

**TOWN OF SOUTH HERO, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2019**

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 AUDIT REPORT  
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## Independent Auditor's Report

Selectboard  
Town of South Hero, Vermont  
P.O. Box 175  
South Hero, Vermont 05486

### ***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 South Hero, Vermont as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of South Hero, Vermont's basic financial statements as listed in the Table of Contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Basis for Qualified Opinion on the General Fund and the Aggregate Remaining Fund Information***

As described in Note III.C. to the financial statements, the Town of South Hero, Vermont adopted certain provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" but did not adopt certain provisions related to the clarified definitions of Special Revenue Funds affecting the General Fund and aggregate remaining fund information. As a result, there are some Special Revenue Funds that should be reported as part of the General Fund.

***Qualified Opinions***

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the General Fund and the Aggregate Remaining Fund Information of the Town of South Hero, Vermont as of June 30, 2019, and the changes in financial position thereof for the year then ended in conformity with the modified cash basis of accounting, as described in Note I.D.

***Unmodified Opinions***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Highway Fund, the Fire Department Equipment Replacement Fund and the Rescue Equipment Replacement Fund of the Town of South Hero, Vermont as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting as described in Note I.D.

***Basis of Accounting***

We draw attention to Note I of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

***Other Matters***

***Correction of Error***

As described in Note II.C. to the financial statements, a certain error was corrected by management during the current year. Our opinion is not modified with respect to this matter.

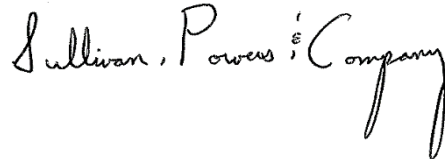
***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of South Hero, Vermont's basic financial statements. The budgetary comparison information on Schedules 1 and 2 and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

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

In accordance with "Government Auditing Standards", we have also issued our report dated December 11, 2019 on our consideration of the Town of South Hero, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 South Hero, Vermont's internal control over financial reporting and compliance.

December 11, 2019  
Montpelier, Vermont  
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned to the right of the date and address information.

TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
JUNE 30, 2019

	Governmental Activities
<u>ASSETS</u>	
Cash	\$ 818,198
Investments	28,749
	846,947
 <u>LIABILITIES</u>	
Due to State	175
Due to Taxpayers	154
	329
 <u>NET POSITION</u>	
Restricted:	
Nonspendable - Culture and Recreation	12,093
Nonexpendable - Cemetery	19,210
Highway and Streets	421,398
Culture and Recreation	72,499
Cemetery	83,196
Other	5,054
Unrestricted	233,168
	846,618
Total Net Position	\$ 846,618

The accompanying notes are an integral part of this financial statement.

TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2019

	Program Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants/Loans and Contributions	Governmental Activities
Functions/Programs:					
Governmental Activities:					
General Government	\$ 626,570	\$ 0	\$ 16,933	\$ 0	\$ (609,637)
Highways and Streets	384,031	0	59,072	0	(324,959)
Public Safety	314,609	0	0	54,000	(260,609)
Culture and Recreation	111,417	11,140	25,914	0	(74,363)
Cemetery	10,054	12,452	0	0	2,398
Sanitation	19,728	15,119	0	0	(4,609)
Capital Outlay:					
Highways and Streets	168,669	0	0	0	(168,669)
Debt Service	160,069	0	0	0	(160,069)
	<u>1,795,147</u>	<u>38,711</u>	<u>101,919</u>	<u>54,000</u>	<u>(1,600,517)</u>
Total	\$	\$	\$	\$	
General Receipts:					
Property Taxes					1,343,161
Interest and Penalties on Delinquent Taxes					6,495
Payments in Lieu of Taxes					21,050
Permits, Licenses and Fees					38,887
Unrestricted Investment Earnings					12,777
General State Grants					73,789
Insurance Proceeds					433
Other Revenues					8,817
					<u>1,505,409</u>
Total General Receipts					1,505,409
Change in Net Position					(95,108)
Net Position - June 30, 2018, As Restated					<u>941,726</u>
Net Position - June 30, 2019					<u>\$ 846,618</u>

The accompanying notes are an integral part of this financial statement.



TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF MODIFIED CASH BASIS ASSETS, LIABILITIES AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General Fund	Highway Fund	Fire Department Equipment Replacement Fund	Rescue Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 300,619	\$ 0	\$ 208,865	\$ 103,004	\$ 205,710	\$ 818,198
Investments	0	0	0	0	28,749	28,749
Due From Other Funds	0	321,294	0	0	158,420	479,714
Total Assets	<u>\$ 300,619</u>	<u>\$ 321,294</u>	<u>\$ 208,865</u>	<u>\$ 103,004</u>	<u>\$ 392,879</u>	<u>\$ 1,326,661</u>
<u>LIABILITIES</u>						
Due to State	\$ 175	\$ 0	\$ 0	\$ 0	\$ 0	\$ 175
Due to Taxpayers	154	0	0	0	0	154
Due To Other Funds	478,548	0	0	0	1,166	479,714
Total Liabilities	<u>478,877</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,166</u>	<u>480,043</u>
<u>FUND BALANCES</u>						
Nonspendable	0	0	0	0	31,303	31,303
Restricted	0	321,294	0	0	260,853	582,147
Committed	0	0	208,865	103,004	0	311,869
Assigned	0	0	0	0	100,723	100,723
Unassigned/(Deficit)	(178,258)	0	0	0	(1,166)	(179,424)
Total Fund Balances/(Deficit)	<u>(178,258)</u>	<u>321,294</u>	<u>208,865</u>	<u>103,004</u>	<u>391,713</u>	<u>846,618</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 300,619</u>	<u>\$ 321,294</u>	<u>\$ 208,865</u>	<u>\$ 103,004</u>	<u>\$ 392,879</u>	<u>\$ 1,326,661</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Highway Fund	Fire Department Equipment Replacement Fund	Rescue Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
Cash Receipts:						
Property Taxes	\$ 798,774	\$ 447,256	\$ 0	\$ 0	\$ 97,131	\$ 1,343,161
Penalties and Interest on Delinquent Taxes	6,495	0	0	0	0	6,495
Intergovernmental	68,181	59,072	0	0	22,541	149,794
Charges for Services	11,140	0	0	0	27,571	38,711
Permits, Licenses and Fees	38,887	0	0	0	0	38,887
Donations	0	0	0	0	25,914	25,914
Investment Income	10,715	0	498	231	1,333	12,777
Payment in Lieu of Taxes	21,050	0	0	0	0	21,050
Other	5,983	2,477	0	0	357	8,817
<b>Total Cash Receipts</b>	<b>961,225</b>	<b>508,805</b>	<b>498</b>	<b>231</b>	<b>174,847</b>	<b>1,645,606</b>
Cash Disbursements:						
General Government	594,534	0	0	0	32,036	626,570
Highways and Streets	0	384,031	0	0	0	384,031
Public Safety	252,584	0	62,025	0	0	314,609
Culture & Recreation	19,729	0	0	0	91,688	111,417
Cemetery	0	0	0	0	10,054	10,054
Sanitation	0	0	0	0	19,728	19,728
Capital Outlay:						
Highways and Streets	0	109,826	0	0	58,843	168,669
Debt Service:						
Principal	130,000	0	0	0	0	130,000
Interest	30,069	0	0	0	0	30,069
<b>Total Cash Disbursements</b>	<b>1,026,916</b>	<b>493,857</b>	<b>62,025</b>	<b>0</b>	<b>212,349</b>	<b>1,795,147</b>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	(65,691)	14,948	(61,527)	231	(37,502)	(149,541)
Other Financing Sources/(Uses):						
Proceeds from Long-Term Debt	0	0	54,000	0	0	54,000
Insurance Proceeds	433	0	0	0	0	433
Transfers In	52,054	0	25,000	25,000	100,960	203,014
Transfers Out	(113,000)	(35,000)	0	0	(55,014)	(203,014)
<b>Total Other Financing Sources/(Uses)</b>	<b>(60,513)</b>	<b>(35,000)</b>	<b>79,000</b>	<b>25,000</b>	<b>45,946</b>	<b>54,433</b>
Net Change in Fund Balances	(126,204)	(20,052)	17,473	25,231	8,444	(95,108)
Fund Balances/(Deficit) - June 30, 2018, As Restated	(52,054)	341,346	191,392	77,773	383,269	941,726
Fund Balances/(Deficit) - June 30, 2019	\$ (178,258)	\$ 321,294	\$ 208,865	\$ 103,004	\$ 391,713	\$ 846,618

The accompanying notes are an integral part of this financial statement.

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

The Town of South Hero, Vermont, (herein the "Town") operates under a Selectboard form of government and provides the following services as authorized by State statutes: public safety, highways and streets, cemetery, health and social services, public improvements, planning and zoning, and general administrative services.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note I.D., these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

### **A. The Financial Reporting Entity**

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

### **B. Basis of Presentation**

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

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town.

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of activities between funds. Governmental activities generally are financed through property taxes, intergovernmental receipts, and other nonexchange transactions.

The statement of activities presents a comparison between direct disbursements and program receipts for each function of the Town's governmental activities. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program receipts, including all property taxes, are presented as general receipts.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental funds:

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

Highway Fund – This fund accounts for the maintenance and operation of the Town highways.

Fire Department Equipment Replacement Fund – This fund accounts for monies to be used for Fire Department equipment.

Rescue Equipment Replacement Fund – This fund accounts for monies to be used for Rescue equipment.

### **C. Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. Equity (i.e., modified cash basis net position) is segregated into restricted and unrestricted net position. Operating statements present increases (i.e., receipts) and decreases (i.e., disbursements) in modified cash basis net position.

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

Governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Their reported fund balances (modified cash basis fund balances) are considered a measure of available spendable resources and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., receipts and other financing sources) and decreases (i.e., disbursements and other financing uses) in modified cash basis fund balances.

**D. Basis of Accounting**

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

The Town's policy is to prepare its financial statements generally on the basis of cash receipts and disbursements; consequently, certain revenue and related assets are recognized when received rather than when earned, and certain expenditures and related liabilities are recognized when paid rather than when the obligation is incurred. The exceptions to this are that the Town records investments as assets, amounts due to the State of Vermont for dog and marriage licenses and tax overpayments as liabilities.

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

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity**

**1. Cash**

Cash balances of Town funds are deposited with and invested by the Town Treasurer. The Town considers all short-term investments of ninety (90) days or less to be cash equivalents.

Excess cash of individual funds are shown as due from other funds and excess cash withdrawals are shown as due to other funds.

**2. Investments**

The Town invests in investments as allowed by State Statute. Investments in certificates of deposit are reported at cost and investments in mutual funds are reported at fair value. The modified cash basis of accounting requires that all investments be reported at cost, however, the difference, if any, is not material.

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**3. Fund Equity**

Fund equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in government-wide financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances in governmental fund financial statements are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

**4. Interfund Receivables/Payables**

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as "advances to/from other funds". All other outstanding balances between funds are reported as "due from/to other funds."

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The budgets for the General Fund and the Highway Fund are approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget changes during the year. The budget herein is for the Town's "General Fund" only and does not include the Recreation Fund activity that is included with the General Fund.

**B. Excess of Expenditures over Appropriations**

For the year ended June 30, 2019, expenditures in the General Fund and Highway Fund exceeded appropriations by \$80,665 and \$27,561, respectively. These over-expenditures were funded by excess revenues and available fund balance but resulted in a deficit in the General Fund.

**C. Restatement of Net Position/Fund Balance**

The beginning net position of the Governmental Activities and the fund balance of the Aggregate Remaining Fund Information was restated to reflect the correction of errors due to the omission of the Library Fund and the Library Trust Fund. The effect of these corrections on the Governmental Activities and the Aggregate Remaining Fund Information is to increase assets and net position/fund balance by \$65,288. The effect on the 2018 Statement of Activities and Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance is not known. The net position of the Governmental Activities has been restated from \$876,438 to \$941,726. The fund balance of the Non-Major Governmental Funds has been restated from \$317,981 to \$383,269.

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

Cash and investments as of June 30, 2019 consist of the following:

Cash:		
Deposits with Financial Institutions		\$ <u>818,198</u>
Investments:		
Certificates of Deposits		14,480
Mutual Funds – Mixed Holdings		<u>14,269</u>
Total Investments		<u>28,749</u>
Total Cash and Investments		<u>\$846,947</u>

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit the exposure to custodial credit risk. The mutual funds are in the name of the Town and are not exposed to custodial credit risk. The following table shows the custodial credit risk of the Town’s cash and certificates of deposits.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$643,287	\$636,066
Uninsured, Collateralized by Letter of Credit from the Federal Home Loan Bank of Pittsburgh	<u>189,391</u>	<u>207,953</u>
Total	<u>\$832,678</u>	<u>\$844,019</u>

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. The Town’s mutual funds are not subject to interest rate risk disclosure.

TOWN OF SOUTH HERO, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

**Credit Risk**

Generally, credit risk is the risk an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town does not have any policy to limit the exposure to credit risk. The Town's mutual funds are open-ended and are, therefore, not subject to credit risk disclosure.

**Concentration of Credit Risk**

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town has no investments subject to concentration of credit risk disclosure.

**B. Interfund Balances and Activity**

Interfund balances as of June 30, 2019 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$478,548
Highway Fund	321,294	0
Non-Major Governmental Funds	<u>158,420</u>	<u>1,166</u>
Total	<u>\$479,714</u>	<u>\$479,714</u>

Interfund transfers during the year ended June 30, 2019 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Fire Department Equipment Replacement Fund	\$ 25,000	To Fund Capital Reserve
General Fund	Rescue Equipment Replacement Fund	25,000	To Fund Capital Reserve
General Fund	White Meeting House Outreach Fund	3,000	To Match Grant Funds
General Fund	Highway Equipment Replacement Fund	60,000	To Fund Capital Reserve



TOWN OF SOUTH HERO, VERMONT  
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Highway Fund	Highway Equipment Replacement Fund	\$ 35,000	To Fund Capital Reserve
Listers Education Fund	Reappraisal Fund	2,960	To Close Fund
Judicial Fines Fund	General Fund	17,000	To Fund General Fund Deficit
Reappraisal Fund	General Fund	<u>35,054</u>	To Fund General Fund Deficit
Total Transfers		<u>\$203,014</u>	

**C. Fund Balances**

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard’s intended use of the resources); and unassigned.

Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund. The Town did not adopt all the provisions of GASB Statement No. 54 and, as a result, has reported the Judicial Fines Fund and the Landfill Fund as Special Revenue Funds rather than being combined with the General Fund.

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. Governments are required to disclose in the notes key information about their stabilization arrangements, including the authority by which they were established, provisions for additions to stabilization amount and circumstances under which those amounts may be spent. The Town does not have any stabilization arrangements.

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Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Town does not have any minimum fund balance policies.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

The fund balances in the following funds are nonspendable as follows:

Permanent Funds

Nonspendable Library Trust Funds by Bequest/Donation	\$12,093
Nonspendable Cemetery Fund by Bequest	<u>19,210</u>
Total Nonspendable Fund Balances	<u>\$31,303</u>

The fund balances in the following funds are restricted as follows:

Major Funds

Highway Fund:

Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes and State Highway Aid)	<u>\$321,294</u>
Total Major Funds	<u>321,294</u>

Non-Major Funds

Special Revenue Funds:

Restricted for Cemetery Expenditures (Source of Revenue is Dedicated Property Taxes)	30,783
Restricted for Planning Expenditures by Grant Agreement (Source of Revenue is Grant Revenue)	594
Restricted for Listers Education Expenditures by Statute (Source of Revenue is Grant Revenue)	2,960
Restricted for Broadband Grant Expenditures by Grant Agreement (Source of Revenue is Grant Revenue)	1,500
Restricted for Library Expenditures (Source of Revenue is Dedicated Property Taxes) – Designated for Library	<u>70,112</u>
Total Special Revenue Funds	<u>105,949</u>

TOWN OF SOUTH HERO, VERMONT  
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Capital Project Funds:

Restricted for South Street Expenditures by Grant Agreement (Source of Revenue is Grant Revenue)	\$ 23,100
Restricted for Highway Equipment by Statute (Source of Revenue is Highway Property Taxes)	<u>77,004</u>
Total Capital Project Funds	<u>100,104</u>

Permanent Funds:

Restricted for Library Expenditures by Bequest/Donation	2,387
Restricted for Cemetery Expenditures by Bequest	<u>52,413</u>

Total Permanent Funds	<u>54,800</u>
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Total Non-Major Funds	<u>260,853</u>
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Total Restricted Fund Balances	<u>\$582,147</u>
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The fund balances in the following funds are committed as follows:

Major Funds

Fire Department Equipment Replacement Fund:

Committed for Fire Department Equipment by the Voters	\$208,865
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Rescue Equipment Replacement Fund:

Committed for Rescue Department Equipment by the Voters	<u>103,004</u>
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Total Committed Fund Balances	<u>\$311,869</u>
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The fund balances in the following funds are assigned as follows:

Non-Major Funds

Special Revenue Funds:

Landfill Fund:

Assigned for Landfill	\$15,587
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Judicial Fines Fund:

Assigned for Judicial Fines	19,839
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Reappraisal Fund:

Assigned for Reappraisal	64,057
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Fishing Pier Fund:

Assigned for Fishing Pier Expenses	<u>1,240</u>
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Total Assigned Fund Balances	<u>\$100,723</u>
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TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

The deficit in the White Meeting House Outreach Fund will be funded with future grant revenue.

**D. Net Position**

The restricted net position in the Governmental Activities consists of the nonspendable and restricted fund balances of \$613,450.

**IV. OTHER INFORMATION**

**A. PENSION PLAN**

**Defined Benefit Plan**

**Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2019, the retirement system consisted of 402 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

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

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

TOWN OF SOUTH HERO, VERMONT  
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**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

As of June 30, 2018, the measurement date selected by the State of Vermont, VMERS was funded at 82.60% and had a plan fiduciary net position of \$667,848,905 and a total pension liability of \$808,524,797 resulting in a net position liability of \$140,675,892. As of June 30, 2019, the Town's proportionate share of this was 0.0631% resulting in a net pension liability of \$88,816. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Town's proportion of 0.0631% was an increase of 0.0102 from its proportion measured as of the prior year.

**Summary of System Provisions**

Membership – Full time employees of participating municipalities. The Town elected coverage under Group B.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Group B – Average annual compensation during highest three (3) consecutive years.

Service Retirement Allowance:

Eligibility – Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service.

Amount – Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC.

Maximum benefit is 60% of AFC for Group B. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Group B.

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members.

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

TOWN OF SOUTH HERO, VERMONT  
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Amount – Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

Disability Retirement Allowance:

Eligibility – Five (5) years of service and disability as determined by Retirement Board.

Amount – Immediate allowance based on AFC and service to date of disability.

Death Benefit:

Eligibility – Death after five (5) years of service.

Amount – For Group B, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death.

Optional Benefit and Death after Retirement – For Group B, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee.

Refund of Contribution – Upon termination, if the member so elects or if no other benefit is payable, the member’s accumulated contributions are refunded.

Post-Retirement Adjustments – Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 3% for Group B.

Member Contributions – Group B – 5.00%.

Employer Contributions – Group B – 5.625%.

Retirement Stipend – \$25 per month payable at the option of the Board of Trustees.

**Significant Actuarial Assumptions and Methods**

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation.

Salary increases: 5% per year.

Mortality:

Death in Active Service: Group B – 98% of RP-2006 blended 60% Blue Collar Employee, 40% Healthy Employee with generational improvements.

Healthy Post-Retirement: Group B – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational improvements.

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

Disabled Post-Retirement: Group B – RP-2006 Disabled Mortality Table with generational improvements.

Spouse’s Age: Females three years younger than males.

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.30% per annum for Group B members, a decrease from 1.8% in the prior year (beginning at normal retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group B who receive a disability retirement benefit). The January 1, 2019 COLA is assumed to be 1.30%.

Actuarial Cost Method: Entry age actuarial cost method. Entry age is the age at date of employment or, if date is unknown, current age minus years of service. Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary, with normal cost determined using the plan of benefits applicable to each participant.

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

Inflation: 2.50%

Long-term Expected Rate of Return:

The long-term expected rate of return on 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 expense 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 of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	18%	6.10%
Non-US Equity	16%	7.45%
Global Equity	9%	6.74%
Fixed Income	26%	2.25%
Real Estate	8%	5.11%
Private Markets	15%	7.60%
Hedge Funds	8%	3.86%

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System’s projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the 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%):

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$150,434	\$88,816	\$38,703

**Defined Contribution Plan**

Employees in Group DC, a defined contribution plan, contribute 5% of their gross salary and the Town contributes 5.125%.

The Town pays all costs accrued each year for the plan. The premise of Plan DC is to allow employees to have a choice in investing their retirement assets. Each employee will receive the value of their account upon retirement.

Total covered payroll for Group DC was \$43,966. Pension expense for the year ended June 30, 2019, 2018, 2017 and 2016 were \$2,253, \$3,890, \$5,560 and \$4,672, respectively.

**Additional Information**

Additional information regarding the State of Vermont Municipal Employees’ Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.



TOWN OF SOUTH HERO, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

**B. PROPERTY TAXES**

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are collected three (3) times per year. During the tax year ended June 30, 2019, taxes became due and payable on September 28, 2018, January 31, 2019 and April 27, 2019. If paid in full by the September due date, there is a 3% discount. After April 30, the Town assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale. The tax rates for 2019 were as follows:

	<u>Homestead</u>	<u>Non-Residential</u>
Education	1.5850	1.5682
Cemetery	.0026	.0026
Library	.0175	.0175
Rescue	.0392	.0392
Local Agreement	.0007	.0007
Highway	.0927	.0927
Municipal	<u>.1730</u>	<u>.1730</u>
Total	<u>1.9107</u>	<u>1.8939</u>

**C. 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 ratesetting policies have been established after consultation with actuaries. Fund members are subject to a 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 also a member of the Vermont League of Cities and Towns Employment Resource and Benefits Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employment benefits for Vermont municipalities and is owned by the participating members. The agreement does not permit the Trust to make additional assessments to its members. The Town has only elected unemployment coverage with the Trust.

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

**D. CONTINGENT LIABILITIES**

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**E. LONG-TERM DEBT**

Long-term liabilities outstanding as of June 30, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vermont Municipal Bond Bank. Fire Department Property, \$1,300,000, Annual payments of \$130,000 and Semi- annual Interest at 2.64%, Due November, 2027.	\$1,300,000	\$ 0	\$130,000	\$1,170,000
Capital Lease Payable, Community Leasing Partners, SCBA's, Principal And Interest Payments of \$15,546 Payable on December 1 Annually, Interest at 5.72%, Due December 1, 2022.	<u>0</u>	<u>54,000</u>	<u>0</u>	<u>54,000</u>
Total	<u>\$1,300,000</u>	<u>\$ 54,000</u>	<u>\$130,000</u>	<u>\$1,224,000</u>

Maturities are estimated to be as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Capital Lease</u>
2020	\$ 130,000	\$ 27,664	\$15,546
2021	130,000	25,084	15,546
2022	130,000	22,347	15,546
2023	130,000	19,435	15,546
2024	130,000	16,335	0
2025-2028	<u>520,000</u>	<u>30,372</u>	<u>0</u>
Total	1,170,000	141,237	62,184
Less Imputed Interest	<u>0</u>	<u>0</u>	<u>(8,184)</u>
	<u>\$1,170,000</u>	<u>\$141,237</u>	<u>\$54,000</u>

**F. RELATED PARTY TRANSACTIONS**

A Selectboard member is the wife of the Road Commissioner.

TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Cash Receipts:</b>			
Current Taxes	\$ 853,472	\$ 601,319	\$ (252,153)
Delinquent Taxes	75,000	175,653	100,653
Interest on Delinquent Taxes	6,000	6,495	495
Current Use	50,000	68,181	18,181
Payment in Lieu of Taxes	12,000	11,118	(882)
Town Clerk's Fees	20,000	19,600	(400)
Records Restoration	3,500	3,690	190
Photocopy	200	300	100
Sub-Division Permits	5,000	1,250	(3,750)
Building Permits	10,000	11,061	1,061
Dog Licenses	1,700	2,061	361
Beverage Licenses	600	925	325
Legal Advertisements Reimbursement	1,000	2,130	1,130
Fire Department Revenue	0	104	104
Investment Income	50	10,715	10,665
Other Grants	0	200	200
Municipal Tax Adjustment	13,000	21,802	8,802
Insurance Proceeds	0	433	433
Town Library Salary Reimbursement	0	292	292
Good Neighbor Agreement	0	9,932	9,932
Other Revenue	0	3,257	3,257
Transfer from Judicial Fines Fund	0	17,000	17,000
Transfer from Reappraisal Fund	0	35,054	35,054
	<u>1,051,522</u>	<u>1,002,572</u>	<u>(48,950)</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
<b>Town Officers Salaries:</b>			
Selectmen	5,300	5,300	0
Town Clerk and Treasurer	42,000	51,000	(9,000)
Assistant Town Clerk and Treasurer	30,000	28,276	1,724
Listers	12,000	13,202	(1,202)
Zoning Administrator	38,250	43,696	(5,446)
Mowing Town Properties	0	2,567	(2,567)
Board's Secretary	2,400	1,718	682
Tax Collector Salary	0	721	(721)
Animal Control Officer	0	396	(396)
DRB Board Secretary	0	899	(899)
	<u>129,950</u>	<u>147,775</u>	<u>(17,825)</u>
<b>Total Town Officers Salaries</b>			

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
General Town Expense:			
Social Security	\$ 11,275	\$ 12,012	\$ (737)
Workers Compensation	1,635	4,317	(2,682)
Unemployment Compensation	1,000	561	439
Retirement	6,630	5,108	1,522
Election Expenses	3,200	3,150	50
Legal Advertising	1,000	1,137	(137)
Legal Fees	15,000	28,652	(13,652)
Postage	4,000	3,679	321
Supplies	5,500	3,704	1,796
Trash Removal	0	258	(258)
NW Solid Waste	1,591	1,591	0
Dog Tags and Expense	2,000	1,139	861
VLCT	2,900	2,900	0
Northwest Regional Planning	1,754	1,754	0
Bank Service Charge	800	238	562
Island Arts Activities	1,950	1,950	0
V N Association	8,645	8,645	0
Economic Development	1,600	1,600	0
Green-Up Vermont	0	738	(738)
Printing and Copies	4,000	3,427	573
Town Report	3,800	1,812	1,988
School and Ministerial Lots	115,067	115,027	40
County Tax	154,635	154,485	150
Land Record Books	1,000	2,315	(1,315)
Office Furniture and Equipment	1,000	408	592
Telephone and Internet	3,000	3,168	(168)
GIC Emergency Communication	9,240	23,571	(14,331)
Micro Film Town Records	500	522	(22)
I-Car Fire Works	500	500	0
Sheriffs Department Contract	127,088	126,637	451
Computer Programming	7,500	7,439	61
Mapping	2,000	2,115	(115)
Paydata	0	1,968	(1,968)
C.A.R.I.N.G.	1,500	1,500	0
Insurance and Bonds	14,452	10,464	3,988
Health and Dental Insurance	5,144	6,511	(1,367)
Life Insurance	800	596	204
Office Equipment	7,500	1,204	6,296
Generator Maintenance	600	3,765	(3,165)
Small Gift Recognition	0	100	(100)
Other Town Buildings	10,000	3,090	6,910
Bi-Centennial Memorial Building	5,775	5,775	0
Town Audit	12,000	18,889	(6,889)
C.I.D.E.R.	1,000	1,000	0
Champlain Island Parent Child	1,000	1,000	0
Transfer to White Meeting House Outreach Fund	0	3,000	(3,000)
	<u>559,581</u>	<u>583,421</u>	<u>(23,840)</u>
Total General Town Expense	<u>559,581</u>	<u>583,421</u>	<u>(23,840)</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Town Office Building:			
Fuel	\$ 2,600	\$ 2,217	\$ 383
Electricity	3,400	3,352	48
Repairs and Supplies	2,600	699	1,901
Water Rent	600	600	0
Maintenance and Contracted Services	6,000	4,364	1,636
Total Town Office Building	15,200	11,232	3,968
Town Officer Expense:			
Health Officer	750	0	750
Animal Control Officer	0	41	(41)
Planning Commission	1,050	750	300
Development Review Board	3,050	1,350	1,700
Meeting/Workshop	300	929	(629)
Mileage and Sustenance	1,500	1,854	(354)
Dues	150	160	(10)
Total Town Officer Expense	6,800	5,084	1,716
Administrative Officer Expense:			
Supplies	0	80	(80)
Computer Service	500	150	350
Equipment	500	0	500
Total Administrative Officer Expense	1,000	230	770
Recreational Activities:	12,000	12,000	0
Landfill:			
Monitoring Wells Testing	1,500	0	1,500
Total Landfill	1,500	0	1,500

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TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fire Department:			
Workers Compensation	\$ 1,200	\$ 1,219	\$ (19)
Training	4,000	2,033	1,967
Supplies and Repairs	4,000	4,063	(63)
Administrative and Software	2,300	2,189	111
Vehicle Fuel	3,500	2,269	1,231
SCBA 3 Year Lease	15,000	15,000	0
Equipment Insurance	6,700	6,610	90
Auto Insurance	3,800	3,791	9
Truck Repair and Maintenance	6,000	9,678	(3,678)
Dry Hydrant Donation	100	100	0
Dry Hydrant	2,000	0	2,000
Equipment Replacement Fund	25,000	25,000	0
Equipment	<u>15,000</u>	<u>15,808</u>	<u>(808)</u>
 Total Fire Department	 <u>88,600</u>	 <u>87,760</u>	 <u>840</u>
Rescue Department:			
Workers' Compensation	1,219	1,219	0
Education and Training	2,000	0	2,000
Oxygen	500	310	190
Supplies	6,000	1,336	4,664
Rescue Phone	1,200	700	500
Mutual Aid and Medical Support	1,000	744	256
Vehicle Fuel	2,400	1,238	1,162
Insurance Ambulance	3,074	3,427	(353)
Insurance Equipment	3,744	3,806	(62)
Ambulance Maintenance	1,500	159	1,341
Equipment Replacement Fund	<u>25,000</u>	<u>25,000</u>	<u>0</u>
 Total Rescue Department	 <u>47,637</u>	 <u>37,939</u>	 <u>9,698</u>

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TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Fire and Rescue Building:			
Fuel	\$ 3,200	\$ 2,593	\$ 607
Electricity	3,300	3,654	(354)
Insurance Building	6,185	5,770	415
Bond Payment	130,000	130,000	0
Bond Interest	30,069	30,069	0
Condo Fees	6,700	4,889	1,811
Telephone and Internet	1,600	4,560	(2,960)
Supplies and Maintenance	7,600	5,211	2,389
Water Rent	600	0	600
Total Fire and Rescue Building	189,254	186,746	2,508
Transfer to Highway Equipment Replacement Fund	0	60,000	(60,000)
Total Cash Disbursements	1,051,522	1,132,187	(80,665)
Excess/(Deficiency) of Budgeted Cash Receipts Over Cash Disbursements	\$ 0	(129,615)	\$ (129,615)
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Cash Basis of Accounting:			
Recreation Fund Revenues		23,140	
Recreation Fund Expenses		(19,729)	
Net Change in Fund Balance		(126,204)	
Fund Balance/(Deficit) - June 30, 2018		(52,054)	
Fund Balance/(Deficit) - June 30, 2019		\$ (178,258)	

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TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL  
HIGHWAY FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Cash Receipts:</b>			
Property Taxes	\$ 447,256	\$ 447,256	\$ 0
State Aid	54,000	53,216	(784)
Grant Income	0	5,856	5,856
Interest	40	0	(40)
Other	0	2,477	2,477
	<u>501,296</u>	<u>508,805</u>	<u>7,509</u>
<b>Cash Disbursements:</b>			
Labor	144,000	140,552	3,448
Tree Warden	3,500	22	3,478
Road Commissioner	1,500	1,500	0
Social Security	11,016	10,867	149
Workman's Compensation	12,887	13,594	(707)
Retirement	7,920	8,308	(388)
Health and Dental	31,858	29,130	2,728
Tires	4,000	4,012	(12)
Telephone and Radios	850	900	(50)
Dumpster Expenses	1,300	1,382	(82)
Contracted Services	500	0	500
Fuel and Oil - Equipment	20,000	24,462	(4,462)
Heating Oil - Building	4,000	6,812	(2,812)
Electricity	2,200	2,221	(21)
Property and Liability Insurance	12,265	11,146	1,119
Gravel and Stone	25,000	26,926	(1,926)
Small Hand Tools	1,000	1,931	(931)
Materials and Supplies	10,000	16,079	(6,079)
Repairs and Maintenance	15,000	17,646	(2,646)
Resurfacing	100,000	109,826	(9,826)
New Construction Roads	10,000	9,870	130
Cold Patch	500	437	63
Culverts	1,500	613	887
Chloride	10,000	3,701	6,299
Salt	19,000	19,691	(691)
Grader Blades	500	0	500
Signs	1,000	1,824	(824)
Equipment Rental	1,000	1,970	(970)
Equipment Purchases and Tools	2,000	1,978	22
Truck Plow Parts	2,000	2,034	(34)
Winter Sand	7,500	7,739	(239)

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TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL  
HIGHWAY FUND  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Cash Disbursements/(Cont'd):			
Town Garage Improvements	\$ 1,000	\$ 0	\$ 1,000
Septic System	1,500	738	762
Grant Expenses- Tracy Road Culvert	0	3,500	(3,500)
Grant Expenses - Branchs Hill	0	3,986	(3,986)
Grant Expenses - Better Roads	0	7,320	(7,320)
Miscellaneous	0	1,140	(1,140)
Transfer to Equipment Replacement Fund	35,000	35,000	0
Total Cash Disbursements	501,296	528,857	(27,561)
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	\$ 0	(20,052)	\$ (20,052)
Fund Balance - June 30, 2018		341,346	
Fund Balance - June 30, 2019		\$ 321,294	

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TOWN OF SOUTH HERO, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH  
 BASIS ASSETS, LIABILITIES AND FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<u>ASSETS</u>				
Cash	\$ 71,352	\$ 77,004	\$ 57,354	\$ 205,710
Investments	0	0	28,749	28,749
Due From Other Funds	135,320	23,100	0	158,420
Total Assets	\$ 206,672	\$ 100,104	\$ 86,103	\$ 392,879
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to Other Funds	\$ 1,166	\$ 0	\$ 0	\$ 1,166
Fund Balances:				
Nonspendable	0	0	31,303	31,303
Restricted	105,949	100,104	54,800	260,853
Assigned	100,723	0	0	100,723
Unassigned	(1,166)	0	0	(1,166)
Total Fund Balances	205,506	100,104	86,103	391,713
Total Liabilities and Fund Balances	\$ 206,672	\$ 100,104	\$ 86,103	\$ 392,879

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TOWN OF SOUTH HERO, VERMONT  
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
 CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Cash Receipts:				
Property Taxes	\$ 97,131	\$ 0	\$ 0	\$ 97,131
Intergovernmental	22,541	0	0	22,541
Charges for Services	27,571	0	0	27,571
Donations	25,914	0	0	25,914
Investment Income	1,049	201	83	1,333
Other	357	0	0	357
	<u>174,563</u>	<u>201</u>	<u>83</u>	<u>174,847</u>
Total Cash Receipts				
Cash Disbursements:				
General Government	32,036	0	0	32,036
Culture and Recreation	91,688	0	0	91,688
Cemetery	10,054	0	0	10,054
Sanitation	19,728	0	0	19,728
Capital Outlay:				
Highway and Streets	0	58,843	0	58,843
	<u>153,506</u>	<u>58,843</u>	<u>0</u>	<u>212,349</u>
Total Cash Disbursements				
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements				
	<u>21,057</u>	<u>(58,642)</u>	<u>83</u>	<u>(37,502)</u>
Other Financing Sources/(Uses):				
Transfers In	5,960	95,000	0	100,960
Transfers Out	(55,014)	0	0	(55,014)
	<u>(49,054)</u>	<u>95,000</u>	<u>0</u>	<u>45,946</u>
Total Other Financing Sources/(Uses)				
Net Change in Fund Balances	(27,997)	36,358	83	8,444
Fund Balances - July 1, 2018, As Restated	<u>233,503</u>	<u>63,746</u>	<u>86,020</u>	<u>383,269</u>
Fund Balances - June 30, 2019	<u>\$ 205,506</u>	<u>\$ 100,104</u>	<u>\$ 86,103</u>	<u>\$ 391,713</u>

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TOWN OF SOUTH HERO, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH BASIS ASSETS,  
 LIABILITIES AND FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2019

	Cemetery Fund	Landfill Fund	Judicial Fines Fund	Planning Fund	Fishing Pier Fund	Reappraisal Fund	Listers Education Fund	White Meeting House Outreach Fund	Broadband Grant Fund	Park and Ride Grant Fund	Library Fund	Total
<u>ASSETS</u>												
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,240	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 70,112	\$ 71,352
Due From Other Funds	<u>30,783</u>	<u>15,587</u>	<u>19,839</u>	<u>594</u>	<u>0</u>	<u>67,017</u>	<u>0</u>	<u>0</u>	<u>1,500</u>	<u>0</u>	<u>0</u>	<u>135,320</u>
Total Assets	<u>\$ 30,783</u>	<u>\$ 15,587</u>	<u>\$ 19,839</u>	<u>\$ 594</u>	<u>\$ 1,240</u>	<u>\$ 67,017</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,500</u>	<u>\$ 0</u>	<u>\$ 70,112</u>	<u>\$ 206,672</u>
<u>LIABILITIES AND FUND BALANCES</u>												
<u>LIABILITIES</u>												
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,166	\$ 0	\$ 0	\$ 0	\$ 1,166
Fund Balances/(Deficit):												
Restricted	30,783	0	0	594	0	2,960	0	0	1,500	0	70,112	105,949
Assigned	0	15,587	19,839	0	1,240	64,057	0	0	0	0	0	100,723
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,166)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,166)</u>
Total Fund Balances/(Deficit)	<u>30,783</u>	<u>15,587</u>	<u>19,839</u>	<u>594</u>	<u>1,240</u>	<u>67,017</u>	<u>0</u>	<u>(1,166)</u>	<u>1,500</u>	<u>0</u>	<u>70,112</u>	<u>205,506</u>
Total Liabilities and Fund Balances	<u>\$ 30,783</u>	<u>\$ 15,587</u>	<u>\$ 19,839</u>	<u>\$ 594</u>	<u>\$ 1,240</u>	<u>\$ 67,017</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,500</u>	<u>\$ 0</u>	<u>\$ 70,112</u>	<u>\$ 206,672</u>

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TOWN OF SOUTH HERO, VERMONT  
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
 CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Cemetery Fund	Landfill Fund	Judicial Fines Fund	Planning Fund	Fishing Pier Fund	Reappraisal Fund	Listers Education Fund	White Meeting House Outreach Fund	Broadband Grant Fund	Park and Ride Grant Fund	Library Fund	Total
<b>Cash Receipts:</b>												
Property Taxes	\$ 12,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 84,631	\$ 97,131
Intergovernmental	0	0	5,608	0	0	11,913	0	5,020	0	0	0	22,541
Charges for Services	12,452	15,119	0	0	0	0	0	0	0	0	0	27,571
Donations	0	0	0	0	0	0	0	0	0	0	25,914	25,914
Investment Income	1,013	0	0	0	1	0	0	0	0	0	35	1,049
Other	0	0	0	0	0	0	0	0	0	0	357	357
<b>Total Cash Receipts</b>	<b>25,965</b>	<b>15,119</b>	<b>5,608</b>	<b>0</b>	<b>1</b>	<b>11,913</b>	<b>0</b>	<b>5,020</b>	<b>0</b>	<b>0</b>	<b>110,937</b>	<b>174,563</b>
<b>Cash Disbursements:</b>												
General Government	0	0	0	0	0	22,500	0	9,186	0	350	0	32,036
Culture and Recreation	0	0	0	0	0	0	0	0	0	0	91,688	91,688
Cemetery	10,054	0	0	0	0	0	0	0	0	0	0	10,054
Sanitation	0	19,728	0	0	0	0	0	0	0	0	0	19,728
<b>Total Cash Disbursements</b>	<b>10,054</b>	<b>19,728</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,500</b>	<b>0</b>	<b>9,186</b>	<b>0</b>	<b>350</b>	<b>91,688</b>	<b>153,506</b>
<b>Excess/(Deficiency) of Cash Receipts Over Cash Disbursements</b>	<b>15,911</b>	<b>(4,609)</b>	<b>5,608</b>	<b>0</b>	<b>1</b>	<b>(10,587)</b>	<b>0</b>	<b>(4,166)</b>	<b>0</b>	<b>(350)</b>	<b>19,249</b>	<b>21,057</b>
<b>Other Financing Sources/(Uses):</b>												
Transfers In	0	0	0	0	0	2,960	0	3,000	0	0	0	5,960
Transfers Out	0	0	(17,000)	0	0	(35,054)	(2,960)	0	0	0	0	(55,014)
<b>Total Other Financing Sources/(Uses)</b>	<b>0</b>	<b>0</b>	<b>(17,000)</b>	<b>0</b>	<b>0</b>	<b>(32,094)</b>	<b>(2,960)</b>	<b>3,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(49,054)</b>
<b>Net Change in Fund Balances</b>	<b>15,911</b>	<b>(4,609)</b>	<b>(11,392)</b>	<b>0</b>	<b>1</b>	<b>(42,681)</b>	<b>(2,960)</b>	<b>(1,166)</b>	<b>0</b>	<b>(350)</b>	<b>19,249</b>	<b>(27,997)</b>
<b>Fund Balances - July 1, 2018, As Restated</b>	<b>14,872</b>	<b>20,196</b>	<b>31,231</b>	<b>594</b>	<b>1,239</b>	<b>109,698</b>	<b>2,960</b>	<b>0</b>	<b>1,500</b>	<b>350</b>	<b>50,863</b>	<b>233,503</b>
<b>Fund Balances/(Deficit) - June 30, 2019</b>	<b>\$ 30,783</b>	<b>\$ 15,587</b>	<b>\$ 19,839</b>	<b>\$ 594</b>	<b>\$ 1,240</b>	<b>\$ 67,017</b>	<b>\$ 0</b>	<b>\$ (1,166)</b>	<b>\$ 1,500</b>	<b>\$ 0</b>	<b>\$ 70,112</b>	<b>\$ 205,506</b>

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TOWN OF SOUTH HERO, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH BASIS ASSETS,  
 LIABILITIES AND FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2019

	South Street Fund	Highway Equipment Replacement Fund	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 77,004	\$ 77,004
Due From Other Funds	23,100	0	23,100
Total Assets	\$ 23,100	\$ 77,004	\$ 100,104
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Due to Other Funds	\$ 0	\$ 0	\$ 0
Total Liabilities	0	0	0
Fund Balances:			
Restricted	23,100	77,004	100,104
Total Fund Balances	23,100	77,004	100,104
Total Liabilities and Fund Balances	\$ 23,100	\$ 77,004	\$ 100,104

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TOWN OF SOUTH HERO, VERMONT  
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
 CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	South Street Fund	Highway Equipment Replacement Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash Receipts:			
Investment Income	\$ <u>          0</u>	\$ <u>          201</u>	\$ <u>          201</u>
Total Cash Receipts	<u>          0</u>	<u>          201</u>	<u>          201</u>
Cash Disbursements:			
Capital Outlay:			
Highway and Streets	<u>          5,370</u>	<u>         53,473</u>	<u>         58,843</u>
Total Cash Disbursements	<u>          5,370</u>	<u>         53,473</u>	<u>         58,843</u>
Excess of Cash Receipts Over Cash Disbursements	<u>         (5,370)</u>	<u>         (53,272)</u>	<u>         (58,642)</u>
Other Financing Sources:			
Transfers In	<u>          0</u>	<u>         95,000</u>	<u>         95,000</u>
Total Other Financing Sources	<u>          0</u>	<u>         95,000</u>	<u>         95,000</u>
Net Change in Fund Balances	(5,370)	41,728	36,358
Fund Balances - July 1, 2018	<u>         28,470</u>	<u>         35,276</u>	<u>         63,746</u>
Fund Balances - June 30, 2019	\$ <u>         23,100</u>	\$ <u>         77,004</u>	\$ <u>         100,104</u>

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TOWN OF SOUTH HERO, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH BASIS ASSETS,  
 LIABILITIES AND FUND BALANCES  
 NON-MAJOR PERMANENT FUNDS  
 JUNE 30, 2019

	Library Trust Funds	Cemetery Trust Fund	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 57,354	\$ 57,354
Investments	14,480	14,269	28,749
Total Assets	\$ 14,480	\$ 71,623	\$ 86,103
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
Fund Balances:			
Nonspendable	12,093	19,210	31,303
Restricted	2,387	52,413	54,800
Total Fund Balances	14,480	71,623	86,103
Total Liabilities and Fund Balances	\$ 14,480	\$ 71,623	\$ 86,103

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TOWN OF SOUTH HERO, VERMONT  
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
 AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
 NON-MAJOR PERMANENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Library Trust Funds	Cemetery Trust Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Cash Receipts:			
Investment Income	\$ <u>      55</u>	\$ <u>      28</u>	\$ <u>      83</u>
Total Cash Receipts	<u>          55</u>	<u>          28</u>	<u>          83</u>
Cash Disbursements:	<u>          0</u>	<u>          0</u>	<u>          0</u>
Net Change in Fund Balances	55	28	83
Fund Balances - July 1, 2018, As Restated	<u>      14,425</u>	<u>      71,595</u>	<u>      86,020</u>
Fund Balances - June 30, 2019	\$ <u><u>      14,480</u></u>	\$ <u><u>      71,623</u></u>	\$ <u><u>      86,103</u></u>

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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"

Selectboard  
Town of South Hero, Vermont  
P.O. Box 175  
South Hero, Vermont 05486

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 South Hero, Vermont, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of South Hero, Vermont's basic financial statements, and have issued our report thereon dated December 11, 2019. The report on the financial statements of the General Fund and aggregate remaining fund information was qualified because the Town did not adopt all provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of South Hero, Vermont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of South Hero, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of South Hero, Vermont'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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified certain deficiencies that we consider to be 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 Town of South Hero, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2019-001 and 2019-002 to be material weaknesses.

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 and Deficiencies in Internal Control as Item 2019-003 to be a significant deficiency.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of South Hero, 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".

We also noted certain other matters that we reported to the management of the Town of South Hero, Vermont in a separate letter dated December 11, 2019.

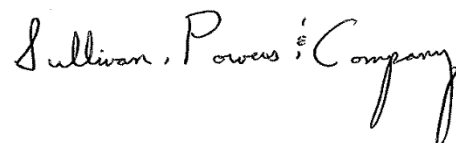
### ***Town of South Hero, Vermont's Response to Deficiencies in Internal Control***

The Town of South Hero, Vermont's response to the deficiencies in internal control identified in our audit is included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Town of South Hero, Vermont's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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 Town of South Hero, Vermont'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 Town of South Hero, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 11, 2019  
Montpelier, Vermont  
VT Lic. #92-000180



TOWN OF SOUTH HERO, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2019

Financial Statements:

Deficiencies in Internal Control:

Material Weaknesses:

2019-001 Reconciliation of Tax Clearing and Due to Taxpayers Accounts

*Criteria:*

Internal controls should be in place to ensure that all property tax related accounts are reconciled on a monthly basis in order to detect and correct errors in account balances.

*Condition:*

The Town did not reconcile the Tax Clearing and the Due to Taxpayers accounts to supporting documentation during the year and at year-end.

*Cause:*

Unknown.

*Effect:*

The Tax Clearing and the Due to Taxpayers accounts were not reconciled which resulted in significant errors in the account balances.

*Recommendation:*

We recommend that the Tax Clearing and the Due to Taxpayers accounts be reconciled to supporting documentation at least monthly in order to detect and correct errors.

2019-002 Reconciliation of Bank Statements

*Criteria:*

Internal controls should be in place to ensure that all bank accounts are reconciled to the general ledger on a monthly basis.

*Condition:*

The Town does not have controls in place to ensure that all bank accounts are being reconciled to the general ledger. Bank reconciliations are being completed on a monthly basis but are not being reconciled to the general ledger. This resulted in variances that were required to be researched and adjusted.

TOWN OF SOUTH HERO, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2019

*Cause:*

Unknown.

*Effect:*

The Town's financial records may not report the true cash position of the Town at a given date.

*Recommendation:*

We recommend that the Town implement controls to ensure that bank statements are reconciled to the general ledger on a monthly basis so that errors can be detected and corrected.

Significant Deficiencies:

2019-003 Accounting and Procedures Manual

*Criteria:*

An accounting and procedures manual should be in place. This manual should define duties and responsibilities for current personnel so as to prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. It will also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees.

*Condition:*

The Town does not have an accounting and procedures manual in place.

*Cause:*

Unknown.

*Effect:*

The Town staff does not have a manual to turn to when questions arise about the scope of their duties and responsibilities.

TOWN OF SOUTH HERO, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2019

*Recommendation:*

We recommend that the Town develop this document for all accounting procedures as soon as possible. Each individual should document their duties and how to perform them. The manual should include examples of forms with descriptions of their use. Once developed, only changes in procedures or forms will require changes in the manual.

We believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

We also recommend that the Town make sure that there are no jobs related to accounting and finance that only one person knows how to perform. The procedures manual would also be useful in determining whether this situation exists.

### 2019-001 Reconciliation of Tax Clearing and Due to Taxpayers Accounts

Kim and I are working on this – She is looking at the procedure we should follow and this will be accomplished this year.

### 2019-002 Reconciliation of Bank Statements

We have a new person coming in on Jan 2, 2020 to look at our books and talk to us about the reconciliation work that we need done. We will have her look at bank statements, outstanding checks/deposits and 1<sup>st</sup> page of trial balance. They will be reconciled to the general ledger on a monthly basis. We will have all papers available to her.

### 2019-003 Accounting & Procedures Manual

I am going to see that this is started this year. I don't see us getting it all done in one year, but we will try to at least get a large part done. I started it last weekend. Talked to Sam and Kim about what part I want them to put together for this manual.

I am bringing up the Fraud Policy to the Board in January 2020.

We have the Procurement Policy done – UI portion. I sent you a copy of it.

The outstanding checks are now being addressed. Should be completed soon.