployment insurance	-	-	1,493	(1,493)
Equipment repairs	14,000	14,000	21,116	(7,116)
Building repairs	3,000	3,000	4,817	(1,817)
Gravel pit permitting	3,000	3,000	435	2,565
Telephone	-	-	42	(42)
Supplies	4,000	4,000	2,176	1,824
Utilities - Main Street garage	3,600	3,600	3,447	153
Utilities - Route 14 garage	5,000	5,000	5,470	(470)
Propane	250	250	123	127
Uniforms	2,500	2,500	2,937	(437)
Road signs	1,000	1,000	371	629
Sheriff's Office extra patrol	-	-	447	(447)
Miscellaneous	500	500	2,162	(1,662)
Total highway	<u>57,655</u>	<u>57,655</u>	<u>71,060</u>	<u>(13,405)</u>
Highway department - winter				
Road Commissioner salary	27,586	27,586	27,577	9
Full-time road crew salary	21,318	21,318	20,909	409
Part-time road crew salary	5,000	5,000	4,712	288
Equipment leases/rentals	-	-	450	(450)
Road maintenance	23,000	23,000	26,371	(3,371)
Fuel	11,500	11,500	15,386	(3,886)
Equipment	7,500	7,500	6,278	1,222
Parts	2,500	2,500	2,075	425
Miscellaneous	500	500	119	381
Total highway department - winter	<u>98,904</u>	<u>98,904</u>	<u>103,877</u>	<u>(4,973)</u>
Highway department - summer				
Road Commissioner salary	27,588	27,588	27,577	11
Full-time road crew salary	21,319	21,319	20,908	411
Part-time road crew salary	2,500	2,500	1,336	1,164
Equipment leases/rentals	-	-	750	(750)
Other contracted services	7,500	7,500	14,113	(6,613)

*continued*

**TOWN OF COVENTRY, VERMONT**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual - Highway Fund**  
**For the Year Ended June 30, 2018**  
(Page 2 of 2)

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<i>continued</i>				
Road maintenance	60,000	60,000	89,357	(29,357)
Fuel	14,000	14,000	13,453	547
Equipment	7,500	7,500	4,806	2,694
Parts	2,500	2,500	6,768	(4,268)
Miscellaneous	500	500	100	400
Total highway department - summer	<u>143,407</u>	<u>143,407</u>	<u>179,168</u>	<u>(35,761)</u>
Total expenditures	<u>299,966</u>	<u>299,966</u>	<u>354,105</u>	<u>(54,139)</u>
Excess of revenues or (expenditures)	-	-	(22,768)	(22,768)
<b>Other financing sources (uses)</b>				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>247,266</u>	<u>247,266</u>
Net change in fund balances	\$ <u>-</u>	\$ <u>-</u>	\$ <u>224,498</u>	\$ <u>224,498</u>

**TOWN OF COVENTRY, VERMONT**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**June 30,**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
VMERS				
Town's proportion of the net pension liability	0.03441%	0.02908%	0.02660%	0.01665%
Town's proportionate share of the net pension liability	\$ 41,692	\$ 37,419	\$ 20,506	\$ 1,520
Town's covered payroll	\$ 102,181	\$ 80,345	\$ 69,172	\$ 39,957
Town's proportionate share of the net pension liability as a percentage of its covered payroll	40.80%	46.57%	29.64%	3.80%
Plan fiduciary net position as a percentage of the total pension liability	83.64%	80.95%	87.42%	98.32%

Notes to schedule:

Data presented as of the measurement date. Historical information prior to implementation of GASB 68 is not required.

There were no changes in plan provisions since the last measurement date of June 30, 2016.

The following changes were effective June 30, 2017:

- Inflation was lowered from 3.00% to 2.50%.
- Investment return was lowered from 7.95% to 7.50%.
- Cost of living adjustments were lowered from 1.50% to 1.15% and 1.80% to 1.30%.
- Mortality tables were updated from variations of RP-2000 to variations of RP-2014.

**TOWN OF COVENTRY, VERMONT**  
**Schedule of Pension Contributions**  
**For the year ended June 30,**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
VMERS				
Contractually required contribution	\$ 7,080	\$ 5,620	\$ 4,419	\$ 3,718
Contributions in relation to the contractually required contribution	<u>(7,080)</u>	<u>(5,620)</u>	<u>(4,419)</u>	<u>(3,718)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Town's covered payroll	<u>128,720</u>	<u>102,181</u>	<u>80,345</u>	<u>69,172</u>
Contributions as a percentage of covered payroll	5.500%	5.500%	5.500%	5.375%

Notes to schedule:

Historical information prior to implementation of GASB 68 is not required.

**TOWN OF COVENTRY, VERMONT**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2018**

	Special Revenue Funds						Total Non-major Governmental Funds
	Solid Waste Fund	Reappraisal Fund	Grader Fund	Gravel Pit Fund	Cemetery Fund	Gilman Housing Fund	
<b>Assets</b>							
Cash and cash equivalents	\$ 10,889	\$ 172,314	\$ 52,402	\$ 47,546	\$ -	\$ -	\$ 283,151
Notes receivable	-	-	-	-	-	86,500	86,500
Interest receivable	-	-	-	-	-	24,797	24,797
Investments	53,494	78,415	87,105	704,836	117,525	-	1,041,375
Due from other funds	-	25,529	-	14,668	-	-	40,197
Total assets	<u>\$ 64,383</u>	<u>\$ 276,258</u>	<u>\$ 139,507</u>	<u>\$ 767,050</u>	<u>\$ 117,525</u>	<u>\$ 111,297</u>	<u>\$ 1,476,020</u>
<b>Liabilities, deferred inflows and fund balances</b>							
Liabilities:							
Due to other funds	\$ 37,656	\$ -	\$ 63,548	\$ -	\$ -	\$ -	\$ 101,204
Deferred inflows of resources:							
Unavailable grant revenue	-	-	-	-	-	111,297	111,297
Fund balances:							
Restricted	-	-	-	-	117,525	-	117,525
Committed	26,727	276,258	75,959	767,050	-	-	1,145,994
Total fund balances	<u>26,727</u>	<u>276,258</u>	<u>75,959</u>	<u>767,050</u>	<u>117,525</u>	<u>-</u>	<u>1,263,519</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 64,383</u>	<u>\$ 276,258</u>	<u>\$ 139,507</u>	<u>\$ 767,050</u>	<u>\$ 117,525</u>	<u>\$ 111,297</u>	<u>\$ 1,476,020</u>

*See accompanying independent auditor's report*

**TOWN OF COVENTRY, VERMONT**  
**Combining Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	Special Revenue Funds					Gilman Housing Fund	Total Non-major Governmental Funds
	Solid Waste Fund	Reappraisal Fund	Grader Fund	Gravel Pit Fund	Cemetery Fund		
<b>Revenues</b>							
Intergovernmental	\$ -	\$ 5,262	\$ -	\$ -	\$ -	\$ -	\$ 5,262
Investment income (loss)	<u>(1,003)</u>	<u>(539)</u>	<u>(1,487)</u>	<u>(13,601)</u>	<u>749</u>	<u>-</u>	<u>(15,881)</u>
Total revenues	<u>(1,003)</u>	<u>4,723</u>	<u>(1,487)</u>	<u>(13,601)</u>	<u>749</u>	<u>-</u>	<u>(10,619)</u>
<b>Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources</b>							
Transfers in (out)	<u>5,000</u>	<u>150,000</u>	<u>20,000</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>190,000</u>
Net change in fund balances	3,997	154,723	18,513	1,399	749	-	179,381
Fund balances, beginning of year, (as restated)	<u>22,730</u>	<u>121,535</u>	<u>57,446</u>	<u>765,651</u>	<u>116,776</u>	<u>-</u>	<u>1,084,138</u>
Fund balances, end of year	\$ <u>26,727</u>	\$ <u>276,258</u>	\$ <u>75,959</u>	\$ <u>767,050</u>	\$ <u>117,525</u>	\$ <u>-</u>	\$ <u>1,263,519</u>

*See accompanying independent auditor's report*

**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 Select Board  
Town of Coventry, VT

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 Coventry, Vermont, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Coventry, Vermont's basic financial statements and have issued our report thereon dated February 18, 2019, in which our opinion stated that the Town had insufficient documentation to permit us to provide an opinion on the property tax receivables of the General Fund and therefore our opinion over the respective financial position of the General Fund as of June 30, 2018, and the respective changes in financial position for the year then ended was qualified.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, we did identify certain deficiencies in internal control that we consider to be a material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings as 2018-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings as 2018-002 to be a significant deficiency.

**Compliance and Other Matters**

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

The Select Board  
Town of Coventry, Vermont

**Response to Findings**

The Town of Coventry has not reported management's response to the findings as required by *Government Auditing Standards*.

**Purpose of this Report**

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

*Pace & Hawley, LLC*

Berlin, VT  
February 18, 2019

**TOWN OF COVENTRY, VERMONT**  
**Schedule of Findings**  
**For the Year Ended June 30, 2018**

**2018-001: Balance Sheet Accounts**

Condition: Several of the key balance sheet accounts; property tax receivables, host fees receivables, notes receivable, grants receivable, capital assets, accounts payable, school taxes liabilities, were not reconciled to supporting documentation. We proposed several audit adjustments to properly reflect these balances as of June 30, 2018.

Criteria: Reconciling general ledger balance sheet accounts is a critical control to ensure that the Town's financial statements are properly reported in accordance with Generally Accepted Accounting Principles.

Cause: Town personnel did not have enough time to devote to this matter.

Effect: Without reconciliation, and correction of any identified discrepancies, the Town's financial statements would be misstated.

Recommendation: We recommend that the Town formulate and document end-of-year procedures to ensure that all significant balance sheet accounts are reconciled at least annually. The process should include procedures to identify and correct differences between known documentation and the general ledger. For example, a listing of invoices paid after June 30<sup>th</sup> for services incurred in the prior year should be created and reconciled to the end-of-year accounts payable balances. Transactions should be posted to properly reflect the accounts payable balance at year end.

Management's response: The cause noted was a lack of time to devote to the matter. With the transition to a new Treasurer this should not be an issue moving forward. Many of the items noted in the recommendations are scheduled to be performed on a monthly basis to ensure accuracy and identify any discrepancies as they occur. Since the completion of the audit, the Select Board has also hired a Bookkeeper which has increased the delegation of duties. With a new Treasurer settling in, and a new Bookkeeper starting, the process will be monitored and evaluated in the coming months. Changes will be made for a more efficient and secure system, as well tasks will be added as everyone gains a better understanding of what needs to be addressed. In the coming year the Town will have an established system as we strive to ensure proper checks and balances in all areas.

**2018-002: Treasurer's Responsibilities**

Condition: The Treasurer has bank signature authority and access to the Town's general ledger accounting system. Generally, these are duties that should be segregated to separate individuals.

Criteria: Best practice related to internal control over financial statements.

Cause: The Town is currently in the process of redefining roles and responsibilities of Town personnel.

Effect: Town assets could potentially be misappropriated without detection.

Recommendation: We recommend that the Treasurer retain bank signature authority but only have read-only access to the Town's general ledger.

Management's response: The Treasurer will maintain access to the general ledger as well as having authority over signing the checks. The Treasurer's responsibilities have been limited to those statutorily granted to them. Besides reporting to authorities and agencies, the Treasurer's main function is to reconcile, balance and manage accounts; and, by statute, sign checks. All payables are processed by the Bookkeeper or the Town Administrator; the Select Board approves the Warrant for payment before the Treasurer receives and signs. This ensures multiple eyes on each payment prior to any check being issued. As an extra measure of security, the Town Administrator will perform a monthly overview of accounts and reconciliations to ensure any unusual activity is quickly identified. As noted in the previous response though; the procedures are just newly defined in the office and will be monitored and evaluated going forward. Due to past events, the Select Board, all of its Officials and residents, are very conscious of the potential for misconduct and are working hard to put systems in place to ensure the safety of the Towns assets.