



TOWN OF UNDERHILL, VERMONT

FINANCIAL STATEMENTS

June 30, 2014



CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 10
Basic financial statements:	
Government-wide financial statements	
Statement of net position	11
Statement of activities	12
Fund financial statements	
Governmental fund	
Balance sheet - Governmental fund	13
Reconciliation of the governmental fund balance sheet to the statement of net position	14
Statement of revenues, expenditures, and changes in fund balances - Governmental fund	15
Reconciliation of the governmental fund statement of revenues, expenditures, and changes in fund balances to the statement of activities	16
Notes to financial statements	17 - 29
Required Supplementary Information	
Budgetary comparison schedule	30
Other Supplementary Information	
Schedule of revenues, expenditures and changes in fund balance - Budget and actual - General fund	31 - 36

INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Underhill, Vermont
Underhill, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Town of Underhill, Vermont as of and for the year ended June 30, 2014, 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town of Underhill, Vermont, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, there is a prior period adjustment to correct beginning fund balance and net position. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Underhill, Vermont's basic financial statements. The schedule of revenues, expenditures and changes in fund balance - Budget and actual - General fund is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of revenues, expenditures and changes in fund balance - Budget and actual - General fund is the responsibility of management and was derived from and relates 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 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 schedule of revenues, expenditures and changes in fund balance - Budget and actual - General fund is fairly stated in all material respects in relation to the 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 December 4, 2014, on our consideration of the Town of Underhill, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Underhill, Vermont's internal control over financial reporting and compliance.

AM. Peisch & Company, LLP

St. Albans, Vermont
December 4, 2014
VT Reg. No. 92-0000102

**TOWN OF UNDERHILL, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014**

As management of the Town of Underhill, Vermont (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. The discussion and analysis presents the highlights of financial activities and financial position for the Town of Underhill, Vermont. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Town.

Financial Highlights

- The net assets of the Town exceeded its liability by \$854,273 as of June 30, 2014. Of this amount, \$812,634 (unrestricted fund balance) may be used to meet the government's ongoing obligations.
- The Town of Underhill, Vermont's total long-term debt, excluding compensated absences and accrued post employment benefits, decreased by \$65,000 (13.0%) during the 2014 fiscal year. No new debt was acquired during the reporting period.
- The General Fund ended the year with a balance of \$854,273, compared to a fund balance of \$623,112 (as restated) in FY2013.
- The Town experienced major road damage caused by a storm and flood situation in April 2014. The incident was not declared a major disaster by the federal government causing additional expenditures for the highway department. In order to meet the flood obligations, the town postponed scheduled road improvements and transferred funds from the capital budget lines to materials and contractors in order to bring the roads up to standard.

Overview of the Financial Statements

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Underhill, Vermont's finances in a manner similar to a private-sector business.

The statement of net position presents information on all the Town's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position

may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned by unused vacation and compensatory time off).

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities: Governmental activities which are typically supported by taxes, grants and intergovernmental revenues and business-type activities which are supported by fees and charges.

- Governmental activities – All of the Town's basic services are reported here, including protection of person and property, highways, recreation, health, and general government.
- Business-type activities – The Town has no business type activities.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Underhill, Vermont, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Funds are divided into three categories: governmental fund, proprietary funds, and fiduciary funds. The Town has only a governmental fund.

Governmental Fund

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements.

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

The Town of Underhill, Vermont has one governmental fund.

The Town adopts an annual budget for its General Fund. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with the budget on pages 31 through 36 of this report.

Notes to the Financial Statement

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 29.

Government-Wide Financial Analysis

As financial information is accumulated from year-to-year, changes in net position may serve as a useful indicator of a government's financial position. In the case of the Town of Underhill, Vermont, assets exceeded liabilities by \$3,049,394 as of June 30, 2014.

The largest portion of the Town of Underhill, Vermont's net position (73.1%) reflects its investment in capital assets (land, buildings, improvements, equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The Town of Underhill, Vermont uses these assets to provide services to citizens.

The following provides a summary of the Town's net position:

Town of Underhill, Vermont Net Position

	Governmental Activities 2014	Governmental Activities 2013 (as restated)
Current and other assets	\$ 1,030,275	\$ 854,411
Capital assets	2,633,112	2,588,473
Total assets	<u>3,663,387</u>	<u>3,442,884</u>
Long term liabilities	363,486	467,555
Other liabilities	250,507	300,982
Total liabilities	<u>613,993</u>	<u>768,537</u>
Net position:		
Net investment in capital assets	2,197,444	2,087,805
Unrestricted	810,311	535,228
Restricted	41,639	51,314
Total net position	<u>\$ 3,049,394</u>	<u>\$ 2,674,347</u>

Changes in Net Position

As of June 30, 2014, total net position of the Town of Underhill, Vermont amounted to \$3,049,394, which is an increase of \$375,047 compared to the 2013 fiscal year end. As a result of clarification in the GASB regulations regarding recognition of FEMA grant revenue, revenue related to the 2013 disaster was reclassified as 2014 revenue. This adjustment resulted in net extraordinary revenue of \$176,514 for the current year. In addition, the Planning & Zoning department was unstaffed for

much of the year resulting in significant savings. This was combined with increased tax revenue of \$96,469.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is \$810,311 for fiscal year 2014 as compared to \$535,228 (as restated) in 2013.

The following schedule highlights the key elements of the Town’s revenues and expenses for the 2014 and 2013 fiscal year ends. These main components are subtracted to yield the change in net position and are summarized as follows.

Changes in Net Position

	2014	2013
REVENUES		
Program revenues:		
Charges for services	\$ 66,130	\$ 90,795
Operating grants and contributions	175,770	166,186
Capital grants	126,558	139,965
General revenues:		
Property taxes	1,823,318	1,726,849
Investment income	1,278	2,016
Gain on sale of asset	0	22,000
Miscellaneous income	28,933	46,715
Total revenues	2,221,987	2,194,526
PROGRAM EXPENSES		
General government	503,415	582,654
Public safety	244,147	238,838
Culture and recreation	100,962	99,112
Highway	1,007,182	884,688
Appropriations	148,860	138,358
Interest on long term debt	18,888	24,554
Total program expenses	2,023,454	1,968,204
Excess before extraordinary items	198,533	226,322
Gain (Loss) from extraordinary item (as restated)	176,514	(234,066)
Increase (decrease) in net position	\$ 375,047	\$ (7,744)

Governmental Activities

The Town’s tax rate increased from \$.4442 per \$100 or assessed value to \$.4629 for the general expenses, or an increase of 1.87 cents on the tax rate. There was an increase of \$86,095 overall in the Town’s tax revenue in fiscal year 2014. The actual tax rate for fiscal year 2015 increased to \$.4887.

The table below discloses cost of services for Governmental Activities. The total cost of services column contains all costs related to the programs. The net of services column shows how much of the total amount is not covered by program revenue and must be covered by local taxes or other general revenue or transfers.

Governmental Activities

	Total Cost of Services	Total Cost of Services	Net (Expense) of Services	Net (Expense) of Services
	2014	2013	2014	2013
General government	\$ 455,840	\$ 479,446	\$ (330,397)	\$ (331,762)
Public safety	244,147	238,838	(244,147)	(238,838)
Recreation	5,904	5,059	(5,904)	(5,059)
Planning and zoning	47,042	97,858	(47,042)	(97,858)
Conservation	533	427	(533)	(427)
Energy	0	102	0	(102)
Cultural services	95,058	94,053	(95,058)	(94,053)
Appropriations	148,860	138,358	(148,860)	(138,358)
Highways	1,007,182	884,688	(777,641)	(639,568)
Underhill Flats Sidewalk	0	0	13,474	0
Town planning	0	4,821	0	(679)
Interest on long term debt	18,888	24,554	(18,888)	(24,554)
Totals	\$2,023,454	\$ 1,968,204	\$ (1,654,996)	\$ (1,571,258)

The major change to the cost of services was reflected in the highway function which increased \$122,494 consisting primarily of an increase in \$118,326 in the use of contractors for the flood repairs that were not eligible for FEMA reimbursement.

The net cost of services is 82% of the total cost of services in 2014. This reflects a continued reliance on taxes to fund the cost of services.

Financial Analysis of the Government's Fund

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

As of the end of the current fiscal year, the Town's governmental fund reported an ending balance of \$854,273, an increase of \$231,161 (as restated) in comparison to last year. Of the total balance, 40% is classified as committed or assigned and 52% is unassigned. The balance is non-spendable or restricted.

Committed funds include \$185,000 capital reserve, \$44,240 contingency or rainy day reserve, \$17,083 reserved to be used for 2014 building expenditures, \$2,255 conservation reserve, and \$1,451 for recreation reserve.

General Fund Budgetary Highlights

The 2014 final budget was \$2,265,341. During the year, revenues were more than budgeted and expenditures were more than budgeted. The major variance was in the additional spending on infrastructure projects.

Capital Assets

At June 30, 2014, the Town had \$2,633,112 invested in a broad range of capital assets that includes land, buildings and improvements, equipment, infrastructure, and construction in process, net of accumulated depreciation. This amount represents a net increase of \$44,639 over the prior year.

Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities	
	2014	2013
Land	\$ 289,326	\$ 289,326
Work in progress	52,367	2,063
Buildings and improvements	941,265	908,430
Vehicle and equipment	1,150,520	1,150,520
Infrastructure	1,679,362	1,545,152
Office equipment	40,167	16,595
Accumulated depreciation	(1,519,895)	(1,323,613)
Totals	<u>\$ 2,633,112</u>	<u>\$ 2,588,473</u>

Long-term Debt

At year-end, the Town had \$435,668 in bonds and notes payable versus \$500,668 last year. In the current year, the Town paid \$65,000 in principal plus \$23,331 in interest.

Outstanding Debt at Year-End

	Governmental Activities		Increase
	2014	2013	(Decrease)
Bonds and notes payable	<u>\$ 435,668</u>	<u>\$ 500,668</u>	<u>\$ (65,000)</u>

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the Fiscal Year 2015 budget for town operations. Factors included were the economic climate and unemployment in the region, property values, and the impact of the budget on property tax rates.

For fiscal year 2015 the combined homestead property tax rate for the Town increased by 3.0%. and the combined non-residential tax rate increased by 3.0%.

The Town's general fund balance is expected to remain relatively unchanged as the result of adhering to the budget.

Requests for Information

This financial report is designed to provide a general overview of the Town of Underhill, Vermont's finances for all those with an interest in the government's finances. Readers having questions about any of the information in this report or needing additional information should contact the Finance Officer, Town of Underhill, Vermont, P O Box 32, Underhill Center, VT 05490, direct contact at (802) 899-4434 Ext 102 or email rsheppard@underhillvt.gov.

TOWN OF UNDERHILL, VERMONT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 866,527
Receivables:	
Delinquent taxes	36,483
Delinquent tax interest	788
Delinquent tax penalties	1,986
Grants receivable	98,125
Prepaid expenses	4,552
Inventory	20,633
Other assets	1,181
Capital assets:	
Land	289,326
Property and equipment, net of depreciation	2,291,419
Work in progress	52,367
Total assets	3,663,387
LIABILITIES	
Accounts payable	109,408
Accrued wages	23,314
Unearned grant revenue	16,890
Long-term liabilities	
Due within one year	100,895
Due in more than one year	363,486
Total liabilities	613,993
NET POSITION	
Net investment in capital assets	2,197,444
Restricted for:	
Reappraisal	6,979
Matching grant	15,000
Restoration reserve	16,791
Listers education	2,869
Unrestricted	810,311
Total net position	\$ 3,049,394

See accompanying notes.

TOWN OF UNDERHILL, VERMONT

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

<u>Funds/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
Governmental Activities:					
General government	\$ 455,840	\$ 65,270	\$ 60,173	\$ -	\$ (330,397)
Public Safety	244,147	-	-	-	(244,147)
Recreation	5,904	-	-	-	(5,904)
Planning and zoning	47,042	-	-	-	(47,042)
Conservation	533	-	-	-	(533)
Cultural services	95,058	-	-	-	(95,058)
Appropriations	148,860	-	-	-	(148,860)
Highways	1,007,182	860	102,123	126,558	(777,641)
Underhill Flats sidewalk	-	-	13,474	-	13,474
Interest on long-term debt	18,888	-	-	-	(18,888)
	<u>\$ 2,023,454</u>	<u>\$ 66,130</u>	<u>\$ 175,770</u>	<u>\$ 126,558</u>	<u>(1,654,996)</u>
General revenues:					
Property taxes, penalties and interest					1,823,318
Earnings on investments					1,278
Miscellaneous					28,933
Total general revenues					<u>1,853,529</u>
Extraordinary items:					
Grant revenues - Flood					388,263
Flood expenses					(211,749)
Total extraordinary items					<u>176,514</u>
Change in net position					<u>375,047</u>
Net position- July 1, 2013, as previously stated					2,854,378
Prior period adjustment					<u>(180,031)</u>
Net position - July 1, 2013, as restated					<u>2,674,347</u>
Net position - June 30, 2014					<u>\$ 3,049,394</u>

See accompanying notes.

TOWN OF UNDERHILL, VERMONT

**BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2014**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 866,527
Receivables:	
Delinquent taxes	36,483
Delinquent tax interest	788
Delinquent tax penalties	1,986
Grants receivable	98,125
Prepaid expenses	4,552
Inventory	20,633
Other assets	1,181
Total assets	\$ 1,030,275
 LIABILITIES	
Accounts payable	\$ 109,408
Accrued wages	23,314
Unearned grant revenue	16,890
Total liabilities	149,612
 DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue- Property taxes	26,390
 FUND EQUITY	
Nonspendable	
Inventory	20,633
Prepaid expenses	4,552
Restricted	
Listers education	2,869
Matching grant	15,000
Reappraisal	6,979
Restoration reserve	16,791
Committed	
Building reserve	17,083
Conservation	2,255
Contingency	22,741
General capital reserve	20,000
Highway-Capital reserve	165,000
Highway-Contingency reserve	21,499
Recreation	1,451
Assigned	
CCTA Bus Routes	3,000
HRA	8,466
Highway	78,317
Morgan donation	5,000
Unassigned	442,637
Total fund equity	854,273
Total liabilities, deferred inflows of resources and fund equity	\$ 1,030,275

See accompanying notes.

TOWN OF UNDERHILL, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2014

Total fund balances - governmental funds		\$ 854,273
Amount reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$4,153,007, and the accumulated depreciation is \$1,519,895		2,633,112
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis.		26,390
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and notes payable	\$ 435,668	
Accrued compensated absences	15,042	
Accrued post employment benefits	13,671	(464,381)
Total net position - governmental activities		\$ 3,049,394

See accompanying notes.

TOWN OF UNDERHILL, VERMONT

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2014**

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 1,833,012
Licenses and permits	34,627
Intergovernmental	296,559
Charges for services	31,503
Investment income	1,278
Miscellaneous income	34,702
Total revenues	<u>2,231,681</u>
 EXPENDITURES	
Current:	
General government	438,338
Public safety	244,147
Recreation	5,904
Planning and zoning	47,528
Conservation	533
Cultural services	95,058
Appropriations	148,860
Highway	832,247
Underhill Flats Sidewalk	14,971
Debt service	123,498
Capital outlay	225,950
Total expenditures	<u>2,177,034</u>
Excess of revenues over expenditures	<u>54,647</u>
 EXTRAORDINARY ITEMS	
Grant revenue - Flood relief	388,263
Flood expenses	<u>(211,749)</u>
Total extraordinary items	<u>176,514</u>
Net change in fund balance	<u>231,161</u>
Fund balance - July 1, 2013, as previously stated	803,143
Prior period adjustment	<u>(180,031)</u>
Fund balance - July 1, 2013, as restated	<u>623,112</u>
Fund balance - June 30, 2014	<u>\$ 854,273</u>

See accompanying notes.

TOWN OF UNDERHILL, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Total net change in fund balances - governmental fund \$ 231,161

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$240,921 exceeds depreciation expense of \$196,282 in the period 44,639

Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis. The deferred property taxes increased \$9,694. (9,694)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 100,167

In the statement of activities, accrued compensated absences payable are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially the amounts actually paid). This year, compensated absences earned exceeded the amounts used by \$124. (124)

In the statement of activities, accrued post employment benefits are measured by the amounts due in the future as of the end of the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially the amounts actually paid). This year, the amounts used exceeded post employment benefits accrued by \$4,455. 4,455

In the statement of activities, interest on long term debt differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when due. In the the statement of activities, interest is recognized as it accrues, regardless of when it is due. 4,443

Change in net position of governmental activities \$ 375,047

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Town of Underhill, Vermont have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are described below.

A. Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity are set forth in GASB 14 as amended by GASB 39 and 61 and Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

Based on the aforementioned criteria, the Town has no component units.

B. Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All of the Town's activities are classified as governmental activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. Program revenues must be directly associated with the function (highway, public safety, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs by function are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.). The Town does not allocate indirect costs.

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

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues and expenditures.

Note 1. Summary of Significant Accounting Policies (Continued)

The emphasis in fund financial statements is on the major funds in the governmental activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which either had debt outstanding or specific community focus. The Town does not report any nonmajor funds.

Governmental Funds:

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

- The general fund is the Town's primary operating fund. It accounts for all financial resources of the Town.

The activities reported in this fund is reported as governmental activities in the government-wide financial statements.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements are presented on the economic resources measurement focus and the accrual basis of accounting. Property taxes are reported in the period for which they are levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for property taxes and six months for other revenues. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The exception to this general rule includes principal and interest on general obligation long term debt which is recognized when due.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Data

Budgets are presented on the modified accrual basis of accounting for all governmental funds. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- The Finance Officer prepares a budget for the upcoming fiscal year during December. The operating budget includes proposed expenditures and means of financing them and encompasses the Capital Improvement Plan.
- The budget and any revisions are approved by the Selectboard.
- The legal voters of the Town of Underhill, Vermont meet on the first Tuesday in March to review, discuss and vote on the budget.
- Formal budgetary integration is employed as a management control device during the year for the General Fund.
- The General Fund budgetary comparison schedule presents comparisons of the legally adopted budget with actual data on a budgetary basis which conforms with the modified accrual basis of accounting. For the Town, the accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles.

F. Equity Classification

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets -- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by remaining balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- b. Restricted net position -- Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position -- All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Statements

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - Amounts that are not in a spendable form (such as prepaid expenses or inventory) or are legally or contractually required to remain intact (such as the principal of an endowment fund).

The spendable portion of the fund balances are categorized based on a hierarchy of spending constraints.

- a. **Restricted fund balance** - Amounts constrained to specific purposes by external parties (such as grantors, bondholders, and higher levels of government), constitutional provisions, or enabling legislation.
- b. **Committed fund balance** - Fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority. These amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- c. **Assigned fund balance** - Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- d. **Unassigned fund balance** - Amounts that are available for any purpose; positive amounts are reported only in the general fund.

G. Use of Restricted Resources

When an expense is incurred that can be paid from either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then to unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other less-restrictive classifications - committed then assigned fund balances before using unassigned fund balances.

H. Cash and Cash Equivalents

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

I. Receivables

The Town utilizes the allowance method for uncollectible accounts. They have determined that all accounts are collectible and the allowance is zero.

J. Inventory

Inventory consists of road materials held for the Town's use and is carried at cost.

Note 1. Summary of Significant Accounting Policies (Continued)

K. Property Taxes

Property taxes are recognized as revenue in the year for which taxes have been levied. Delinquent property taxes not collected within 60 days of year end are reflected as deferred inflows of resources.

L. Capital Assets

Infrastructure assets purchased or acquired with an original cost of \$25,000 and capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15-30 years
Machinery and equipment	3-10 years
Infrastructure	30-45 years

GASB No. 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of fiscal year 2004 and is not required to report these assets retroactively. General infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the period. Accordingly, actual results could differ from those estimates.

N. Accrued Compensated Absences

Government-Wide Financial Statements - All vested or accumulated vacation leave and compensatory time is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

Fund Financial Statements - Vested or accumulated vacation leave and compensatory time that has matured and is reported as expenditures and fund liabilities of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave and compensatory time that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these accounts.

Note 1. Summary of Significant Accounting Policies (Continued)

O. Accrued Post Employment Benefits

Government-Wide Financial Statements – Accrued post employment benefits based on the value of the discounted cash flows related to the anticipated cost of the agreement is reported as a liability on the government-wide financial statements.

Fund Financial Statements – Actual post employment benefits paid are reported as expenditures in the governmental fund that will pay it. Amounts of post employment benefits that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements.

P. Implementation of New Accounting Principles

For the year ending June 30, 2014, the Town implemented the following statement of financial accounting standards issued by the Governmental Accounting Standards Board:

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities

The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

Additionally, the Town reviewed the following GASB Statements for possible implementation and determined that they have no effect on the Town's financial reporting.

GASB Statement No. 66, Technical Corrections- 2012- An Amendment of GASB Statements No. 10 and No. 62

GASB Statement No. 67, Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25

GASB Statement No. 69, Government Combinations and Disposals of Government Operations

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees.

In June 2012, the Governmental Accounting Standards Board issued Statement No. 68 *Accounting and Financial Reporting for Pensions*. The objective of Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. In November 2013, the Governmental Accounting Standards Board issued Statement No. 71 *Pension Transition For Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. Management plans to adopt these standards for the fiscal year ending June 30, 2015.

Note 2. Cash and Custodial Credit Risk - Deposits in Financial Institutions

Cash belonging to the Town is placed in the custody of the Town Treasurer who is elected. The Town Treasurer invests excess cash according to policies established by the Selectboard. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At June 30, 2014, the Town of Underhill, Vermont's bank balance of \$892,839 was exposed to custodial credit risk as follows:

Insured	\$	250,000
Uninsured and collateral held by pledging institution's trust department not in the government's name		<u>642,839</u>
Total	\$	<u><u>892,839</u></u>

Due to cash flows, the Town's uninsured deposits may be higher during certain times of the year. Management considers this a normal business risk.

Note 3. Delinquent Taxes Receivable

Delinquent taxes receivable consist of:

	<u>General Fund</u>	
Delinquent property taxes	\$	36,483
Penalties on taxes receivable		1,986
Interest on taxes receivable		<u>788</u>
Total delinquent taxes	\$	<u><u>39,257</u></u>

Property taxes are payable in four installments due August 15, November 15, February 15 and May 15. Interest of 1% per month is charged for overdue taxes from the due date of each installment. Any tax levies still delinquent after the due dates are charged an 8% penalty.

Note 4. Property Taxes

The Town levies its property tax based upon the assessed value as of April 1, for all real and personal property, with exemptions to qualifying veterans, and excludes assessments on municipal, school, and church properties. Elected listers establish a Grand List of all property and the Selectboard sets the tax rate required to raise the tax revenue authorized by Town and School District voters and the Vermont Department of Education.

Note 4. Property Taxes (Continued)

The tax rate for fiscal year 2014 was:

	<u>Residential</u>	<u>Non-Residential</u>
Municipal	\$ 0.4629	\$ 0.4629
Local agreement	0.0301	0.0301
Education	<u>1.3864</u>	<u>1.4525</u>
 Total tax rate	 <u>\$ 1.8794</u>	 <u>\$ 1.9455</u>

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 289,326	\$ -	\$ -	\$ 289,326
Work in progress	2,063	52,367	(2,063)	52,367
Total capital assets not depreciated	<u>291,389</u>	<u>52,367</u>	<u>(2,063)</u>	<u>341,693</u>
Capital assets, being depreciated				
Infrastructure	1,545,152	134,210		1,679,362
Building and improvements	908,430	32,835	-	941,265
Vehicles and equipment	1,150,520	-	-	1,150,520
Office equipment	16,595	23,572	-	40,167
Total capital assets being depreciated	<u>3,620,697</u>	<u>190,617</u>	<u>-</u>	<u>3,811,314</u>
Less accumulated depreciation for:				
Infrastructure	(194,784)	(71,125)	-	(265,909)
Building and improvements	(404,772)	(37,403)	-	(442,175)
Vehicles and equipment	(709,554)	(81,103)	-	(790,657)
Office equipment	(14,503)	(6,651)	-	(21,154)
Total accumulated depreciation	<u>(1,323,613)</u>	<u>(196,282)</u>	<u>-</u>	<u>(1,519,895)</u>
Total capital assets, being depreciated, net	<u>2,297,084</u>	<u>(5,665)</u>	<u>-</u>	<u>2,291,419</u>
Governmental activities capital assets, net	<u>\$ 2,588,473</u>	<u>\$ 46,702</u>	<u>\$ (2,063)</u>	<u>\$ 2,633,112</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 23,680
Highways and streets	<u>172,602</u>
Total depreciation expense - Governmental activities	<u>\$ 196,282</u>

Note 6. Long-Term Liabilities

Below is a summary of long-term liabilities for the year ended June 30, 2014:

	Beginning Balance	Additions	Principal Payments	Ending Balance	Due Within One Year
Bonds and Notes Payable:					
Vermont Municipal Bond Bank -- building improvements, variable interest rate (4.344% - 5.644%), maturing December 1, 2020, principal payments of \$35,000 due annually, with interest payments due semiannually beginning December 1, 2000	\$ 280,000	\$ -	\$ 35,000	\$ 245,000	\$ 35,000
Peoples United Bank - interest 3.5%, maturing May 28, 2016, principal payments of \$30,000 (five years 2011 - 2015) and a final payment of \$20,000 due 2016, plus interest, due annually beginning May 28, 2011. Secured by 2011 International dump truck with a net carrying value of \$102,000.	80,000	-	30,000	50,000	30,000
Merchants Bank - note, interest 2.44%, maturing July 15, 2017, principal payments of \$35,167 plus interest due annually beginning July 15, 2013. Secured by 2013 International dump truck with a net carrying value of \$150,258.	140,668	-	-	140,668	35,167
Total bonds and notes payable	500,668	-	65,000	435,668	100,167
Other long term liabilities:					
Accrued compensated absences	14,918	124	-	15,042	-
Accrued post employment benefits	18,126	-	4,455	13,671	728
Total long-term liabilities	<u>\$ 533,712</u>	<u>\$ 124</u>	<u>\$ 69,455</u>	<u>\$ 464,381</u>	<u>\$ 100,895</u>

Maturities for bonds and notes payable including interest are as follows:

Years Ending	Principal	Interest	Total
2015	\$ 100,167	\$ 17,896	\$ 118,063
2016	90,167	14,231	104,398
2017	70,167	10,892	81,059
2018	70,167	8,230	78,397
2019	35,000	4,921	39,921
2020-2021	70,000	3,948	73,948
	<u>\$ 435,668</u>	<u>\$ 60,118</u>	<u>\$ 495,786</u>

Interest paid on long-term debt for the year ended June 30, 2014 was \$18,888.

Note 7. 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 maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc., covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and rate-setting policies have been established after consultations with actuaries. Fund members are subject to supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

The Town is a member of Vermont Leagues of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

Note 8. Lease Agreement

The Town has entered into a 60-month operating lease for a copier. The lease expense for 2014 was \$2,010. Future minimum rental payments for each of the five subsequent fiscal years and thereafter are as follows:

2015	\$ 2,700
2016	2,700
2017	2,700
2018	2,700
2019	690
Thereafter	-
Total	<u>\$ 11,490</u>

Note 9. Municipal Employees' Retirement System

All eligible employees of the Town are enrolled for coverage by the Vermont Municipal Employees' Retirement System (VMERS) immediately upon employment. The VMERS defined benefit plan is a cost sharing multiple employer retirement system. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The Town and the employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

Note 9. Municipal Employees' Retirement System (Continued)

There are four levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. The Town participates only in Group C. For Group C, employee contributions were 9.375% of gross pay from July 1, 2013 to December 31, 2013 and 9.50% of gross pay from January 1, 2014 to June 30, 2014. Employer contributions were 6.625% of gross pay from July 1, 2013 to December 31, 2013 and 6.75% of gross pay from January 1, 2014 to June 30, 2014. Of the Town's total payroll of \$461,460, \$388,221 was covered under the VMERS defined benefit plan. Total employer contributions to this plan were \$25,983 for fiscal year 2014, \$25,040 for fiscal year 2013 and \$23,907 for fiscal year 2012.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

Note 10. Accrued Post Employment Benefits

The Town has entered into an agreement with a former employee to provide for benefit costs until the former employee's death. Under the terms of the agreement, the Town will pay 25% of health insurance premiums for the former employee, with the former employee reimbursing the Town for other benefits at cost. A liability in the amount of \$13,671 has been recognized, based on the value of the discounted cash flows related to the anticipated cost of the agreement.

Note 11. Long Term Contracts

The Town has entered into an agreement with the Underhill-Jericho Fire Department, Inc. on February 5, 1997 whereas the Town has designated the Fire Department as the primary provider of emergency response, firefighting, fire prevention, fire protection and fire suppression services. The Town appropriates annually, out of the General Fund, a sum of money to be paid to the Fire Department in anticipation of the costs incurred by the Fire Department. Such appropriations are included in the Town's annual budget for voter approval. Payments are made quarterly. The agreement can only be cancelled when the fire department has no mortgages outstanding.

The Town has entered into a land records computerization contract. The agreement requires monthly payments of \$685, commencing September 2014. Future minimum payments for each of the five subsequent years and thereafter are as follows:

2015	\$ 6,850
2016	8,220
2017	8,220
2018	8,220
2019	8,220
Thereafter	<u>1,370</u>
Total	<u>\$ 41,100</u>

Note 12. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the State of Vermont or the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town is a party to various legal actions in the normal course of business, the aggregate effect of which, in management's opinion, would not be material to the financial condition of the Town of Underhill, Vermont.

Note 13. Excess of Expenditures over Appropriations

Expenditures in excess of budgeted amounts at the legal level of control are disclosed in the Budgetary Comparison Schedule.

Note 14. Flood

During the weeks of May 22-26, 2013 and June 25-July 11, 2013, excessive rain caused extensive damage to the Town's roads. On June 13, 2013 and August 2, 2013, respectively, the floods were declared major federal disasters. The federal government issued two separate grants to the State of Vermont to help defer the costs of repairs in which the Town was named as one of the subgrantees. Under the terms of the grants, FEMA will reimburse the Town 75% of approved costs and the State will reimburse 15% of approved costs. The Town is responsible for the remaining costs.

As of June 30, 2014, \$431,404 in eligible costs have been incurred of which \$388,263 is to be reimbursed by FEMA and the State. \$339,805 has been received in payment through June 30, 2014 and the remaining reimbursement due to the Town of \$62,348 has been recorded in grants receivable.

Note 15. Prior Period Adjustment

In the prior fiscal year, grants receivable and the corresponding revenue related to FEMA flood reimbursements in the amount of \$180,031 were incorrectly recorded. Revenue related to the 2013 flooding disaster originally classified as 2013 revenue was reclassified as 2014 revenue. This was a result of the clarification in the GASB regulations regarding recognition of FEMA grant revenue. The effect of this restatement reduces beginning fund balance and net position by \$180,031. As of June 30, 2014, the net effect of this adjustment on ending fund balance and net position is \$0.

Note 16. Subsequent Events

Subsequent to year end, the Town purchased a truck for approximately \$160,000. A highway equipment note in the amount of \$160,000 was signed to finance the purchase. The note requires annual principal payments of \$32,000 through September 2019 and interest at 2.5%. The final cost of the truck has not yet been determined. Once the truck is complete, if the amount financed is in excess of the final cost, that amount will be repaid to the bank.

Management has evaluated subsequent events through December 4, 2014, the date which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF UNDERHILL, VERMONT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2014

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property taxes	\$ 1,815,231	\$ 1,833,012	\$ 17,781
Licenses and permits	33,010	34,627	1,617
Intergovernmental	264,500	296,559	32,059
Charges for services	27,000	31,503	4,503
Investment income	1,000	1,278	278
Miscellaneous income	23,100	34,702	11,602
Total revenue	<u>2,163,841</u>	<u>2,231,681</u>	<u>67,840</u>
EXPENDITURES			
General government			
Select board	53,845	37,264	16,581
Elections	9,725	8,321	1,404
Administration	58,339	49,110	9,229
Town clerk and treasurer	94,340	92,142	2,198
Finance	99,432	93,775	5,657
Listers	78,984	76,211	2,773
Town hall	65,280	79,584	(14,304)
Post office	2,750	1,664	1,086
School house	-	267	(267)
Public safety			
Animal control	4,466	2,261	2,205
Public safety	224,293	224,691	(398)
Health	17,580	17,195	385
Recreation	6,371	5,904	467
Planning and zoning	101,331	47,528	53,803
Conservation	-	533	(533)
Energy	350	-	350
Cultural services	96,900	95,058	1,842
Appropriations	145,808	148,860	(3,052)
Highway	731,359	832,247	(100,888)
Town planning grant	-	14,971	(14,971)
Debt service			
Principal	100,167	100,167	-
Interest	24,681	23,331	1,350
Capital outlay	349,340	225,950	123,390
Total expenditures	<u>2,265,341</u>	<u>2,177,034</u>	<u>88,307</u>
Excess (deficiency) of revenues over expenditures	<u>(101,500)</u>	<u>54,647</u>	<u>156,147</u>
EXTRAORDINARY ITEMS			
Grant revenue - Flood relief	-	388,263	388,263
Flood expenses	-	(211,749)	(211,749)
Total extraordinary items	<u>-</u>	<u>176,514</u>	<u>176,514</u>
Net change in fund balance	<u>\$ (101,500)</u>	<u>231,161</u>	<u>\$ 332,661</u>
Fund balance - July 1, 2013, as previously stated		803,143	
Prior period adjustment		<u>(180,031)</u>	
Fund balance - July 1, 2013, as restated		<u>623,112</u>	
Fund balance - June 30, 2014		<u>\$ 854,273</u>	

OTHER SUPPLEMENTARY INFORMATION

TOWN OF UNDERHILL, VERMONT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2014

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Property taxes			
Property taxes	\$ 1,784,231	\$ 1,792,556	\$ 8,325
Delinquent interest	3,000	5,597	2,597
Delinquent penalties	13,000	18,159	5,159
Payment in lieu of taxes	15,000	16,700	1,700
Total property taxes	<u>1,815,231</u>	<u>1,833,012</u>	<u>17,781</u>
Licenses and permits			
Dog licenses	4,000	3,678	(322)
Zoning	18,000	19,507	1,507
Traffic control	8,000	6,125	(1,875)
Certified copies	400	925	525
Other fees	2,610	4,392	1,782
Total licenses and permits	<u>33,010</u>	<u>34,627</u>	<u>1,617</u>
Intergovernmental			
State aid	100,000	102,123	2,123
Current use	45,000	47,495	2,495
Road grants	75,000	120,789	45,789
Flats Sidewalk Grant	32,000	13,474	(18,526)
Reappraisal	12,500	12,678	178
Total intergovernmental	<u>264,500</u>	<u>296,559</u>	<u>32,059</u>
Charges for services			
Animal control	500	25	(475)
Copier usage	3,000	2,995	(5)
Town hall rent	400	485	85
Recording fees	23,100	27,998	4,898
Total charges for services	<u>27,000</u>	<u>31,503</u>	<u>4,503</u>
Investment income			
Interest income	1,000	1,278	278
Miscellaneous income			
Rental - Post office	9,100	9,100	-
School contribution	7,500	7,500	-
School billback	2,500	3,917	1,417
Other miscellaneous income	4,000	14,185	10,185
Total miscellaneous income	<u>23,100</u>	<u>34,702</u>	<u>11,602</u>
Total revenues	<u>2,163,841</u>	<u>2,231,681</u>	<u>67,840</u>

TOWN OF UNDERHILL, VERMONT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2014

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES			
General government:			
Select board			
Stipend	4,500	4,500	-
Payroll taxes	344	344	-
Benefits	7,000	3,586	3,414
Training and development	200	75	125
Professional and technical services	17,250	15,949	1,301
Other purchased services	4,451	4,237	214
Other expenses	20,100	8,573	11,527
Total select board	<u>53,845</u>	<u>37,264</u>	<u>16,581</u>
Elections			
Salaries	1,463	1,392	71
Payroll taxes	112	-	112
Professional and technical services	-	405	(405)
Other purchased services	3,900	4,126	(226)
Supplies	4,250	2,398	1,852
Total elections	<u>9,725</u>	<u>8,321</u>	<u>1,404</u>
Administration			
Salaries	26,607	40,722	(14,115)
Payroll taxes	2,035	3,369	(1,334)
Benefits	28,622	5,035	23,587
Training and development	200	90	110
Professional and technical services	500	30	470
Supplies	275	-	275
Other expenses	100	(136)	236
Total administration	<u>58,339</u>	<u>49,110</u>	<u>9,229</u>
Town clerk and treasurer			
Salaries	75,082	72,284	2,798
Payroll taxes	5,744	5,530	214
Benefits	7,364	7,263	101
Training and development	550	115	435
Professional and technical services	5,000	5,424	(424)
Supplies	300	1,455	(1,155)
Other expenses	300	71	229
Total town clerk and treasurer	<u>94,340</u>	<u>92,142</u>	<u>2,198</u>

TOWN OF UNDERHILL, VERMONT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2014

	Original & Final Budget	Actual	Variance Favorable (Unfavorable)
Finance			
Salaries	58,204	59,585	(1,381)
Payroll taxes	4,453	4,506	(53)
Benefits	23,525	18,631	4,894
Training and development	900	550	350
Professional and technical services	11,000	10,000	1,000
Supplies	900	329	571
Other expenses	450	174	276
Total finance	99,432	93,775	5,657
Listers			
Salaries	45,214	39,422	5,792
Payroll taxes	3,459	3,016	443
Benefits	606	620	(14)
Training and development	275	345	(70)
Professional and technical services	24,250	24,210	40
Supplies	4,180	8,169	(3,989)
Other expenses	1,000	429	571
Total listers	78,984	76,211	2,773
Town hall			
Other purchased services	35,480	43,804	(8,324)
Supplies	18,500	24,113	(5,613)
Other expenses	11,300	11,667	(367)
Total town hall	65,280	79,584	(14,304)
Post office			
Other purchased services	2,000	1,424	576
Supplies	750	240	510
Total post office	2,750	1,664	1,086
School house			
Other expenses	-	267	(267)
Total school house	-	267	(267)
Total general government	462,695	438,338	24,357

TOWN OF UNDERHILL, VERMONT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2014

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public safety:			
Animal control			
Salaries	2,739	1,869	870
Payroll taxes	210	143	67
Benefits	17	12	5
Other purchased services	300	-	300
Supplies	1,000	199	801
Other expenses	200	38	162
Total animal control	<u>4,466</u>	<u>2,261</u>	<u>2,205</u>
Public safety			
Professional and technical services	15,300	15,458	(158)
Appropriations	<u>208,993</u>	<u>209,233</u>	<u>(240)</u>
Total public safety	<u>224,293</u>	<u>224,691</u>	<u>(398)</u>
Health			
Salaries	640	-	640
Payroll taxes	49	-	49
Benefits	15	10	5
Professional and technical services	10,356	10,665	(309)
Appropriations	<u>6,520</u>	<u>6,520</u>	<u>-</u>
Total health	<u>17,580</u>	<u>17,195</u>	<u>385</u>
Total public safety	<u>246,339</u>	<u>244,147</u>	<u>2,192</u>
Recreation:			
Salaries	3,694	3,170	524
Payroll taxes	283	242	41
Benefits	44	25	19
Other purchased services	300	570	(270)
Supplies	<u>2,050</u>	<u>1,897</u>	<u>153</u>
Total recreation	<u>6,371</u>	<u>5,904</u>	<u>467</u>
Planning and zoning:			
Salaries	55,930	30,995	24,935
Payroll taxes	4,279	2,113	2,166
Benefits	23,352	4,518	18,834
Training and development	1,090	115	975
Professional and technical services	6,500	3,639	2,861
Other purchased services	5,380	4,872	508
Supplies	4,500	1,064	3,436
Other expenses	300	212	88
Total planning and zoning	<u>101,331</u>	<u>47,528</u>	<u>53,803</u>

TOWN OF UNDERHILL, VERMONT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2014

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Conservation:			
Other expenses	-	533	(533)
Total conservation	-	533	(533)
Energy:			
Other expenses	350	-	350
Total energy	350	-	350
Cultural services:			
Town library	96,900	95,058	1,842
Total cultural services	96,900	95,058	1,842
Appropriations:			
General appropriations	110,150	114,182	(4,032)
Regional service appropriations	30,208	29,228	980
Social service appropriations	5,450	5,450	-
Total appropriations	145,808	148,860	(3,052)
Highway:			
Salaries	196,276	197,857	(1,581)
Payroll taxes	15,015	15,959	(944)
Benefits	60,554	61,409	(855)
Training and development	300	130	170
Professional and technical services	75,500	132,562	(57,062)
Other purchased services	71,940	90,141	(18,201)
Supplies	252,534	271,215	(18,681)
Other expenses	59,240	62,974	(3,734)
Total highway	731,359	832,247	(100,888)
Underhill Flats sidewalk:			
Other expenses	-	14,971	(14,971)
Total Underhill Flats sidewalk	-	14,971	(14,971)
Debt service:			
Principal	100,167	100,167	-
Interest	24,681	23,331	1,350
Total debt service	124,848	123,498	1,350
Capital outlay	349,340	225,950	123,390
Total expenditures	2,265,341	2,177,034	88,307
Excess (deficiency) of revenues over expenditures	(101,500)	54,647	156,147

TOWN OF UNDERHILL, VERMONT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2014

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXTRAORDINARY ITEMS			
Grant revenue - Flood relief	-	388,263	388,263
Flood expenses	-	<u>(211,749)</u>	<u>(211,749)</u>
Total extraordinary items	-	<u>176,514</u>	<u>176,514</u>
Net change in fund balance	<u>\$ (101,500)</u>	<u>231,161</u>	<u>\$ 332,661</u>
Fund balance - July 1, 2013, as previously stated		803,143	
Prior period adjustment		<u>(180,031)</u>	
Fund balance - July 1, 2013, as restated		<u>623,112</u>	
Fund balance - June 30, 2014		<u>\$ 854,273</u>	