

TOWN OF WESTFORD VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2016
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INDEPENDENT AUDITOR'S REPORT

To the Selectboard and Management
Town of Westford, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Westford, Vermont as of and for the year ended June 30, 2016, 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 the 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 *Governmental 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.

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
General Fund	Unmodified
Highway Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 1 to the financial statements, management has not recorded capital assets in the governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets be capitalized and depreciated, which would impact the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Basis for Qualified Opinion on Highway Fund

Management has elected not to defer unavailable FEMA disaster revenue receivable in the Highway Fund. Accounting principles generally accepted in the United States of America require that unavailable revenue be deferred, which would increase the deferred inflows of resources and decrease fund balance and decrease the revenues in the Highway Fund by \$212,453.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Westford, Vermont, as of June 30, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Highway Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Highway Fund of the Town of Westford, Vermont as of June 30, 2016, and the changes in financial position thereof and the respective budget comparison for the Highway Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and the aggregate remaining fund information of the Town of Westford, Vermont, as of June 30, 2016, and the respective changes in financial position thereof and the respective budget comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-10 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. As a result of our limited procedures, we believe management's discussion and analysis does not conform to Governmental Accounting Standards Board guidelines, since as discussed in the "Basis for Adverse Opinions on the Government-wide Financial Statements" paragraph, management has omitted general capital asset amounts necessary to complete the tables derived from the government-wide 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 other assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements on Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016, on our consideration of the Town's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

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Montpelier, Vermont
Vermont Public Accountancy License #110

December 5, 2016

TOWN OF WESTFORD, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

Our discussion and analysis of the Town of Westford, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Town's financial statements that begin with Exhibit A. This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives.

Financial Highlights

Government-wide statements

- As a result of this year's operations, the Town's net position increased by \$24,754, increasing to \$306,801 as of June 30, 2016 from \$282,047 as of June 30, 2015.
- The total cost of all of the Town's programs was \$1,929,071 compared to \$1,578,933 last year, an increase of approximately 22%.

Fund statements

- The General Fund reported an increase in fund balance this year of \$105,488 which was better than budget by \$105,488.
- The fund balance for the General Fund was \$288,231 as of June 30, 2016 compared to a fund balance of \$182,743 as of June 30, 2015.
- The Highway Fund reported a decrease in fund deficit of \$29,600, decreasing the fund deficit from \$102,136 to \$72,536.
- The Non-Major Funds reported an increase in fund balance of \$99,352. The fund balance for the non-major funds increased from \$381,391 to \$480,743.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits A and B) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start with Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets (net of depreciation) and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

TOWN OF WESTFORD, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(Continued)

These two statements report the Town's net position and changes in them. You can think of the Town's net position – the difference between assets and liabilities – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

All of the Town's basic services are governmental activities, including the general administration. Property taxes, state and federal grants finance most of these activities.

Reporting the Town's Most Significant Funds

The fund financial statements begin with Exhibit C and provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town's Selectboard establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. Major funds in the Town fund statements are the General Fund and Highway Fund, which contains most of the Town operations. There is one category for these funds, as follows:

Governmental fund

The Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Exhibits D and F.

The Town as Agent

All of the Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on Exhibit I. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Town as a Whole (*Government-Wide Financial Statement Analysis*)

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

The Town's combined net position increased by \$24,754 from a year ago – increasing from \$282,047 to \$306,801. Unrestricted net position is 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. Unrestricted net position decreased by \$9,313, decreasing from \$523,841 to \$514,528. The Town has not recorded capital assets; therefore the amount invested in capital assets net of related debt is negative and equals the long-term debt outstanding on capital assets.

TOWN OF WESTFORD, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(Continued)

Table 1
Net Position

	2016	2015	Change
Current and other assets	\$ 800,844	\$ 775,781	\$ 25,063
Total assets	<u>800,844</u>	<u>775,781</u>	<u>25,063</u>
Long-term liabilities	436,648	436,722	(74)
Other liabilities	57,395	57,012	383
Total liabilities	<u>494,043</u>	<u>493,734</u>	<u>309</u>
Net position:			
Invested in capital assets, net of debt	(425,623)	(429,333)	3,710
Restricted	217,896	187,539	30,357
Unrestricted	514,528	523,841	(9,313)
Total net position	<u>\$ 306,801</u>	<u>\$ 282,047</u>	<u>\$ 24,754</u>

Table 2
Change in Net Position

	2016	2015	Change
REVENUES			
Program revenues:			
Charges for services	\$ 80,113	\$ 100,766	\$ (20,653)
Operating grants and contributions	128,829	123,657	5,172
Capital grants and contributions	175,000	109,366	65,634
General revenues:			
Property taxes, related int. & pen.	1,512,573	1,487,749	24,824
General state grants	78,788	70,343	8,445
Sale of asset	30,000	0	30,000
Investment interest	2,579	1,241	1,338
Other general revenues	537	5,192	(4,655)
Total revenues	<u>2,008,419</u>	<u>1,898,314</u>	<u>110,105</u>
PROGRAM EXPENSES			
General government	394,318	380,235	14,083
Highways and streets	1,073,664	757,607	316,057
Public safety	107,984	108,944	(960)
Health and welfare	16,332	17,732	(1,400)
Cultural and recreation	105,409	93,867	11,542
Solid waste and recycling	215,794	207,439	8,355
Interest on long-term debt	15,570	13,109	2,461
Total program expenses	<u>1,929,071</u>	<u>1,578,933</u>	<u>350,138</u>
Net change before extraordinary item	79,348	319,381	(240,033)
Extraordinary item - net	(54,594)	(12,749)	(41,845)
Increase in net position	<u>\$ 24,754</u>	<u>\$ 306,632</u>	<u>\$ (281,878)</u>

TOWN OF WESTFORD, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(Continued)

Charges for services decreased partially due to a zoning fine received last year that was not received this year. Capital grants and contributions increased because the Town received a higher highway structures grant this fiscal year. The increase in highways and streets was primarily related to completing the Milton Westford Road paving and purchasing a new John Deere loader. The sale of asset revenue is related to the sale of the old loader.

Table 3 presents the cost of each of the Town's programs – as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Table 3

	Governmental Activities		Total Cost of Services 2015	Net Cost Cost of Services 2015
	Total Cost of Services 2016	Net Cost of Services 2016		
	General government	\$ 394,318		
Highways and streets	1,073,664	804,978	757,607	539,320
Public safety	107,984	102,288	108,944	104,393
Health services	16,332	(10,396)	17,732	17,732
Cultural and recreational	105,409	84,897	93,867	77,095
Solid waste and recycling	215,794	215,794	207,439	207,439
Interest on long-term debt	15,570	15,570	13,109	13,109
Totals	<u>\$ 1,929,071</u>	<u>\$ 1,545,129</u>	<u>\$ 1,578,933</u>	<u>\$ 1,245,144</u>

The Town's Funds (*Fund Financial Statement Analysis*)

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$696,438, which is above last year's total of \$461,998, an increase of approximately 51%.

Over the course of the year, the Selectboard compares year-to-date actual amounts of revenues and expenditures to the budget.

The General Fund ended the year with a fund balance of \$288,231. During fiscal year 2016, revenues exceeded expenditures and other financing uses by \$105,488, which was a favorable budget variance of \$105,488. Exhibits G shows the comparison of actual to budget for the General Fund. The larger variances are as follows:

TOWN OF WESTFORD, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(Continued)

	Budget	Actual	Favorable (Unfavorable) Variance
Revenues			
Property taxes	\$ 827,243	\$ 838,071	\$ 10,828
Current use	55,000	78,788	23,788
Expenditures			
Zoning, DRB and Planning legal	11,700	2,627	9,073
General legal and professional	53,800	26,847	26,953
Spiller Lot	20,531	0	20,531

The reasons for these variances are as follows:

Current Use exceeded expected revenue: \$50,000 was a conservative estimate based on change to the Current Use programs and an unknown major reform.

Legal and professional expenses for general administration and zoning were under due to requiring fewer services performed this year than anticipated.

The Spiller Lot was originally being considered as an alternate site for wastewater disposal, but the Selectboard decided to pursue an alternate location and did not spend additional funds on the site.

The Highway Fund ended the year with a fund deficit of \$72,536. During fiscal year 2016, revenues exceeded expenditures and other financing uses by \$29,600, which was a favorable budget variance of \$104,600. Exhibits H shows the comparison of actual to budget for the Highway Fund. The larger variances are as follows:

	Budget	Actual	(Unfavorable) Variance
Revenues			
Paving grant	\$ 152,000	\$ 175,000	\$ 23,000
Expenditures			
Chloride	35,000	44,449	(9,449)
Gravel - mud season	7,000	37,098	(30,098)
Heavy equipment maintenance	27,500	51,824	(24,324)
Capital outlays			
John Deere loader	0	125,446	(125,446)
Westford Milton Road paving	190,000	249,154	(59,154)
Other financing sources			
Loan proceeds	0	95,000	95,000
Sale of asset	0	30,000	30,000
Extraordinary item - Seymour Bridge expenses	650,000	434,129	215,871

The reasons for these variances are as follows:

Paving grant revenue – The Town incurred more qualifying expenses than anticipated.

Chloride – The Town graded roads in June and required additional chloride.

TOWN OF WESTFORD, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(Continued)

Gravel – Mud season required more gravel required than anticipated, but was consistent with prior years. The fiscal year 2017 budget has been adjusted accordingly.

Heavy equipment maintenance – Significant repairs were made to the 2005 truck to keep it running. This truck has now been replaced.

Capital outlays – The net costs were budgeted for the John Deere loader and this outlay is offset by loan proceeds and the sale of the old loader. The Westford Milton Road paving project incorporated culverts and drainage not anticipated when developing the budget.

Other financing sources – Loan proceeds and sale of asset were for the loader as explained in capital outlays above.

Extraordinary item – The Seymour Bridge expenses were less than budget due to some of the work being done in the prior fiscal year.

Debt Administration

At June 30, 2016, the Town had \$425,623 in notes outstanding versus \$429,333 on June 30, 2015 – a decrease of \$3,710 – as shown in Table 4.

Table 4
Outstanding Debt at Year-End

	June 30, 2016	June 30, 2015	Change
Peoples United Bank - Western Star	\$ 97,148	\$ 129,530	\$ (32,382)
Peoples United Bank - Volvo grader	40,000	60,000	(20,000)
Peoples United Bank - Ford F550	39,478	52,637	(13,159)
Peoples United Bank - Fire truck	50,400	75,600	(25,200)
Peoples United Bank - JD loader	95,000	0	95,000
Westford Historical Society - Spiller lot	103,597	111,566	(7,969)
Totals	<u>\$ 425,623</u>	<u>\$ 429,333</u>	<u>\$ (3,710)</u>

Economic Factors and Next Year's Budgets and Rates

Many factors were considered when the Town's elected and appointed officials established the 2016-2017 budget for Town operations. Current known facts, decisions, or conditions that are expected to have a significant effect on financial net position or results of operations (revenues, expenses, etc.) in regards to the fiscal year 2017 budget are as follows:

The budget voted on by the voters is drafted beginning the Fall before Town Meeting.

The Selectboard meets with Town organizations (Rec Dept., Library, Fire Dept., Zoning, etc.) to hear their budget proposals. The organizations will highlight increases or decreases and explain special projects that affect the budget being presented.

TOWN OF WESTFORD, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(Continued)

Town Office staff generate reports for prior year expenses as well as expenses in the current fiscal year to date. Initially, revenue is calculated conservatively and expenses are calculated worst case scenario. These numbers are then analyzed to come up with a proposal to put forth to the Selectboard for their consideration. The Selectboard will further analyze the numbers to come to a reasonable budget to put forth to the voters. The Listers are consulted with regard to the upcoming Grand List. The Grand List number is very conservative and is based on building permits provided to the Listers from the Zoning Administrator. The estimated Grand List number is used to calculate a proposed tax rate.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at Town of Westford, 1713 Vermont Route 128, Westford, Vermont.

TOWN OF WESTFORD, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT A

	Governmental Activities	
ASSETS		
Current assets:		
Cash and investments	\$ 439,032	
Delinquent taxes, interest and penalties receivable	65,034	
Due from State of Vermont	212,453	
Due from others	50,323	
Prepaid expenses	34,002	
Total assets		800,844
LIABILITIES		
Current liabilities:		
Accounts payable	36,038	
Prepaid property tax	2,510	
Unearned revenue	8,678	
Due to Fiduciary Fund	2,458	
Accrued interest on notes payable	7,711	
Notes payable - due within one year	117,711	
Notes payable - due after one year	307,912	
Accrued compensated absences	11,025	
Total liabilities		494,043
NET POSITION		
Invested in capital assets, net of related debt	(425,623)	
Restricted	217,896	
Unrestricted	514,528	
Total net position		\$ 306,801

TOWN OF WESTFORD, VERMONT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

<u>Functions/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) Revenues and Change in Net Assets</u>
Governmental Activities:					
General Government	\$ 394,318	\$ 53,209	\$ 9,111	\$ 0	\$ (331,998)
Highways and Streets	1,073,664	1,574	92,112	175,000	(804,978)
Public Safety	107,984	5,696	0	0	(102,288)
Health and welfare	16,332	0	26,728	0	10,396
Culture and Recreation	105,409	19,634	878	0	(84,897)
Solid Waste and Recycling	215,794	0	0	0	(215,794)
Interest on long-term debt	15,570	0	0	0	(15,570)
Total governmental activities	<u>\$ 1,929,071</u>	<u>\$ 80,113</u>	<u>\$ 128,829</u>	<u>\$ 175,000</u>	<u>(1,545,129)</u>
General Revenues:					
Property taxes, penalties and interest					1,512,573
State current use					78,788
Sale of asset					30,000
Investment interest					2,579
Miscellaneous					537
Total general revenues					<u>1,624,477</u>
Change in net assets before extraordinary item					<u>79,348</u>
Extraordinary item					
Flood damage expenditures - Seymour Bridge					(434,129)
Flood damage reimbursements - Seymour Bridge					379,535
Total extraordinary item					<u>(54,594)</u>
Change in net position					24,754
Net position - July 1, 2015					<u>282,047</u>
Net position - June 30, 2016					<u>\$ 306,801</u>

TOWN OF WESTFORD, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

EXHIBIT C

	Major Funds			Total Governmental Funds
	General Fund	Highway Fund	Non-Major Funds	
ASSETS				
Cash and cash equivalents	\$ 394,470	\$ 0	\$ 44,562	\$ 439,032
Property taxes receivable	65,034	0	0	65,034
Prepaid expenses	24,249	8,514	1,239	34,002
Due from other funds	0	0	439,770	439,770
Due from school district	50,323	0	0	50,323
Due from State of Vermont	0	212,453	0	212,453
	<u>0</u>	<u>212,453</u>	<u>0</u>	<u>212,453</u>
Total assets	<u>\$ 534,076</u>	<u>\$ 220,967</u>	<u>\$ 485,571</u>	<u>\$ 1,240,614</u>
LIABILITIES				
Accounts payable	\$ 26,466	\$ 8,124	\$ 1,448	\$ 36,038
Prepaid property taxes	2,510	0	0	2,510
Unearned revenue	5,298	0	3,380	8,678
Due to Fiduciary Fund	2,458	0	0	2,458
Due to other funds	154,391	285,379	0	439,770
	<u>191,123</u>	<u>293,503</u>	<u>4,828</u>	<u>489,454</u>
Total liabilities	<u>191,123</u>	<u>293,503</u>	<u>4,828</u>	<u>489,454</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue, property taxes	54,722	0	0	54,722
Total deferred inflows of resources	<u>54,722</u>	<u>0</u>	<u>0</u>	<u>54,722</u>
FUND BALANCES (DEFICIT)				
Nonspendable - Perpetual care	0	0	3,773	3,773
Nonspendable - Prepaid expenses	24,249	8,514	1,239	34,002
Restricted - Special Revenue Funds	0	0	212,884	212,884
Assigned - Capital Projects Funds	0	0	262,847	262,847
Assigned - Audit Expenses	12,549	0	0	12,549
Assigned - Fiscal year 2017 tax rate	43,678	0	0	43,678
Unassigned	207,755	(81,050)	0	126,705
	<u>288,231</u>	<u>(72,536)</u>	<u>480,743</u>	<u>696,438</u>
Total fund balances (deficit)	<u>288,231</u>	<u>(72,536)</u>	<u>480,743</u>	<u>696,438</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 534,076</u>	<u>\$ 220,967</u>	<u>\$ 485,571</u>	<u>\$ 1,240,614</u>

See Notes to Financial Statements.

TOWN OF WESTFORD, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT D

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 696,438
Amounts reported for governmental activities in the statement of net assets are different because:	
Unavailable tax revenues are recognized as earned on the accrual basis in the statement of net assets, not the modified accrual basis.	54,722
Long-term liabilities, including notes payable, and accrued compensated absences 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:	
Accrued compensated absences	(11,025)
Accrued interest on notes payable	(7,711)
Notes payable	<u>(425,623)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 306,801</u></u>

TOWN OF WESTFORD, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
JUNE 30, 2016

EXHIBIT E

	Major Funds		Non-Major Funds	Total Governmental Funds
	General Fund	Highway Fund		
REVENUES				
Property taxes, penalties and interest	\$ 856,970	\$ 676,521	\$ 0	\$ 1,533,491
Intergovernmental	84,484	267,112	9,030	360,626
Fees, fines, licenses, rents	53,209	1,574	19,634	74,417
Investment interest	1,072	0	1,507	2,579
Grants and donations	959	0	26,728	27,687
Miscellaneous	537	0	0	537
Total revenues	<u>997,231</u>	<u>945,207</u>	<u>56,899</u>	<u>1,999,337</u>
EXPENDITURES				
Current:				
General Government	385,488	0	5,083	390,571
Highways and Streets	0	698,458	0	698,458
Public Safety	107,984	0	0	107,984
Health and welfare	9,393	0	6,939	16,332
Culture and Recreation	8,525	0	97,601	106,126
Solid Waste and Recycling	215,794	0	0	215,794
Debt service principal	33,169	65,541	0	98,710
Debt service interest	9,314	6,256	0	15,570
Capital outlays	0	374,600	0	374,600
Total expenditures	<u>769,667</u>	<u>1,144,855</u>	<u>109,623</u>	<u>2,024,145</u>
EXCESS REVENUES (EXPENDITURES)	<u>227,564</u>	<u>(199,648)</u>	<u>(52,724)</u>	<u>(24,808)</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	0	95,000	0	95,000
Sale of asset	0	30,000	0	30,000
Transfers from other funds	0	0	152,076	152,076
Transfers to other funds	(122,076)	(30,000)	0	(152,076)
Total other financing sources (uses)	<u>(122,076)</u>	<u>95,000</u>	<u>152,076</u>	<u>125,000</u>
NET CHANGE IN FUND BALANCE (DEFICIT) BEFORE EXTRAORDINARY ITEM	<u>105,488</u>	<u>(104,648)</u>	<u>99,352</u>	<u>100,192</u>
EXTRAORDINARY ITEM				
Flood damage reimbursements - Seymour Bridge	0	568,377	0	568,377
Flood damage expenditures - Seymour Bridge	0	(434,129)	0	(434,129)
Total extraordinary item	<u>0</u>	<u>134,248</u>	<u>0</u>	<u>134,248</u>
NET CHANGE IN FUND BALANCES (DEFICIT)	105,488	29,600	99,352	234,440
FUND BALANCES (DEFICIT) - JULY 1, 2015	<u>182,743</u>	<u>(102,136)</u>	<u>381,391</u>	<u>461,998</u>
FUND BALANCES (DEFICIT) - JUNE 30, 2016	<u>\$ 288,231</u>	<u>\$ (72,536)</u>	<u>\$ 480,743</u>	<u>\$ 696,438</u>

TOWN OF WESTFORD, VERMONT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
 OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2016

EXHIBIT F

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	234,440
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Unavailable grant revenues are not recognized on the modified accrual basis, but are recognized on the accrual basis in the statement of net position.</p>		(188,842)
<p>Repayment of bond and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		98,710
<p>Some of the capital assets acquired this year were financed with long-term debt. Proceeds are reported in the governmental funds as an other financing source. The loan proceeds are not revenue in the statement of activities, but rather constitute long-term liabilities in the statement of net position.</p>		(95,000)
<p>In the statement of activities, termination benefits and compensated absences are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, termination benefits and compensated absences earned exceeded amounts paid by \$3,636.</p>		(3,636)
<p>Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis. The deferred property taxes decreased by \$20,918.</p>		<u>(20,918)</u>
<p>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</p>	\$	<u>24,754</u>

TOWN OF WESTFORD, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
JUNE 30, 2016

EXHIBIT G

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Property taxes			
Property taxes	\$ 827,243	\$ 838,071	\$ 10,828
Delinquent tax penalties	5,000	7,809	2,809
Interest on delinquent taxes	8,000	11,090	3,090
Intergovernmental			
Current Use	55,000	78,788	23,788
State traffic fines	10,000	5,696	(4,304)
Grants	945	959	14
Licenses, fees, and fines			
Recording fees	13,000	12,714	(286)
Dog licenses and fines	3,350	3,371	21
Access permits	0	0	0
Marriage licenses	100	100	0
Excess weight permit	600	680	80
Vault/copier fees	3,500	3,219	(281)
Building permits	14,000	16,521	2,521
Planning and zoning charges	2,900	6,000	3,100
School expense reimbursements	4,500	10,604	6,104
Interest earned	250	1,072	822
Miscellaneous	2,100	537	(1,563)
Total revenues	950,488	997,231	46,743
EXPENDITURES			
Current:			
General government			
Town Clerk and Treasurer			
Clerk salary	51,692	52,102	(410)
Treasurer salary	10,000	8,772	1,228
Dues	300	255	45
Education	2,000	851	1,149
Computer	4,500	4,882	(382)
Office supplies	500	2,013	(1,513)
Travel	1,875	1,698	177
Total town clerk and treasurer	70,867	70,573	294
Auditors and Delinquent Tax Collector			
Auditors salaries	2,355	0	2,355
Tax collector salary	5,000	7,458	(2,458)
Tax collector expense	200	210	(10)
Education	650	30	620
Total Auditors and delinquent tax collector	8,205	7,698	507
Zoning, DRB, and Planning Commission			
Salaries	67,593	64,650	2,943
Legal and professional	11,700	2,627	9,073

TOWN OF WESTFORD, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
JUNE 30, 2016

EXHIBIT G

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Planning maps	500	478	22
Conservation Commission	1,800	1,440	360
Education	800	271	529
Travel	600	765	(165)
Special projects	8,000	10,150	(2,150)
Miscellaneous	100	45	55
Total zoning, DRB, and planning commission	91,093	80,426	10,667
Listers			
Lister salary	8,695	7,176	1,519
Membership dues	150	0	150
Tax mapping	4,500	4,122	378
Supplies and equipment	300	4	296
Computer software	250	454	(204)
Education	300	0	300
Travel	250	83	167
Total listers	14,445	11,839	2,606
General Administration			
Administration salary	49,271	54,083	(4,812)
Insurance - medical and disability	25,554	24,492	1,062
Insurance - property, workers comp, casualty	15,561	16,807	(1,246)
Pension	5,360	5,314	46
Payroll taxes	14,725	14,926	(201)
Office supplies and equipment	6,200	6,238	(38)
Legal and professional	53,800	26,847	26,953
Postage	5,000	4,190	810
Education	200	180	20
IT consultant	18,000	16,726	1,274
Printing	4,700	4,027	673
Generator maintenance	1,500	1,143	357
Street lights	2,100	2,128	(28)
Miscellaneous	1,000	4,439	(3,439)
Total general administration	202,971	181,540	21,431
Town Office Building			
Repairs & maintenance	3,000	4,526	(1,526)
Cleaning and landscaping	4,800	4,023	777
Electricity	2,500	2,661	(161)
Fuel Oil	2,000	600	1,400
Telephone	1,800	1,998	(198)
Water	700	630	70
Spiller lot	20,531	0	20,531
Total town office building	35,331	14,438	20,893
BCA/Elections			
BCA salaries	800	800	0
Ballots and supplies	3,700	1,901	1,799
Total BCA/Elections	4,500	2,701	1,799

TOWN OF WESTFORD, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
JUNE 30, 2016

EXHIBIT G

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Dues and Assessments	15,961	16,273	(312)
Total general government	443,373	385,488	57,885
Public Safety:			
Law enforcement	35,862	34,367	1,495
Emergency services	23,565	22,743	822
Fire department	50,100	50,100	0
Dog warden	1,500	774	726
Total public safety	111,027	107,984	3,043
Health and welfare			
Health Officer stipend	350	0	350
Cemetery stipend	350	350	0
Pleasant View Cemetery	1,400	1,400	0
Visiting Nurses Association	6,243	6,243	0
Women Helping Battered Women	200	200	0
Women's Rape Crisis Center	200	200	0
Agency on Aging	1,000	1,000	0
Total health and welfare	9,743	9,393	350
Culture and recreation			
CHIPS	500	500	0
Brick meeting house	4,500	4,500	0
Miscellaneous	2,600	3,525	(925)
Total culture and recreation	7,600	8,525	(925)
Solid waste and recycling	217,500	215,794	1,706
Debt service			
Principal	33,169	33,169	0
Interest	6,000	9,314	(3,314)
Total debt service	39,169	42,483	(3,314)
Total expenditures	828,412	769,667	58,745
EXCESS REVENUES OVER EXPENDITURES	122,076	227,564	105,488
OTHER FINANCING SOURCES (USES)			
Transfer to Library Fund	(70,776)	(70,776)	0
Transfer to Fire Dept. Capital Fund	(38,900)	(38,900)	0
Transfer to Recreation Fund	(5,000)	(5,000)	0
Transfer to Cemetery	(7,400)	(7,400)	0
Total other financing sources (uses)	(122,076)	(122,076)	0
NET CHANGE IN FUND BALANCE	\$ 0	105,488	\$ 105,488
FUND BALANCE - JULY 1, 2015		182,743	
FUND BALANCE - JUNE 30, 2016		\$ 288,231	

TOWN OF WESTFORD, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND DEFICIT
BUDGET AND ACTUAL
HIGHWAY FUND
JUNE 30, 2016

EXHIBIT H

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Property taxes	\$ 676,429	\$ 676,521	\$ 92
Intergovernmental			
Transportation Aid	90,000	92,112	2,112
Paving grant	152,000	175,000	23,000
Charges for services	4,500	1,574	(2,926)
Total revenues	922,929	945,207	22,278
EXPENDITURES			
Current:			
Road maintenance and repairs			
Salaries	171,246	166,887	4,359
Payroll taxes	13,100	12,746	354
Health insurance	24,600	22,809	1,791
Dental insurance	1,260	1,234	26
Disability insurance	1,080	856	224
Vision insurance	360	326	34
Unemployment	0	4,630	(4,630)
Pension	5,294	4,862	432
Gravel - roads	130,000	129,264	736
Chloride	35,000	44,449	(9,449)
Culverts	7,000	5,700	1,300
Road fabric	2,500	1,240	1,260
Hot mix and cold patch	0	179	(179)
Seed and mulch	500	1,537	(1,037)
Signs	2,000	1,043	957
Sand	70,000	63,142	6,858
Salt	11,500	16,244	(4,744)
Chains	1,000	588	412
Gravel - mud season	7,000	37,098	(30,098)
Blades	8,000	9,021	(1,021)
Tires	3,000	3,651	(651)
Equipment rental	500	2,862	(2,362)
Contracted services	11,000	9,998	1,002
Heavy equipment repairs and maintenance	27,500	51,824	(24,324)
Small equipment repairs and maintenance	1,000	1,414	(414)
Travel	800	383	417
Diesel fuel	45,000	37,832	7,168
Chloride tanks and pumps	0	2,552	(2,552)
Total road maintenance and repairs	580,240	634,371	(54,131)

TOWN OF WESTFORD, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND DEFICIT
BUDGET AND ACTUAL
HIGHWAY FUND
JUNE 30, 2016

EXHIBIT H

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Highway garage			
Supplies	5,000	7,224	(2,224)
Equipment	2,000	5,269	(3,269)
Communication equipment	1,000	1,448	(448)
Education workshops	500	180	320
Property and casualty insurance	22,239	23,832	(1,593)
IT service and software	500	0	500
Building maintenance and repairs	4,000	10,958	(6,958)
Electricity	3,000	4,014	(1,014)
Telephone	1,200	1,184	16
Water	600	703	(103)
Building improvements	1,500	4,448	(2,948)
Clothing allowance	900	1,759	(859)
Miscellaneous	500	3,068	(2,568)
Total highway garage	42,939	64,087	(21,148)
Debt service			
Principal	65,541	65,541	0
Interest	7,959	6,256	1,703
Total debt service	73,500	71,797	1,703
Capital outlays			
John Deere loader	0	125,446	(125,446)
Westford Milton Road paving	190,000	249,154	(59,154)
Total capital outlays	190,000	374,600	(184,600)
Total expenditures	886,679	1,144,855	(258,176)
EXCESS REVENUES OVER EXPENDITURES	36,250	(199,648)	(235,898)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	0	95,000	95,000
Sale of asset	0	30,000	30,000
Transfer to Equipment Replacement Fund	(30,000)	(30,000)	0
Total other financing sources (uses)	(30,000)	95,000	125,000
NET CHANGE IN FUND DEFICIT BEFORE EXTRAORDINARY ITEM	6,250	(104,648)	(110,898)
EXTRAORDINARY ITEM			
Flood damage revenues - Seymour Bridge	568,750	568,377	(373)
Flood damage expenditures - Seymour Bridge	(650,000)	(434,129)	215,871
Total extraordinary item	(81,250)	134,248	215,498
NET CHANGE IN FUND DEFICIT	\$ (75,000)	29,600	\$ 104,600
FUND DEFICIT - JULY 1, 2015		(102,136)	
FUND DEFICIT - JUNE 30, 2016		\$ (72,536)	

TOWN OF WESFORD, VERMONT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

EXHIBIT I

	<u>Agency Funds</u>
ASSETS	
Due from Town	<u>\$ 2,458</u>
LIABILITIES	
Held for Farmers Market	<u>\$ 2,458</u>

TOWN OF WESTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP), except that the Town does not present capital asset balances or the related depreciation. The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

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 Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

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

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). The government-wide financial statements categorize primary activities as either governmental or business type. All of the Town's activities are classified as governmental activities.

In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

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 revenue (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, operating and capital grants. Program revenue 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 reflects capital-specific grants.

The net costs (by governmental function) are normally covered by general revenue (property taxes, intergovernmental revenue, interest income, etc.).

TOWN OF WESTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, fund equity, revenue and expenditures. The various funds are reported by major fund within the financial statements.

The emphasis in fund financial statements is on the major funds. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category type or the governmental and enterprise combined) for the determination of major funds. All other funds are nonmajor and are combined in a single column in each of the respective fund financial statements.

Governmental Funds:

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

General Fund is the main operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Highway Fund is an operating fund used to account for financial resources used to maintain Town highways and streets.

Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Because by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Basis of Accounting

Basis of accounting refers to the point at which revenue or expenditures 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.

TOWN OF WESTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which they are levied. Other nonexchange revenue, 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.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period. Property taxes and related revenues are considered available if collected within 60 days. All other revenue is considered available if collectible within six months. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and accrued compensated absences, which are recognized when due and payable.

Fund Equity

GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

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

Nonspendable – Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted - Amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed – Amounts constrained to specific purposes by the government itself, using the highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned - 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.

Unassigned - All amounts not included in other spendable classifications.

The Town has not established policies or procedures for further committing fund balances.

TOWN OF WESTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand and demand deposits.

Capital Assets

The Town does not record capital asset activity and related depreciation on the governmental activities financial statements. Capital asset purchases are expensed directly to the most relevant function versus being depreciated over their useful lives as required by U.S. GAAP.

Compensated Absences

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

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave 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 amounts.

Deferred Inflows of Resources

The Town's governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). The Town will recognize the related revenues until a future event occurs. The Town has only one type of item which occurs because governmental fund revenues are not recognized until available (collected not later than sixty days after the end of the Town's fiscal year for property taxes, and six months for all other revenues) under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, unavailable property taxes are reported in the governmental funds balance sheet as a deferred inflow of resources.

Government-wide Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Government-wide net position are divided into three components:

Investment in capital assets, net of related debt – represents the debt that remains outstanding that was used to finance capital assets. This amount is negative due to the Town not recording the cost of capital assets.

Restricted net position – consist of net assets that are restricted by enabling legislation, by grantors, and by other contributions.

Unrestricted net position – all other net assets are reported in this category.

TOWN OF WESTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activities

Interfund activities are reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenue and expenditures. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund activities are treated as transfers. Transfers between funds are netted in the preparation of the government-wide financial statements.

Budgetary Accounting

The Town approves a budget for the General Fund and Highway Fund at an annual Town Meeting and the tax rate is determined by the Selectboard based on the budget and Grand List. Formal budgetary accounting is employed as a management control device during the year.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

The Treasurer invests excess cash according to written policies established by the Selectboard.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town has a written policy which requires that all deposits not FDIC insured be collateralized. As of June 30, 2016, the Town's bank balance of \$472,146 was exposed to custodial credit risk as follows:

FDIC insured	\$ 77,079
Collateralized	395,067
Total bank balance	<u>\$ 472,146</u>

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The Town, for cash management and internal control purposes, maintains a central checking account for expense disbursements and revenue receipts. The interfund receivable and payable balances held by the General Fund on behalf of all these funds as of June 30, 2016 are as follows:

TOWN OF WESTFORD, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES (Continued)

	Interfund Receivables	Interfund Payables
Major governmental funds:		
General Fund	\$ 0	\$ 154,391
Highway Fund	0	285,379
Non-major funds - Other governmental funds:		
Admin Capital Fund	42,546	0
Equipment Reserve Fund	84,019	0
Fire Department Capital Fund	111,347	0
Salt Shed Reserve Fund	15,071	0
Office Expansion Fund	9,864	0
Conservation Reserve Fund	11,395	0
Lister Education Fund	5,145	0
Records Restoration Fund	27,108	0
Reappraisal Fund	65,500	0
Common Fund	48,644	0
Recreation Department Fund	7,594	0
Library Fund	11,537	0
Total other governmental funds	439,770	0
Total all funds	\$ 439,770	\$ 439,770

NOTE 4 - INTERFUND TRANSFERS

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and as voted through special articles.

Interfund transfers for the year ended June 30, 2016, included budgeted transfers from the General Fund to the Fire Department Capital Fund \$38,900, Recreation Department \$5,000, Library Fund \$70,776 and \$7,400 to the Cemetery Fund. In addition, the Highway Fund transferred \$30,000 to the Equipment Reserve Fund.

NOTE 5 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources totaling \$54,722 are recorded on Exhibit C. This balance consists of property taxes receivable that are considered unavailable as the Town did not collect this amount within 60-days of year-end.

NOTE 6 – SHORT-TERM DEBT

On October 22, 2015, the Selectboard approved borrowing \$575,000 from the Merchant’s Bank for cash flow purposes to pay the remaining costs associated with the Seymour Bridge and for paving. The entire balance was repaid during the year. Interest paid on short-term debt during the year was \$3,968.

TOWN OF WESTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 - LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2016 consisted of the following:

	Total	Due in one year
Long-term debt		
Note payable - Peoples United Bank, annual principal payments of \$32,382 plus interest at 2.5%, due August 5, 2018. For Western Star truck.	\$ 97,148	\$ 32,382
Note payable - Peoples United Bank, annual principal payments of \$20,000 plus interest at 2.6%, due September 28, 2017. For Volvo grader.	40,000	20,000
Note payable - Peoples United Bank, annual principal payments of \$13,159 plus interest at 2.75%, due February 21, 2019. For Ford F550.	39,478	13,159
Note payable - Peoples United Bank, annual principal payments of \$25,200 plus interest at 3.15%, due April 11, 2018. For fire utility truck.	50,400	25,200
Note payable - Peoples United Bank, annual principal payments of \$19,000 plus interest at 1.75%, due August 28, 2020. For John Deere loader.	95,000	19,000
Note payable - Westford Historical Society, annual principal payments of \$7,969, interest at 3.0%, due September 30, 2028. For Spiller house.	103,597	7,969
Total long-term debt	425,623	117,710
Accrued leave	11,025	0
Total long-term liabilities	\$ 436,648	\$ 117,710

Changes in long-term liabilities are as follows:

	July 1, 2015	Increases	Decreases	June 30, 2016
Notes payable	\$ 429,333	\$ 95,000	\$ (98,710)	\$ 425,623
Accrued leave	7,389	5,168	(1,532)	11,025
Total long-term liabilities	\$ 436,722	\$ 100,168	\$ (100,242)	\$ 436,648

The total amount of interest paid on these long-term debts during fiscal year 2016 was \$11,602.

The long-term bond and note debt is due to mature as follows:

Fiscal Year	Principal	Interest	Total
June 30, 2017	\$ 117,711	\$ 10,711	\$ 128,422
June 30, 2018	117,711	8,755	126,466
June 30, 2019	72,511	4,799	77,310
June 30, 2020	26,969	3,056	30,025
June 30, 2021	26,969	2,485	29,454
June 30, 2022-2026	39,845	7,171	47,016
June 30, 2027-2031	23,907	1,434	25,341
	\$ 425,623	\$ 38,411	\$ 464,034

TOWN OF WESTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 – NET POSITION AND FUND BALANCE CLASSIFICATIONS

The restricted net position and restricted, assigned, and nonspendable fund balances as of June 30, 2016 consisted of the following:

	Restricted Net Position	Restricted Fund Balance	Assigned Fund Balance	Nonspendable Fund Balance
General Fund	\$ 0	\$ 0	\$ 56,227	\$ 24,249
Highway Fund	0	0	0	8,514
Nonmajor funds:				
Admin Capital Fund	0	0	42,546	0
Equipment Reserve Fund	0	0	84,019	0
Fire Department Capital Fund	0	0	111,347	0
Salt Shed Reserve Fund	0	0	15,071	0
Office Expansion Fund	0	0	9,864	0
Conservation Reserve Fund	11,395	11,395	0	0
Lister Education Fund	5,145	5,145	0	0
Records Restoration Fund	27,108	27,108	0	0
Reappraisal Fund	65,500	65,500	0	0
Common Fund	48,644	48,644	0	0
Recreation Department Fund	4,214	4,214	0	0
Library Fund	11,328	10,089	0	1,239
Cemetery Fund	44,562	40,789	0	3,773
	<u>\$ 217,896</u>	<u>\$ 212,884</u>	<u>\$ 319,074</u>	<u>\$ 37,775</u>

NOTE 9 - 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 farms and excludes assessments on municipal, school and church properties. The tax is payable in four installments due August 15, November 15, March 15 and May 15. Interest at 1%-1 ½% per month is charged for installments not paid by the due date and any tax levies not paid by May 15 are delinquent and are assessed an 8% penalty. The following shows the tax rates for fiscal year 2015/2016:

	Residential	Non-residential
General Fund	\$ 0.3526	\$ 0.3526
Highway Fund	0.2883	0.2883
State Education Tax	1.5266	1.5113
	<u>\$ 2.1675</u>	<u>\$ 2.1522</u>

NOTE 10 – RETIREMENT PLAN

The Town offers a 408(p) Savings Incentive Match Plan (SIMPLE) retirement plan to employees. The Town matches employee contributions up to 3% of wages. Vesting occurs immediately. The Town's contribution for 2016 was \$11,124, and was \$10,743 for 2015.

TOWN OF WESTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Town maintains commercial insurance coverage 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 commercial coverage in any of the past three (3) fiscal years.

NOTE 12 - EXTRAORDINARY ITEM

In May of 2013, the Town of Westford sustained major infrastructure damage as a result of severe storms and flooding. The Town is working with the State of Vermont to close out two FEMA projects relating to the bridge on Seymour Road. As of June 30, 2016, the Town had incurred approximately \$650,000 in costs, with \$434,129 spent in fiscal year 2016. Reimbursements of \$355,924 have been received and the Town anticipates receiving an additional \$212,454 before December 31, 2016.

NOTE 13 – HIGHWAY FUND DEFICIT AND BUDGETED DEFICIT

As of June 30, 2016, a deficit of \$72,536 remains in the Highway Fund. The deficit will be incorporated into the fiscal year 2018 tax rate. The Town budgeted to use \$75,000 of the Highway Fund balance. This budgeted deficit is reflected on Exhibit H.

NOTE 14 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2016, expenditures and other financing uses and extraordinary items exceed appropriations in the Highway Fund by \$42,305. The excess expenditures were funded by loan proceeds, sale of assets, and State grants.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federally and state assisted grant programs. The programs are subject to program compliance audits by the grantors or their representatives. Some audits of these programs for or including the year ended June 30, 2016 have not yet been completed. Accordingly, the Town's 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.

The Town has a contract with Vermont Connection Computer Services which requires monthly payments totaling \$15,950 per year through December 31, 2017. The Town has a contract with Myers Container Service Corporation through June 30, 2018 for trash and recycling services with minimum payments of \$224,100 per fiscal year.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 5, 2016, the date which the financial statements were available for issue.

On July 8, 2016, the Selectboard approved borrowing \$137,167 from Peoples United Bank for five years at 1.95% per year to purchase a Western Star dump truck.

TOWN OF WESTFORD, VERMONT
 COMBINING AND INDIVIDUAL FUND STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
 NON-MAJOR FUNDS
 JUNE 30, 2016

	Capital Projects Funds					Special Revenue Funds							Total Non-Major Funds	
	Admin Capital Fund	Equipment Reserve	Fire Dept. Capital	Salt Shed Reserve	Office Expansion	Conservation Reserve	Lister Education	Records Restoration	Reappraisal	Common Fund	Recreation Department	Library		Cemetery
ASSETS														
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,562	\$ 44,562
Due from other funds	42,546	84,019	111,347	15,071	9,864	11,395	5,145	27,108	65,500	48,644	7,594	11,537	0	439,770
Prepays	0	0	0	0	0	0	0	0	0	0	0	1,239	0	1,239
Total assets	\$ 42,546	\$ 84,019	\$ 111,347	\$ 15,071	\$ 9,864	\$ 11,395	\$ 5,145	\$ 27,108	\$ 65,500	\$ 48,644	\$ 7,594	\$ 12,776	\$ 44,562	\$ 485,571
LIABILITIES														
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,448	\$ 0	\$ 1,448
Unearned revenue	0	0	0	0	0	0	0	0	0	0	3,380	0	0	3,380
Total liabilities	0	0	0	0	0	0	0	0	0	0	3,380	1,448	0	4,828
FUND BALANCES														
Nonspendable	0	0	0	0	0	0	0	0	0	0	0	1,239	3,773	5,012
Restricted	0	0	0	0	0	11,395	5,145	27,108	65,500	48,644	4,214	10,089	40,789	212,884
Assigned	42,546	84,019	111,347	15,071	9,864	0	0	0	0	0	0	0	0	262,847
Total fund balances	\$ 42,546	\$ 84,019	\$ 111,347	\$ 15,071	\$ 9,864	\$ 11,395	\$ 5,145	\$ 27,108	\$ 65,500	\$ 48,644	\$ 4,214	\$ 11,328	\$ 44,562	\$ 480,743

TOWN OF WESTFORD, VERMONT
 COMBINING AND INDIVIDUAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR FUNDS
 JUNE 30, 2016

	Capital Projects Funds					Special Revenue Funds							Total Non-Major Funds	
	Admin Capital Fund	Equipment Reserve	Fire Dept. Capital	Salt Shed Reserve	Office Expansion	Conservation Reserve	Lister Education	Records Restoration	Reappraisal	Common Fund	Recreation Department	Library		Cemetery
REVENUES														
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,152	\$ 0	\$ 0	\$ 878	\$ 0	\$ 9,030
Charges for services	0	0	0	0	0	0	0	8,416	0	0	10,758	0	460	19,634
Donations	0	0	0	0	0	0	0	0	0	0	1,115	1,738	23,875	26,728
Investment interest	131	158	253	46	30	38	16	78	183	149	0	0	425	1,507
Total revenues	131	158	253	46	30	38	16	8,494	8,335	149	11,873	2,616	24,760	56,899
EXPENDITURES														
General government	523	0	0	0	0	0	0	4,560	0	0	0	0	0	5,083
Culture and recreation	0	0	0	0	0	2,525	0	0	0	0	23,700	71,376	0	97,601
Health and welfare	0	0	0	0	0	0	0	0	0	0	0	0	6,939	6,939
Total expenditures	523	0	0	0	0	2,525	0	4,560	0	0	23,700	71,376	6,939	109,623
EXCESS REVENUES (EXPENDITURES)	(392)	158	253	46	30	(2,487)	16	3,934	8,335	149	(11,827)	(68,760)	17,821	(52,724)
OTHER FINANCING SOURCES														
Transfer from Highway Fund	0	30,000	0	0	0	0	0	0	0	0	0	0	0	30,000
Transfer from General Fund	0	0	38,900	0	0	0	0	0	0	0	5,000	70,776	7,400	122,076
Total other financing sources	0	30,000	38,900	0	0	0	0	0	0	0	5,000	70,776	7,400	152,076
NET CHANGE IN FUND BALANCES	(392)	30,158	39,153	46	30	(2,487)	16	3,934	8,335	149	(6,827)	2,016	25,221	99,352
FUND BALANCES - JULY 1, 2014	42,938	53,861	72,194	15,025	9,834	13,882	5,129	23,174	57,165	48,495	11,041	9,312	19,341	381,391
FUND BALANCES - JUNE 30, 2015	\$ 42,546	\$ 84,019	\$ 111,347	\$ 15,071	\$ 9,864	\$ 11,395	\$ 5,145	\$ 27,108	\$ 65,500	\$ 48,644	\$ 4,214	\$ 11,328	\$ 44,562	\$ 480,743

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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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*

To the Selectboard and Management
Town of Westford, Vermont

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Westford, Vermont, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 5, 2016. We issued an adverse opinion on the governmental activities financial statements due to not including capital assets and the related depreciation. We issued a qualified opinion on the Highway Fund due to improper revenue recognition. We issued unmodified opinions on the General Fund and the aggregate remaining fund information.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of finding and response as 2016-1 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

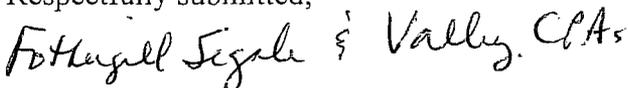
Town's Response to Findings

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Town'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



FOTHERGILL SEGALÉ & VALLEY, CPAs

Vermont Public Accountancy License #110

Montpelier, Vermont

December 5, 2016

TOWN OF WESTFORD, VERMONT
SCHEDULE OF FINDING AND RESPONSE
FOR THE YEAR ENDED JUNE 30, 2016

INTERNAL CONTROL - MATERIAL WEAKNESS

2016-1 Capital asset and loan activity

The Town purchased a new piece of equipment during fiscal year 2016 and did not record the loan proceeds, sale of old asset proceeds, or the capital outlay in the Highway Fund. The cause of the misstatements was a misunderstanding of the application of governmental accounting principles to these transactions within the Highway Fund, along with some confusion with information only funds in NEMRC that the Town attempted to set up a couple of years ago to track assets and debt. The result was an understatement of other financing sources of \$125,000 and an understatement of capital outlays of \$125,000.

We recommend that the Town put procedures in place to insure that capital and debt transactions are recorded in the proper funds. We also recommend that the Town consider inactivating or deleting the fixed asset and debt funds to avoid this confusion in the future.

RESPONSE TO FINDING

2016-1 Capital asset and loan activity

A procedure will be put in place that will insure capital debt transactions are recorded in the proper fund in which the purchase will benefit.

The Town will keep a list/information of capital equipment to support the capital Budget/Plan process. The fixed asset fund will be inactivated in the general ledger.