

TOWN OF WESTFORD, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2018
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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 modified cash basis financial statements of each major fund and the aggregate remaining fund information of the Town of Westford, Vermont as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; 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 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 adverse audit opinion.

Basis for Adverse Opinion on the Financial Statements as a Whole

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. The modified cash basis of accounting requires the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements resulting from transactions for the Town's governmental activities have not been determined.

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on the Financial Statements as a Whole" paragraphs, the financial statements referred to above do not present fairly the financial position of the Town of Westford, Vermont as of June 30, 2018, or the changes in financial position or the budget comparison for the General Fund and Highway Fund thereof for the year then ended in accordance with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note 1 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 this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund modified cash 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 modified cash basis 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 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. Because of the matters discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole paragraph, we are not expressing an opinion on the supplementary schedules.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Respectfully submitted,

Fothergill Segale & Valley CPAs

FOTHERGILL SEGALE & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

January 6, 2019

TOWN OF WESTFORD, VERMONT
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES (DEFICIT)
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2018

EXHIBIT A

	Major Funds			Non-Major Funds	Total Governmental Funds
	General Fund	Highway Fund	Fire Dept. Capital		
ASSETS					
Cash and cash equivalents	\$ 570,451	\$ 0	\$ 0	\$ 43,082	\$ 613,533
Due from other funds	0	0	139,612	403,916	543,528
Total assets	<u>\$ 570,451</u>	<u>\$ 0</u>	<u>\$ 139,612</u>	<u>\$ 446,998</u>	<u>\$ 1,157,061</u>
LIABILITIES					
Due to Supervisory Union	\$ 35,840	\$ 0	\$ 0	\$ 0	\$ 35,840
Due to Fiduciary Fund	2,008	0	0	0	2,008
Due to other funds	269,159	274,369	0	0	543,528
Total liabilities	<u>307,007</u>	<u>274,369</u>	<u>0</u>	<u>0</u>	<u>581,376</u>
FUND BALANCES (DEFICIT)					
Nonspendable - Perpetual care	0	0	0	4,789	4,789
Restricted - Special Revenue Funds	0	0	0	245,579	245,579
Assigned - Capital Projects Funds	0	0	139,612	196,630	336,242
Assigned - Audit Expenses	64	0	0	0	64
Assigned - Fiscal year 2019 tax rate	60,000	0	0	0	60,000
Unassigned	203,380	(274,369)	0	0	(70,989)
Total fund balances (deficit)	<u>263,444</u>	<u>(274,369)</u>	<u>139,612</u>	<u>446,998</u>	<u>575,685</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 570,451</u>	<u>\$ 0</u>	<u>\$ 139,612</u>	<u>\$ 446,998</u>	<u>\$ 1,157,061</u>

TOWN OF WESTFORD, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES (DEFICIT)
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

EXHIBIT B

	Major Funds			Non-Major Funds	Total Governmental Funds
	General Fund	Highway Fund	Fire Dept. Capital		
REVENUES					
Property taxes, penalties and interest	\$ 841,606	\$ 727,344	\$ 0	\$ 0	\$ 1,568,950
Intergovernmental	80,426	92,019	0	14,890	187,335
Fees, fines, licenses, rents	51,206	8,604	0	6,851	66,661
Investment interest	855	0	307	13,776	14,938
Grants and donations	119,901	0	0	5,442	125,343
Miscellaneous	4,657	0	0	0	4,657
Total revenues	<u>1,098,651</u>	<u>827,967</u>	<u>307</u>	<u>40,959</u>	<u>1,967,884</u>
EXPENDITURES					
Current:					
General Government	464,582	0	0	6,948	471,530
Highways and Streets	0	848,765	0	0	848,765
Public Safety	109,642	0	0	0	109,642
Health and welfare	9,893	0	0	12,539	22,432
Culture and Recreation	13,913	0	0	91,785	105,698
Solid Waste and Recycling	222,257	0	0	0	222,257
Debt service principal	33,169	111,974	0	0	145,143
Debt service interest	3,580	6,867	0	0	10,447
Capital outlays	608,621	208,045	0	0	816,666
Total expenditures	<u>1,465,657</u>	<u>1,175,651</u>	<u>0</u>	<u>111,272</u>	<u>2,752,580</u>
EXCESS REVENUES (EXPENDITURES)	<u>(367,006)</u>	<u>(347,684)</u>	<u>307</u>	<u>(70,313)</u>	<u>(784,696)</u>
OTHER FINANCING SOURCES (USES)					
Loan proceeds	388,121	164,500	0	0	552,621
Proceeds from sale of capital asset	0	2,625	0	0	2,625
Transfers from other funds	100,387	43,505	46,586	146,029	336,507
Transfers to other funds	(155,265)	(72,737)	(65,000)	(43,505)	(336,507)
Total other financing sources (uses)	<u>333,243</u>	<u>137,893</u>	<u>(18,414)</u>	<u>102,524</u>	<u>555,246</u>
NET CHANGE IN FUND BALANCE (DEFICIT) BEFORE EXTRAORDINARY ITEM	<u>(33,763)</u>	<u>(209,791)</u>	<u>(18,107)</u>	<u>32,211</u>	<u>(229,450)</u>
EXTRAORDINARY ITEM					
Flood damage reimbursements - Seymour Bridge	0	216,384	0	0	216,384
Total extraordinary item	<u>0</u>	<u>216,384</u>	<u>0</u>	<u>0</u>	<u>216,384</u>
NET CHANGE IN FUND BALANCES	<u>(33,763)</u>	<u>6,593</u>	<u>(18,107)</u>	<u>32,211</u>	<u>(13,066)</u>
FUND BALANCES (DEFICIT) - JULY 1, 2017	<u>297,207</u>	<u>(280,962)</u>	<u>157,719</u>	<u>414,787</u>	<u>588,751</u>
FUND BALANCES (DEFICIT) - JUNE 30, 2018	<u>\$ 263,444</u>	<u>\$ (274,369)</u>	<u>\$ 139,612</u>	<u>\$ 446,998</u>	<u>\$ 575,685</u>

TOWN OF WESTFORD, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2018

EXHIBIT C

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Property taxes			
Property taxes	\$ 787,052	\$ 825,616	\$ 38,564
Delinquent tax penalties	3,000	2,068	(932)
Interest on delinquent taxes	10,000	13,922	3,922
Intergovernmental			
Current Use	75,000	76,830	1,830
State traffic fines	5,000	3,596	(1,404)
Grants	0	4,901	4,901
Licenses, fees, and fines			
Recording fees	12,500	10,425	(2,075)
Dog licenses and fines	3,300	3,512	212
Access permits	100	210	110
Marriage licenses	100	90	(10)
Excess weight permit	600	790	190
Vault/copier fees	3,000	2,923	(77)
Building permits	12,000	26,149	14,149
Planning and zoning charges	3,100	4,930	1,830
School expense reimbursements	4,500	2,177	(2,323)
Donations	0	115,000	115,000
Interest earned	300	855	555
Miscellaneous	450	4,657	4,207
Total revenues	920,002	1,098,651	178,649
EXPENDITURES			
Current:			
General government			
Town Clerk and Treasurer			
Clerk salary	49,965	56,128	(6,163)
Treasurer salary	10,608	10,400	208
Dues	255	235	20
Education	900	661	239
Office supplies	2,500	2,189	311
Travel	1,600	1,498	102
Total town clerk and treasurer	65,828	71,111	(5,283)
Auditors and Delinquent Tax Collector			
Independent audit	9,000	10,500	(1,500)
Tax collector salary	5,000	6,002	(1,002)
Tax collector expense	125	197	(72)
Education	150	0	150
Total auditors and delinquent tax collector	14,275	16,699	(2,424)
Zoning, DRB, and Planning Commission			
Salaries	71,200	68,866	2,334
Legal and professional	8,750	8,588	162
Planning maps	500	152	348
Conservation Commission	1,800	1,361	439
Education	600	545	55
Travel	1,000	822	178
Special projects	3,460	3,460	0
Miscellaneous	100	0	100
Total zoning, DRB, and planning commission	87,410	83,794	3,616

TOWN OF WESTFORD, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2018

EXHIBIT C

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Listers			
Lister salary	9,050	5,131	3,919
Tax mapping	4,500	4,240	260
Supplies and equipment	200	19	181
Computer and software	500	717	(217)
Education	200	0	200
Travel	125	0	125
Total listers	14,575	10,107	4,468
General Administration			
Administration salary	68,220	66,079	2,141
Insurance - medical and disability	19,875	24,873	(4,998)
Insurance - property, workers comp, casualty	20,500	20,022	478
Pension	5,775	5,694	81
Payroll taxes	16,085	16,491	(406)
Office supplies and equipment	8,800	8,109	691
Legal and professional	20,500	65,212	(44,712)
Postage	4,300	3,835	465
Education	200	519	(319)
IT consultant	17,500	23,679	(6,179)
Printing	4,300	4,443	(143)
Generator maintenance	1,600	1,629	(29)
Street lights	1,800	1,767	33
Miscellaneous	0	137	(137)
Total general-administration	189,455	242,489	(53,034)
Town Office Building			
Repairs & maintenance	3,000	8,580	(5,580)
Cleaning and landscaping	5,200	5,725	(525)
Electricity	3,000	2,682	318
Fuel Oil	1,500	867	633
Telephone	2,000	2,050	(50)
Water	700	559	141
Total town office building	15,400	20,463	(5,063)
BCA/Elections			
BCA salaries	800	610	190
Ballots and supplies	1,900	1,565	335
Total BCA/Elections	2,700	2,175	525
Dues and Assessments			
Total general government	18,689	17,744	945
Total general government	408,332	464,582	(56,250)
Public Safety			
Law enforcement	33,829	33,513	316
Emergency services	25,560	25,220	340
Fire department	50,100	50,184	(84)
Dog warden	1,050	725	325
Total public safety	110,539	109,642	897
Health and welfare			
Health Officer stipend	350	350	0
Cemetery stipend	350	350	0
Pleasant View Cemetery	1,500	1,500	0
Visiting Nurses Association	6,243	6,243	0
Women Helping Battered Women	250	250	0
Women's Rape Crisis Center	200	200	0
Agency on Aging	1,000	1,000	0
Total health and welfare	9,893	9,893	0

TOWN OF WESTFORD, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2018

EXHIBIT C

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Culture and recreation			
CHIPS	500	500	0
Brick meeting house	4,500	4,500	0
Miscellaneous	2,300	8,913	(6,613)
Total culture and recreation	7,300	13,913	(6,613)
Solid waste and recycling	228,000	222,257	5,743
Debt service			
Principal	33,170	33,169	1
Interest	3,562	3,580	(18)
Total debt service	36,732	36,749	(17)
Capital outlays			
Land purchase	0	300,000	(300,000)
Fire truck	0	308,621	(308,621)
Total capital outlays	0	608,621	(608,621)
Total expenditures	800,796	1,465,657	(664,861)
EXCESS REVENUES (EXPENDITURES)	119,206	(367,006)	(486,212)
OTHER FINANCING SOURCES (USES)			
Note proceeds	0	388,121	388,121
Transfer from Highway Fund	0	35,387	35,387
Transfer from Fire Dept. Capital Fund	0	65,000	65,000
Transfer to Fire Dept. Capital Fund	(46,586)	(46,586)	0
Transfer to Library Fund	(70,899)	(70,899)	0
Transfer to Admin Capital Fund	(16,500)	(16,500)	0
Transfer to Recreation Fund	(8,500)	(8,500)	0
Transfer to Conservation	(4,540)	(4,280)	260
Transfer to Cemetery	(8,500)	(8,500)	0
Total other financing sources (uses)	(155,525)	333,243	488,768
NET CHANGE IN FUND BALANCE	\$ (36,319)	(33,763)	\$ 2,556
FUND BALANCE - JULY 1, 2017		297,207	
FUND BALANCE - JUNE 30, 2018		\$ 263,444	

TOWN OF WESTFORD, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND DEFICIT
BUDGET AND ACTUAL - MODIFIED CASH BASIS
HIGHWAY FUND
YEAR ENDED JUNE 30, 2018

EXHIBIT D

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Property taxes	\$ 727,344	\$ 727,344	\$ 0
Intergovernmental			
Transportation Aid	92,000	92,019	19
Charges for services	0	8,604	8,604
Total revenues	<u>819,344</u>	<u>827,967</u>	<u>8,623</u>
EXPENDITURES			
Current:			
Road maintenance and repairs			
Salaries	177,600	206,431	(28,831)
Payroll taxes	16,925	17,630	(705)
Health insurance	25,690	22,299	3,391
Dental insurance	1,240	1,219	21
Disability insurance	1,000	1,015	(15)
Vision insurance	330	290	40
Pension	5,460	5,111	349
Gravel - roads	100,000	98,562	1,438
Town ditching	0	10,863	(10,863)
Chloride	35,000	33,272	1,728
Culverts	7,000	7,523	(523)
Road fabric	2,500	0	2,500
Guardrails and fences	0	36	(36)
Seed and mulch	2,500	3,639	(1,139)
Signs	2,000	3,141	(1,141)
Sand	70,000	74,373	(4,373)
Salt	20,000	14,081	5,919
Chains	1,000	640	360
Gravel - mud season	30,000	17,124	12,876
Blades	5,000	2,901	2,099
Tires	9,000	13,201	(4,201)
Equipment rental	500	32,280	(31,780)
Contracted services	49,000	98,420	(49,420)
Heavy equipment repairs and maintenance	43,500	70,809	(27,309)
Small equipment repairs and maintenance	2,000	2,678	(678)
Travel	800	829	(29)
Diesel fuel	45,000	45,820	(820)
Chloride tanks and pumps	2,000	375	1,625
Total road maintenance and repairs	<u>655,045</u>	<u>784,562</u>	<u>(129,517)</u>

TOWN OF WESTFORD, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND DEFICIT
BUDGET AND ACTUAL - MODIFIED CASH BASIS
HIGHWAY FUND
YEAR ENDED JUNE 30, 2018

EXHIBIT D

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Highway garage			
Supplies	6,000	4,156	1,844
Equipment	5,500	2,718	2,782
Communication equipment	1,500	0	1,500
Education workshops	500	450	50
Property and casualty insurance	25,500	28,246	(2,746)
Fire and security	15,000	3,287	11,713
IT service and software	500	0	500
Building maintenance and repairs	4,000	13,292	(9,292)
Electricity	3,000	4,548	(1,548)
Telephone	2,000	2,266	(266)
Water	600	375	225
Building improvements	1,500	2,206	(706)
Clothing allowance	1,500	1,432	68
Miscellaneous	500	1,227	(727)
Total highway garage	67,600	64,203	3,397
Debt service			
Principal	84,543	111,974	(27,431)
Interest	8,487	6,867	1,620
Total debt service	93,030	118,841	(25,811)
Capital outlays			
New truck	20,000	184,505	(164,505)
Garage improvements	0	23,540	(23,540)
Total capital outlays	20,000	208,045	(188,045)
Total expenditures	835,675	1,175,651	(339,976)
EXCESS REVENUES (EXPENDITURES)	(16,331)	(347,684)	(331,353)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	0	164,500	164,500
Proceeds from sale of capital asset	0	2,625	2,625
Transfer from Equipment Reserve	20,000	43,505	23,505
Transfer to Equipment Reserve	(37,350)	(37,350)	0
Transfer to General Fund	0	(35,387)	(35,387)
Total other financing sources (uses)	(17,350)	137,893	155,243
NET CHANGE IN FUND DEFICIT BEFORE EXTRAORDINARY ITEM	(33,681)	(209,791)	(176,110)
EXTRAORDINARY ITEM			
Flood damage revenues - Seymour Bridge	0	216,384	216,384
Total extraordinary item	0	216,384	216,384
NET CHANGE IN FUND DEFICIT	\$ (33,681)	6,593	\$ 40,274
FUND DEFICIT - JULY 1, 2017		(280,962)	
FUND DEFICIT - JUNE 30, 2018		\$ (274,369)	

See Notes to Financial Statements.

TOWN OF WESTFORD, VERMONT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

EXHIBIT E

	<u>Agency Funds</u>
ASSETS	
Due from Town	<u>\$ 2,008</u>
LIABILITIES	
Held for Farmers Market	<u>\$ 2,008</u>

TOWN OF WESTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 not prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations).

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 – 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 funds within the financial statements.

The emphasis in fund financial statements is on the major funds. GASB No. 34 and No. 37 set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds. The General Fund, Highway Fund and the Fire Department Capital Fund are the major governmental funds of the Town.

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.

Fire Capital Fund is an operating fund used to account for financial resources used to purchase capital equipment related to the fire department.

TOWN OF WESTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

Basis of Accounting

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

In these financial statements, the modified cash basis of accounting is used, which is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis of accounting was adopted to simplify the Town's accounting. Under the modified cash basis, revenue is recorded when received and expenditures are recorded when paid, except that two modifications exist for interfund balances and property taxes collected for and due to the School District.

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.

TOWN OF WESTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand and demand deposits and certificate of deposits with original maturities of one year or less.

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.

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 the modified cash basis of accounting 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, 2018, the Town's bank balance of \$627,935 was exposed to custodial credit risk as follows:

FDIC insured	\$ 333,588
Collateralized by securities held by pledging financial institution	294,347
Total bank balance	<u>\$ 627,935</u>

TOWN OF WESTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 are as follows:

	Interfund Receivables	Interfund Payables
Major governmental funds:		
General Fund	\$ 0	\$ 271,754
Highway Fund	0	271,774
Fire Department Capital Fund	139,612	0
Total major governmental funds	139,612	543,528
Non-major funds - Other governmental funds:		
Admin Capital Fund	75,857	0
Equipment Reserve Fund	95,693	0
Salt Shed Reserve Fund	15,159	0
Office Expansion Fund	9,921	0
Planning Commission Fund	4,281	0
Conservation Reserve Fund	10,281	0
Lister Education Fund	5,039	0
Records Restoration Fund	33,723	0
Reappraisal Fund	82,166	0
Common Fund	47,193	0
Recreation Department Fund	8,940	0
Library Fund	15,663	0
Total other governmental funds	403,916	0
Total all funds	\$ 543,528	\$ 543,528

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, 2018, included budgeted transfers from the General Fund to the Fire Department Capital Fund \$46,586, Recreation Department \$8,500, Library Fund \$70,899, Administration Capital Fund \$16,500, Conservation \$4,280, and \$8,500 to the Cemetery Fund. The General Fund also received \$65,000 from the Fire Department Capital Fund for the down payment on the pumper truck. The Highway Fund transferred \$35,387 to the General Fund to be used to purchase land. The Highway Fund also transferred \$37,350 to the Equipment Reserve Fund and received a transfer of \$43,505 from the Equipment Reserve Fund.

TOWN OF WESTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2018 consisted of the following:

Long-term debt	Total	Due in one year
Note payable - Peoples United Bank, annual principal payments of \$32,382 plus interest at 2.5%, due August 5, 2018. For Western Star truck.	\$ 32,382	\$ 32,382
Note payable - Community Bank, NA, annual payment of \$24,362 plus interest at 3.2%, due September 7, 2027. For Pumper Truck.	243,621	24,362
Note payable - Peoples United Bank, annual principal payments of \$13,159 plus interest at 2.75%, due February 21, 2019. For Ford F550.	13,159	13,159
Note payable - Community Bank, NA, annual payments of \$32,900 plus interest at 2.25%, due September 8, 2022. For Western Star Truck.	164,500	32,900
Note payable - Community Bank, NA, annual payments of \$28,900 plus interest at 2.4%, due December 12, 2022. For Jackson Forest Land.	144,500	28,900
Note payable - Peoples United Bank, annual principal payments of \$19,000 plus interest at 1.75%, due August 28, 2020. For John Deere loader.	57,000	19,000
Note payable - Westford Historical Society, annual principal payments of \$7,969, interest at 3.0%, due September 30, 2028. For Spiller house.	87,659	7,969
Note payable - Peoples United Bank, annual principal payments of \$27,433, interest at 1.95%, due July 8, 2021. For Western Star Truck.	109,734	27,433
Total long-term debt	\$ 852,555	\$ 186,105

Changes in long-term liabilities are as follows:

	July 1, 2017			June 30, 2018
	Balance	Proceeds	Principal Payments	Balance
Notes payable	\$ 445,077	\$ 552,621	\$ (145,143)	\$ 852,555

The total amount of interest paid on these long-term debts during fiscal year 2018 was \$10,447.

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

Fiscal Year	Principal	Interest	Total
June 30, 2019	\$ 186,105	\$ 21,904	\$ 208,009
June 30, 2020	140,564	17,742	158,306
June 30, 2021	140,564	14,340	154,904
June 30, 2022	121,566	10,937	132,503
June 30, 2023	94,131	7,868	101,999
June 30, 2024-2028	161,656	16,474	178,130
June 30, 2029-2033	7,969	239	8,208
	\$ 852,555	\$ 89,504	\$ 942,059

TOWN OF WESTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – FUND BALANCE CLASSIFICATIONS

The restricted, assigned, and nonspendable fund balances as of June 30, 2018 consisted of the following:

	Restricted Fund Balance	Assigned Fund Balance	Nonspendable Fund Balance
General Fund	\$ 0	\$ 60,064	\$ 0
Fire Department Capital Fund	0	139,612	0
Nonmajor funds:			
Admin Capital Fund	0	75,857	0
Equipment Reserve Fund	0	95,693	0
Salt Shed Reserve Fund	0	15,159	0
Office Expansion Fund	0	9,921	0
Planning Commission Fund	4,281	0	0
Conservation Reserve Fund	10,281	0	0
Lister Education Fund	5,039	0	0
Records Restoration Fund	33,723	0	0
Reappraisal Fund	82,166	0	0
Common Fund	47,193	0	0
Recreation Department Fund	8,940	0	0
Library Fund	15,663	0	0
Cemetery Fund	38,293	0	4,789
	<u>\$ 245,579</u>	<u>\$ 396,306</u>	<u>\$ 4,789</u>

NOTE 7 - PROPERTY TAXES AND ABATEMENTS

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 2017/2018:

	Residential	Non-residential
General Fund	\$ 0.3379	\$ 0.3379
Highway Fund	0.3051	0.3051
State Education Tax	1.4933	1.5271
	<u>\$ 2.1363</u>	<u>\$ 2.1701</u>

The State of Vermont operates a Current Use Program and enters into tax abatement agreements directly with landowners. Enrolled landowners are required to manage their land in accordance with an approved plan, and the land is subject to a lien to recover taxes abated if the land is ever developed. In exchange, the landowners receive a reduction in assessed value on their property tax bills, which results in a reduction of property tax revenue to the Town. For fiscal year 2018, the amount of Town property taxes foregone as a result of the Current Use Program was approximately \$82,600. In accordance with 32 V.S.A § 3760, the State of Vermont limits the total loss of revenue to zero by providing the Town with a Hold Harmless payment in the following year that is equivalent to the taxes previously foregone.

TOWN OF WESTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – 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 2018 was \$11,793, and was \$10,973 for 2017.

NOTE 9 - 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 10 - EXTRAORDINARY ITEM

In May of 2013, the Town of Westford sustained major infrastructure damage as a result of severe storms and flooding. The Town worked with the State of Vermont to close out two FEMA projects relating to the bridge on Seymour Road. As of June 30, 2018, the Town had incurred approximately \$650,000 in costs, none of which were incurred during fiscal year 2018. Reimbursements of \$627,344, including a final payment of \$216,834 in fiscal year 2018, have been received through June 30, 2018.

NOTE 11 – HIGHWAY FUND DEFICIT

As of June 30, 2018, a deficit of \$274,369 remains in the Highway Fund. The deficit will be incorporated into the fiscal year 2019 tax rate.

NOTE 12 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2018, expenditures exceeded appropriation in the General Fund by \$664,861. The excess expenditures were funded by loan proceeds, transfers from other funds excess revenue, and fund balance.

For the year ended June 30, 2018, expenditures exceed appropriations in the Highway Fund by \$339,976. The excess expenditures were funded by loan proceeds, sale of assets, and excess revenue.

NOTE 13 – 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, 2018 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.

TOWN OF WESTFORD, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 6, 2019, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure.

TOWN OF WESTFORD, VERMONT
 COMBINING AND INDIVIDUAL FUND SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES
 MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Capital Projects Funds				Special Revenue Funds								Total Non-Major Funds	
	Admin Capital Fund	Equipment Reserve	Salt Shed Reserve	Office Expansion	Planning Commission	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	\$ 43,082	\$ 43,082
Due from other funds	75,857	95,693	15,159	9,921	4,281	10,281	5,039	33,723	82,166	47,193	8,940	15,663	0	403,916
Total assets	<u>\$ 75,857</u>	<u>\$ 95,693</u>	<u>\$ 15,159</u>	<u>\$ 9,921</u>	<u>\$ 4,281</u>	<u>\$ 10,281</u>	<u>\$ 5,039</u>	<u>\$ 33,723</u>	<u>\$ 82,166</u>	<u>\$ 47,193</u>	<u>\$ 8,940</u>	<u>\$ 15,663</u>	<u>\$ 43,082</u>	<u>\$ 446,998</u>
FUND BALANCES														
Nonspendable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,789	\$ 4,789
Restricted	0	0	0	0	4,281	10,281	5,039	33,723	82,166	47,193	8,940	15,663	38,293	245,579
Assigned	75,857	95,693	15,159	9,921	0	0	0	0	0	0	0	0	0	196,630
Total fund balances	<u>\$ 75,857</u>	<u>\$ 95,693</u>	<u>\$ 15,159</u>	<u>\$ 9,921</u>	<u>\$ 4,281</u>	<u>\$ 10,281</u>	<u>\$ 5,039</u>	<u>\$ 33,723</u>	<u>\$ 82,166</u>	<u>\$ 47,193</u>	<u>\$ 8,940</u>	<u>\$ 15,663</u>	<u>\$ 43,082</u>	<u>\$ 446,998</u>

TOWN OF WESTFORD, VERMONT
 . COMBINING AND INDIVIDUAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2018

	Capital Projects Funds				Special Revenue Funds								Total Non-Major Funds	
	Admin Capital Fund	Equipment Reserve	Salt Shed Reserve	Office Expansion	Planning Commission	Conservation Reserve	Lister Education	Records Restoration	Reappraisal	Common Fund	Recreation Department	Library		Cemetery
REVENUES														
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,196	\$ 0	\$ 0	\$ 8,109	\$ 0	\$ 0	\$ 585	\$ 0	\$ 14,890
Charges for services	0	0	0	0	0	0	0	6,851	0	0	0	0	0	6,851
Donations	0	0	0	0	0	0	0	0	0	0	1,712	3,730	0	5,442
Investment interest	169	165	41	27	1	23	13	89	208	130	12,741	0	169	13,776
Total revenues	169	165	41	27	1	6,219	13	6,940	8,317	130	12,741	2,297	3,899	40,959
EXPENDITURES														
General government	0	0	0	0	0	2,762	0	4,186	0	0	0	0	0	6,948
Culture and recreation	0	0	0	0	0	0	0	0	0	1,730	21,106	68,949	0	91,785
Health and welfare	0	0	0	0	0	0	0	0	0	0	0	0	12,539	12,539
Total expenditures	0	0	0	0	0	2,762	0	4,186	0	1,730	21,106	68,949	12,539	111,272
EXCESS REVENUES (EXPENDITURES)	169	165	41	27	1	3,457	13	2,754	8,317	(1,600)	(8,365)	(66,652)	(8,640)	(70,313)
OTHER FINANCING SOURCES (USES)														
Transfer to Highway Fund	0	(43,505)	0	0	0	0	0	0	0	0	0	0	0	(43,505)
Transfer from Highway Fund	0	37,350	0	0	0	0	0	0	0	0	0	0	0	37,350
Transfer from General Fund	16,500	0	0	0	4,280	0	0	0	0	0	8,500	70,899	8,500	108,679
Total other financing sources (uses)	16,500	(6,155)	0	0	4,280	0	0	0	0	0	8,500	70,899	8,500	102,524
NET CHANGE IN FUND BALANCES	16,669	(5,990)	41	27	4,281	3,457	13	2,754	8,317	(1,600)	135	4,247	(140)	32,211
FUND BALANCES - JULY 1, 2017	59,188	101,683	15,118	9,894	0	6,824	5,026	30,969	73,849	48,793	8,805	11,416	43,222	414,787
FUND BALANCES - JUNE 30, 2018	\$ 75,857	\$ 95,693	\$ 15,159	\$ 9,921	\$ 4,281	\$ 10,281	\$ 5,039	\$ 33,723	\$ 82,166	\$ 47,193	\$ 8,940	\$ 15,663	\$ 43,082	\$ 446,998

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
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 modified cash basis financial statements of each major fund, and the aggregate remaining fund information of the Town of Westford, Vermont, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 6, 2019. We expressed an adverse opinion on the Town's financial statements due to not presenting government-wide financial statements.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

Fothergill Segale & Valley, CPA.
FOTHERGILL SEGALE & VALLEY, CPAs
Vermont Public Accountancy License #110
Montpelier, Vermont

January 6, 2019