

TOWN OF RICHMOND, VERMONT

**AUDIT REPORT AND REPORTS ON
COMPLIANCE AND INTERNAL CONTROL**

JUNE 30, 2016

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AUDIT REPORT
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Independent Auditor's Report

Selectboard
Town of Richmond, Vermont
P.O. Box 285
Richmond, VT 05477

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Richmond, Vermont, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Richmond, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Richmond, Vermont, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary 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 the management's discussion and analysis on pages 4 through 9, the Schedule of Proportionate Share of the Net Pension Liability on Schedule 1 and the Schedule of Contributions on Schedule 2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

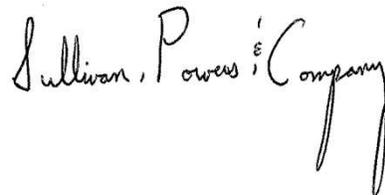
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Richmond, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by “Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,” is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 January 25, 2017 on our consideration of the Town of Richmond, Vermont’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Auditing Standards” in considering the Town of Richmond, Vermont’s internal control over financial reporting and compliance.

January 25, 2017
Montpelier, Vermont
VT Lic. #92-000180

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

**TOWN OF RICHMOND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Our discussion and analysis of the Town of Richmond, 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.

Financial Highlights

- The Town's net position increased by \$770,960 as a result of this year's operations. Net position of our business-type activities increased by \$119,883 and net position of our governmental activities increased by \$651,077.
- In the Town's business-type activities, operating revenues were \$802,266 while operating expenses were \$668,940.
- The cost of all of the Town's programs was \$3,972,540 this year, down by \$117,270 from the year prior.
- The General Fund reported a surplus this year of \$214,367.
- The unassigned fund balance for the General Fund was a surplus of \$768,457 as of June 30, 2016.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Governmental and proprietary fund financial statements report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The fiduciary fund statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside the government.

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 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 revenues and expenses are taken into account regardless of when cash is received or paid.

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, deferred outflows of resources, liabilities and deferred inflows of resources 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.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two types of services or activities:

- Governmental activities - Most of the Town's basic services are reported here, including public safety, highway and streets, culture and recreation, community services, and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-type activities - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer facilities are reported here.

Reporting the Town's Most Significant Funds

The fund financial statements 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 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 (like grants received from the U.S. Department of Housing and Urban Development). All of the Town's funds are categorized as governmental, proprietary and fiduciary.

- Governmental funds - The basic services provided by the Town are reported in the governmental funds. These statements provide a detailed, short-term view of the functions reported as governmental activities in the government-wide financial statements. The government-wide financial statements are reported using the modified accrual basis of accounting. This allows the reader to focus on assets that can be readily converted to cash and determine whether there are adequate resources to meet the Town's current needs.

The Town reports 22 individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund and Community Development Fund, which are considered major funds. Data from the other 20 governmental funds are aggregated into a single column on the fund financial statements. Individual fund data for these nonmajor governmental funds is provided in the supplementary schedules section.

- Proprietary funds - Proprietary Funds report activities that operate more like those of private-sector business and use the full accrual basis of accounting. Proprietary funds are reported as business-type activities on the government-wide financial statements. Since proprietary funds use accrual basis accounting, there are no differences between amounts reported on the government-wide statements and the proprietary fund statements. The Town uses a proprietary fund to account for its Water and Sewer Fund.
- Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of other parties. Fiduciary activity is not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The Town reports three trust funds and one agency fund.

The Town as a Whole

The Town's combined net position increased by \$770,960 from a year ago - increasing from \$10,131,895, to \$10,902,855. Looking at the net position and net expenses of governmental and business-type activities separately, two stories emerge. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

Table 1 - Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 2,672,198	\$ 2,548,746	\$ 824,085	\$ 433,736	\$ 3,496,283	\$ 2,982,482
Capital assets	5,298,892	4,668,330	7,397,292	5,840,169	12,696,184	\$10,508,499
Deferred Outflows	<u>187,277</u>	<u>55,764</u>	<u>-</u>	<u>-</u>	<u>187,277</u>	<u>\$ 55,764</u>
Total assets & deferred outflows	<u>8,158,367</u>	<u>7,272,840</u>	<u>8,221,377</u>	<u>6,273,905</u>	<u>16,379,744</u>	<u>13,546,745</u>
Other liabilities	353,216	108,268	550,089	78,264	903,305	\$ 186,532
Long-term liabilities	1,451,975	1,364,509	3,120,767	1,765,003	4,572,742	\$ 3,129,512
Deferred Inflows	<u>842</u>	<u>98,806</u>	<u>-</u>	<u>-</u>	<u>842</u>	<u>\$ 98,806</u>
Total liabilities	<u>1,806,033</u>	<u>1,571,583</u>	<u>3,670,856</u>	<u>1,843,267</u>	<u>5,476,889</u>	<u>3,414,850</u>
Net assets:						
Invested in capital assets, net of debt	3,907,758	3,372,869	4,131,671	4,083,065	8,039,429	\$ 7,455,934
Restricted	824,402	981,791	-	-	824,402	\$ 981,791
Unrestricted	<u>1,620,174</u>	<u>1,346,597</u>	<u>418,850</u>	<u>347,573</u>	<u>2,039,024</u>	<u>\$ 1,694,170</u>
Total net position	<u>6,352,334</u>	<u>5,701,257</u>	<u>4,550,521</u>	<u>4,430,638</u>	<u>10,902,855</u>	<u>10,131,895</u>

The unrestricted net position of the governmental activities, the part of total net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased from a \$1,346,597 surplus at June 30, 2015 to a \$1,620,174 surplus at June 30, 2016, an increase of \$273,577.

The unrestricted net position of our business-type activities increased to \$418,850 compared to \$347,573 in fiscal year 2015. The Town generally can only use the net position to finance the continuing operations of the water and sewer operations.

Table 2 - Change in Net Position

	2016			2015		
	Governmental Activities	Business-type Activities	Total Government	Governmental Activities	Business-type Activities	Total Government
REVENUES						
Program revenues:						
Grants and contributions	\$ 493,303	\$ -	\$ 493,303	\$ 619,093	\$ -	\$ 619,093
Charges for services	340,205	802,266	1,142,471	333,251	839,978	1,173,229
General revenues:						
Property taxes	2,921,114	-	2,921,114	2,920,407	-	2,920,407
Earnings from investments	750	-	750	653	-	653
Insurance Proceeds	7,296	-	7,296	34,621	-	34,621
Transfer In (Out)	(21,616)	21,616	-	(7,046)	7,046	-
Sale of Town Property		-	-	2,080	-	2,080
Other	<u>178,566</u>	<u>-</u>	<u>178,566</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,919,618</u>	<u>823,882</u>	<u>4,743,500</u>	<u>3,903,059</u>	<u>847,024</u>	<u>4,750,083</u>
PROGRAM EXPENSES						
General government	877,543	-	877,543	719,924	-	719,924
Public safety	721,663	-	721,663	710,876	-	710,876
Highways and streets	1,300,535	-	1,300,535	1,477,621	-	1,477,621
Culture and recreation	228,039	-	228,039	302,639	-	302,639
Appropriations	99,004	-	99,004	96,839	-	96,839
Interest	41,757	-	41,757	39,661	-	39,661
Water and sewer	<u>-</u>	<u>703,999</u>	<u>703,999</u>	<u>-</u>	<u>742,250</u>	<u>742,250</u>
Total program expenses	<u>3,268,541</u>	<u>703,999</u>	<u>3,972,540</u>	<u>3,347,560</u>	<u>742,250</u>	<u>4,089,810</u>
Increase (decrease) in net position	<u>\$ 651,077</u>	<u>\$ 119,883</u>	<u>\$ 770,960</u>	<u>\$ 555,499</u>	<u>\$ 104,774</u>	<u>\$ 660,273</u>

Table 2 - Change in Net Position

Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The increase in net position for governmental activities was \$651,077 in 2016 compared to \$555,499 in 2015.

Table 3 presents the cost of each of the Town’s five functions - general government, public safety, highways and streets, culture and recreation, and appropriations - 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

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 877,543	\$ 620,879	\$ 719,924	\$ 336,333
Public safety	721,663	635,349	710,876	618,613
Highways and streets	1,300,535	819,552	1,477,621	1,020,070
Culture and recreation	228,039	218,492	302,639	283,700
Appropriations	99,004	99,004	96,839	96,839
Interest	41,757	41,757	39,661	39,661
Totals	<u>\$ 3,268,541</u>	<u>\$ 2,435,033</u>	<u>\$ 3,347,560</u>	<u>\$ 2,395,216</u>

Business-type Activities

The factors driving this year’s results include:

Water and sewer revenues decreased in FY16 due in part to lower septage volume and some delinquencies. The Town anticipates that expenses and long-term debt will continue to increase due to inflation and related capital improvements.

The Town’s Funds

As the Town completed the year, its governmental funds (as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances) reported a combined fund balance of \$2,108,967, which is more than last year’s total of \$1,750,451. Included in this year’s total change in fund balance is a current year surplus of \$214,367 in the Town’s General Fund, and \$144,149 from other funds.

General Fund Budgetary Highlights

The Town’s budget performance varied from anticipated amounts due to two significant courses of events. First, we completed certain FEMA damage claims from the Summer of 2015 that were repaired several months later. Also, the town utilized revenues from short-term borrowing to make some equipment purchases.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2016, the Town had \$12,696,184 invested in a broad range of capital assets, including police and fire equipment, buildings, and water and sewer line, net of accumulated depreciation. (See Table 4) This amount represents a net increase (including additions and depreciation) of \$2,187,685 from the prior year.

Table 4 - Capital Assets, Net of Accumulated Depreciation, at Year-End

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 553,941	\$ 553,941	\$ 109,100	\$ 109,100	\$ 663,041	\$ 663,041
Construction in progress	8,507	-	192,776	159,737	201,283	159,737
Buildings & improvements	1,795,803	1,795,803	495,728	495,728	2,291,531	2,291,531
Vehicles and equipment	2,771,810	2,564,670	119,227	119,227	2,891,037	2,683,897
Water and sewer system	-	-	4,759,995	3,069,427	4,759,995	3,069,427
Infrastructure	2,667,943	2,253,416	-	-	2,667,943	2,253,416
Phosphorus upgrade	-	-	3,939,064	3,939,064	3,939,064	3,939,064
Accumulated depreciation	<u>(2,499,112)</u>	<u>(2,499,500)</u>	<u>(2,218,598)</u>	<u>(2,052,114)</u>	<u>(4,717,710)</u>	<u>(4,551,614)</u>
Totals	<u>\$ 5,298,892</u>	<u>\$ 4,668,330</u>	<u>\$ 7,397,292</u>	<u>\$ 5,840,169</u>	<u>\$ 12,696,184</u>	<u>\$ 10,508,499</u>

This year's Capital Asset additions included:

<i>Governmental Activities</i>	
Highway Truck w/Plow	\$ 132,000
Police Cruiser	35,000
Fire Truck	386,000
Huntington Rd Culvert	<u>142,000</u>
	<u>\$ 695,000</u>
<i>Business-type Activities</i>	
Water Storage Tank	<u>\$ 1,560,000</u>
	<u>\$ 1,560,000</u>

Debt

At June 30, 2016, the Town had \$4,656,755 in bonds, notes and lines of credit outstanding versus \$3,052,566 on June 30, 2015 – an increase of \$1,604,189 - as shown in Table 5. This is largely due to the Water Storage Tank.

Table 5 - Outstanding Debt at Year-End

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General obligation bonds	\$ 828,800	\$ 902,000	\$ 3,265,621	\$ 1,432,789	\$ 4,094,421	\$ 2,334,789
Notes payable	<u>562,334</u>	<u>393,461</u>	<u>-</u>	<u>324,316</u>	<u>562,334</u>	<u>717,777</u>
Totals	<u>\$ 1,391,134</u>	<u>\$ 1,295,461</u>	<u>\$ 3,265,621</u>	<u>\$ 1,757,105</u>	<u>\$ 4,656,755</u>	<u>\$ 3,052,566</u>

New debt resulted from the short term highway notes for the Highway Department and Police Department.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2017 budget, tax rates, and fees that will be charged for the business-type activities. Some of those factors are the economy, wages and unemployment in the region and the fees charged in other municipalities as well as capital improvements authorized by voters or the approved Capital Spending Plan.

When adopting the budget for the 2016-2017 year, the Selectboard took into account these indicators, specifically the Consumer Price Index for All Urban Consumers (CPI-U), as well as the rate of new home construction and adjustments to property values due to a stabilizing housing market, inflationary pressures, in particular in the areas of health insurance and highway construction costs both projected to continue to increase at between 5% and 10% annually.

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 Manager at Town of Richmond, P.O. Box 285, Richmond, Vermont 05477.

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

	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash	\$ 1,801,052	\$ 942,586	\$ 2,743,638
Receivables	252,072	206,663	458,735
Note Receivable	278,557	-	278,557
Internal Balances	328,005	(328,005)	-
Due from Fiduciary Funds	720	-	720
Prepaid Expenses	11,792	2,841	14,633
Capital Assets (Net of Accumulated Depreciation)	5,298,892	7,397,292	12,696,184
Total Assets	7,971,090	8,221,377	16,192,467
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	187,277	-	187,277
Total Deferred Outflows of Resources	187,277	-	187,277
<u>LIABILITIES</u>			
Accounts Payable	83,766	390,318	474,084
Accrued Payroll and Benefits Payable	24,166	3,253	27,419
Due to Others	2,399	-	2,399
Accrued Interest Payable	7,936	3,540	11,476
Noncurrent Liabilities:			
Due within One Year	234,949	152,978	387,927
Due in More than One Year	1,451,975	3,120,767	4,572,742
Total Liabilities	1,805,191	3,670,856	5,476,047
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources Related to the Town's Participation in VMERS	842	-	842
Total Deferred Inflows of Resources	842	-	842
<u>NET POSITION</u>			
Net Investment in Capital Assets	3,907,758	4,131,671	8,039,429
Restricted for:			
Public Safety	22,230	-	22,230
Culture and Recreation	12,303	-	12,303
Cemetery	142,141	-	142,141
Capital	39,888	-	39,888
Community Development	65,364	-	65,364
Land Conservation	278,557	-	278,557
Other	263,919	-	263,919
Unrestricted	1,620,174	418,850	2,039,024
Total Net Position	\$ 6,352,334	\$ 4,550,521	\$ 10,902,855

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

**TOWN OF RICHMOND, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary Government:							
Governmental Activities:							
General Government	\$ 877,543	\$ 242,239	\$ 14,425	\$ -	\$ (620,879)	\$ -	\$ (620,879)
Public Safety	721,663	86,314	-	-	(635,349)	-	(635,349)
Highways and Streets	1,300,535	2,105	113,095	365,783	(819,552)	-	(819,552)
Culture and Recreation	228,039	9,547	-	-	(218,492)	-	(218,492)
Appropriations	99,004	-	-	-	(99,004)	-	(99,004)
Interest on Long-term Debt	41,757	-	-	-	(41,757)	-	(41,757)
Total Governmental Activities	3,268,541	340,205	127,520	365,783	(2,435,033)	-	(2,435,033)
Business-type Activities:							
Water and Sewer	703,999	802,266	-	-	-	98,267	98,267
Total Business-type Activities	703,999	802,266	-	-	-	98,267	98,267
Total Primary Government	\$ 3,972,540	\$ 1,142,471	\$ 127,520	\$ 365,783	(2,435,033)	98,267	(2,336,766)
General Revenues:							
Property Taxes					2,921,114	-	2,921,114
Penalties and Interest on Delinquent Taxes					64,720	-	64,720
General State Grants					82,114	-	82,114
Donations					8,537	-	8,537
Unrestricted Investment Earnings					750	-	750
Insurance Proceeds					7,296	-	7,296
Miscellaneous Income					23,195	-	23,195
Transfers:					(21,616)	21,616	-
Total General Revenues and Transfers					3,086,110	21,616	3,107,726
Change in Net Position					651,077	119,883	770,960
Net Position - July 1, 2015					5,701,257	4,430,638	10,131,895
Net Position - June 30, 2016					\$ 6,352,334	\$ 4,550,521	\$ 10,902,855

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

**TOWN OF RICHMOND, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Community Development Fund	Other Governmental Funds	Totals Governmental Funds
<u>ASSETS</u>				
Cash	\$ 1,269,275	\$ -	\$ 531,777	\$ 1,801,052
Receivables	252,072	-	-	252,072
Note Receivable	-	278,557	-	278,557
Due From Other Funds	-	-	965,442	965,442
Prepaid Expenses	11,792	-	-	11,792
Total Assets	<u>\$ 1,533,139</u>	<u>\$ 278,557</u>	<u>\$ 1,497,219</u>	<u>\$ 3,308,915</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 83,766	\$ -	\$ -	\$ 83,766
Accrued Payroll and Benefits Payable	24,166	-	-	24,166
Due to Other Funds	468,216	-	168,501	636,717
Due to Others	2,399	-	-	2,399
Total Liabilities	<u>578,547</u>	<u>-</u>	<u>168,501</u>	<u>747,048</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Property Taxes, Penalties and Interest	146,000	-	-	146,000
Unavailable Grants	28,343	-	-	28,343
Unavailable Note Receivable	-	278,557	-	278,557
Total Deferred Inflows of Resources	<u>174,343</u>	<u>278,557</u>	<u>-</u>	<u>452,900</u>
<u>FUND BALANCES</u>				
Nonspendable	11,792	-	-	11,792
Restricted	-	-	545,845	545,845
Committed	-	-	455,625	455,625
Assigned	-	-	327,248	327,248
Unassigned	768,457	-	-	768,457
Total Fund Balances	<u>780,249</u>	<u>-</u>	<u>1,328,718</u>	<u>2,108,967</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,533,139</u>	<u>\$ 278,557</u>	<u>\$ 1,497,219</u>	<u>\$ 3,308,915</u>

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

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

Amount Reported on Balance Sheet - Governmental Funds - Total Fund Balances	\$ 2,108,967
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because -	
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.	5,298,892
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.	452,900
Long-Term and Accrued Liabilities, Including Bonds Payable and the Net Pension Liability, are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds.	(1,694,860)
Deferred Outflows and Inflows of Resources Relate to the Town's Participation in VMERS are Applicable to Future Periods and, Therefore, are not Reported in the Funds.	<u>186,435</u>
Net Position of Governmental Activities - Government-wide Statement of Net Position	<u><u>\$ 6,352,334</u></u>

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

TOWN OF RICHMOND, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Community Development Fund	Other Governmental Funds	Totals Governmental Funds
Revenues:				
Property Taxes	\$ 3,049,608	\$ -	\$ -	\$ 3,049,608
Intergovernmental	698,378	-	-	698,378
Fees, Licenses and Permits	26,062	-	159,886	185,948
Charges for Services	58,816	-	-	58,816
Donations	-	-	8,537	8,537
Interest Income	28	-	722	750
Miscellaneous	30,764	-	2,244	33,008
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	3,863,656	-	171,389	4,035,045
Expenditures:				
General Government	714,915	-	7,123	722,038
Public Safety	619,257	-	6,019	625,276
Highways and Streets	1,064,185	-	4,451	1,068,636
Library	195,756	-	7,000	202,756
Culture and Recreation	8,502	-	6,561	15,063
Appropriations	99,004	-	-	99,004
Capital Outlay:				
Highways and Streets	433,984	-	132,612	566,596
Public Safety	34,460	-	386,164	420,624
Debt Service:				
Principal	262,332	-	-	262,332
Interest	41,757	-	-	41,757
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	3,474,152	-	549,930	4,024,082
Excess/(Deficiency) of Revenues Over Expenditures				
	<hr/>	<hr/>	<hr/>	<hr/>
	389,504	-	(378,541)	10,963
Other Financing Sources/(Uses):				
Proceeds from Long-term Debt	-	-	358,005	358,005
Proceeds from Sale of Property	3,868	-	-	3,868
Insurance Proceeds	7,296	-	-	7,296
Transfers In	15,000	-	188,543	203,543
Transfers Out	(201,301)	-	(23,858)	(225,159)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources/(Uses)	(175,137)	-	522,690	347,553
Net Change In Fund Balances				
	<hr/>	<hr/>	<hr/>	<hr/>
	214,367	-	144,149	358,516
Fund Balances - July 1, 2015				
	<hr/>	<hr/>	<hr/>	<hr/>
	565,882	-	1,184,569	1,750,451
Fund Balances - June 30, 2016				
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 780,249	\$ -	\$ 1,328,718	\$ 2,108,967

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

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

Net change in fund balances - total Governmental Funds	\$ 358,516
Amounts reported for governmental activities in the Government-wide Statement of Activities are different because -	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$987,220) is allocated over their estimated useful lives and reported as depreciation expense (\$342,030). This is the amount by which capital outlays exceed depreciation in the current period.	645,190
The net effects of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to reduce net position.	(10,072)
The issuance of long-term debt (\$358,005) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$262,332) consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of the differences in the treatment of long-term debt and related items.	(95,673)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is paid. In the statement of activities, interest expense is recognized as interest accrues.	(3,266)
Increase in accrued interest	
Changes in accrued compensated absences accumulated by employees will increase or decrease the liability reported in the government-wide statements, but are only recorded as an expenditure when paid in the governmental funds.	(2,277)
Governmental funds report employer pension contributions as expenditures (\$68,135). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$75,112) is reported as pension expense. This amount is net effect of the differences in the treatment of pension expense.	(6,977)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(234,364)</u>
Change in Net Position of Governmental Activities - Government-wide Statement of Activities	\$ <u>651,077</u>

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

TOWN OF RICHMOND, VERMONT
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Property Taxes	\$ 2,934,817	\$ 2,984,888	\$ 50,071
Delinquent Penalty and Interest	37,000	64,720	27,720
Total Property Taxes	2,971,817	3,049,608	77,791
Intergovernmental -			
Highway State Aid	113,500	113,095	(405)
Railroad Tax	1,700	3,391	1,691
Per Parcel Listing	16,036	-	(16,036)
Current Use Program	62,000	78,723	16,723
Act 60 Reappraisal Grant	1,700	14,425	12,725
FEMA - Ice Storm	-	216,180	216,180
Special Grants	399	186,250	185,851
Total Intergovernmental	195,335	612,064	416,729
Fees, Licenses, and Permits -			
Liquor Licenses	800	1,200	400
Dog Licenses	5,100	4,913	(187)
Marriage Licenses	200	270	70
Overweight Permits	1,000	1,175	175
Access Permits	150	660	510
Vehicle Registration	600	270	(330)
Zoning Permits	16,000	16,954	954
Right of Way Permit	-	200	200
Field Use	500	420	(80)
Total Fees, Licenses, and Permits	24,350	26,062	1,712
Charges for Goods and Services -			
Town Center Rent	15,000	15,000	-
Water and Sewer Administrative Charges	30,000	30,000	-
School District Payment	1,500	-	(1,500)
Town Clerk's Fees	26,000	23,368	(2,632)
Vault Time and Copies	4,000	4,078	78
Certified Copies	1,200	1,370	170
Total Charges for Goods and Services	77,700	73,816	(3,884)
Police Revenues -			
Police Grants			-
Local Fines	1,000	2,625	1,625
Police Receipts	1,200	840	(360)
CESU Contribution - SRO	46,000	35,550	(10,450)
Uniform Traffic Tickets	21,000	47,299	26,299
Total Police Revenues	69,200	86,314	17,114

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

**TOWN OF RICHMOND, VERMONT
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES (CONTINUED):			
Other Revenues -			
Interest Income	500	28	(472)
Lien Payment	-	20,000	20,000
Miscellaneous	5,000	10,764	5,764
Total Other Revenues	<u>5,500</u>	<u>30,792</u>	<u>25,292</u>
Total Revenues	<u>3,343,902</u>	<u>3,878,656</u>	<u>534,754</u>
EXPENDITURES:			
Town Administration-			
Salaries - Administrative	203,000	207,110	(4,110)
Salaries - Delinquent Tax Collector	10,000	14,966	(4,966)
Salaries - Elections	2,700	372	2,328
Selectboard	3,750	3,750	-
Bank Fees	-	526	(526)
Payroll Taxes	15,530	17,615	(2,085)
Retirement	11,165	8,920	2,245
Health Insurance	43,884	40,988	2,896
Long-Term Disability	1,300	1,127	173
Awards	800	600	200
Office Supplies	3,250	5,927	(2,677)
Recording Books	3,600	3,514	86
Postage	7,500	6,032	1,468
Office Equipment	6,000	2,007	3,993
Website Administration	1,600	233	1,367
Advertising Administration	4,000	4,216	(216)
Town Reports	5,000	4,510	490
Training and Education	1,500	817	683
Travel	150	46	104
Telephone	5,000	4,299	701
Association Dues	500	470	30
Contracted Services - Administrative	15,500	26,987	(11,487)
Contracted Services - Animal	3,200	2,658	542
Contracted Services - Election	4,700	-	4,700
Technology	1,000	1,647	(647)
Heat	11,000	7,138	3,862
Electricity	9,200	10,348	(1,148)
Water and Sewer	4,800	6,631	(1,831)
Trash Removal	3,000	1,574	1,426
Building Maintenance	11,000	14,930	(3,930)
Landscaping and Tree Maintenance	2,000	1,401	599
Membership Dues	5,345	5,342	3
Legal	7,500	18,456	(10,956)
Independent Auditors	20,000	17,041	2,959
Engineering Review	3,000	-	3,000
General Insurance	116,000	136,868	(20,868)

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

**TOWN OF RICHMOND, VERMONT
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES (CONTINUED):			
Town Administration (continued) -			
County Tax	22,000	21,501	499
Emergency Management	1,000	-	1,000
Total Town Administration	570,474	600,567	(30,093)
Listers Department-			
Office Supplies	850	810	40
Training and Education	400	-	400
Contracted Work	23,000	19,500	3,500
Tax Map Maintenance	1,500	2,390	(890)
Total Listers	25,750	22,700	3,050
Planning and Zoning Department-			
Salaries	68,500	68,508	(8)
Payroll Taxes	5,240	4,147	1,093
Retirement	3,000	2,043	957
Health Insurance	-	41	(41)
Health Insurance Opt Out	5,000	5,000	-
Long-Term Disability	1,100	246	854
Office Supplies	2,400	2,479	(79)
Postage	900	900	-
Advertising	4,200	2,691	1,509
Training and Education	455	90	365
Travel	600	262	338
Association Dues	210	80	130
Contracted Work	3,100	1,961	1,139
Legal	7,700	3,200	4,500
Total Planning and Zoning	102,405	91,648	10,757
Total General Government	698,629	714,915	(16,286)
Police Department:			
Salaries	239,000	281,145	(42,145)
School Resource Officer	46,000	23,790	22,210
Health Insurance Opt Out	5,000	10,577	(5,577)
Overtime	32,272	32,607	(335)
Payroll Taxes	18,284	26,875	(8,591)
Retirement	11,000	31,091	(20,091)
Health Insurance	66,636	38,736	27,900
Long-Term disability	1,800	1,685	115
Uniforms	7,620	4,642	2,978
Office Supplies	2,550	2,708	(158)
Office Equipment	2,550	2,299	251
Computer - Office	5,500	6,709	(1,209)
Training and Education	3,060	2,269	791
Travel	500	105	395
Telephone	6,120	8,555	(2,435)

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

**TOWN OF RICHMOND, VERMONT
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES (CONTINUED):			
Police Department (continued) -			
Supplies	6,304	10,999	(4,695)
Equipment Repair	1,500	2,319	(819)
Gas and Diesel	26,500	17,524	8,976
Cruiser Repairs	6,120	18,270	(12,150)
Cruiser Equipment	7,000	1,034	5,966
Cruiser Tires	4,080	2,517	1,563
Total Police Department	499,396	526,456	(27,060)
Fire department:			
Salaries	16,000	16,666	(666)
Payroll Taxes	1,300	1,405	(105)
Medical	100	-	100
Training and Education	500	-	500
Travel	400	-	400
Telephone	2,900	2,934	(34)
Public Relations	200	-	200
Heat	2,500	2,186	314
Electricity	1,900	1,847	53
Water and Sewer	1,500	1,226	274
Maintenance	2,000	10,958	(8,958)
Radio Repair	1,500	2,061	(561)
Radio Dispatch	6,000	4,979	1,021
Gas, Oil, and Diesel Fuels	4,200	2,614	1,586
Pump Testing	1,000	262	738
Fleet Maintenance	8,000	9,282	(1,282)
Hose Testing	3,500	1,969	1,531
Equipment Repair	1,500	806	694
Supplies	2,000	2,274	(274)
Equipment Purchase	9,600	13,098	(3,498)
Total Fire Department	66,600	74,567	(7,967)
Total Public Safety	565,996	601,023	(35,027)
Highways and Streets -			
Highway:			
Salaries	242,760	222,686	20,074
Health Insurance Opt Out	20,000	14,039	5,961
Overtime	28,611	17,436	11,175
Payroll Taxes	22,000	19,241	2,759
Retirement	14,000	12,846	1,154
Health Insurance	31,354	43,867	(12,513)
Disability	1,800	1,397	403
Uniforms	2,800	2,690	110
Office Supplies	1,500	587	913
Telephone	1,900	1,809	91
Education and Licenses	400	393	7
Heat	6,500	4,014	2,486

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

**TOWN OF RICHMOND, VERMONT
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES (CONTINUED):			
Highways and Streets (continued) -			
Electricity	2,900	2,268	632
Water and Sewer	2,000	2,090	(90)
Trash Removal	1,200	866	334
Maintenance	7,000	15,540	(8,540)
Street Lights	15,500	14,623	877
FEMA Grant Expenses	-	165,933	(165,933)
Radio Repair	300	321	(21)
Gas and Oil	3,500	2,273	1,227
Diesel Fuel	80,000	32,283	47,717
Truck Repairs	12,000	14,558	(2,558)
Excavator Repairs	1,500	4,171	(2,671)
Gang Mowers	600	-	600
Winter Maintenance Attachments	300	-	300
Grader Repair	2,500	443	2,057
Loader Repair	600	849	(249)
Pickup Repair	500	890	(390)
Park Mower	800	2,919	(2,119)
Roadside Mower	300	246	54
Tractor	300	824	(524)
Utility Vehicle	1,000	612	388
Tires Chains	1,000	633	367
Tires	8,000	7,335	665
Small Equipment Repair	1,000	1,240	(240)
Total Highway	516,425	611,922	(95,497)
Road Maintenance and Bridges:			
Equipment Rental	25,000	25,268	(268)
Engineering & Consulting	200	-	200
Small Equipment Purchases	7,000	6,575	425
Cutting Edges	10,000	9,247	753
Welding and Cutting Supplies	1,000	682	318
Wood Chip Rental	1,600	1,600	-
Miscellaneous Equipment Parts	1,000	973	27
Bridge and Culvert Repair	3,200	-	3,200
Patching	1,000	2,155	(1,155)
Chloride	15,000	15,000	-
Gravel	221,000	220,322	678
Salt	72,200	55,862	16,338
Sand	48,000	48,285	(285)
Miscellaneous Supplies	1,000	868	132
Sweeping	3,600	3,600	-
Centerline Paint	2,500	793	1,707
Guardrails	3,000	8,948	(5,948)
Signs	3,000	2,200	800
Culverts	6,000	6,391	(391)

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

**TOWN OF RICHMOND, VERMONT
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES (CONTINUED):			
Highways and Streets (continued) -			
Retreatment	290,000	282,201	7,799
Storm Drains	2,500	1,388	1,112
Total Road Maintenance and Bridges	717,800	692,358	25,442
Total Highways and Streets	1,234,225	1,304,280	(70,055)
Library -			
Salaries	132,202	130,859	1,343
Health Insurance Opt Out	5,000	5,000	-
Payroll Taxes	10,318	10,240	78
Retirement	3,787	5,639	(1,852)
Health Insurance	1,556	1,190	366
Disability	460	329	131
Office Supplies	2,000	1,204	796
Postage	1,000	885	115
Computer	2,500	2,353	147
Training and Education	300	185	115
Travel	300	-	300
Telephone	2,500	2,598	(98)
Heat	3,000	2,503	497
Electricity	5,500	5,048	452
Water and Sewer	800	1,525	(725)
Maintenance	10,200	9,896	304
Books	12,000	14,560	(2,560)
Programs	700	883	(183)
Miscellaneous	-	859	(859)
Total Library	194,123	195,756	(1,633)
Recreation -			
Salaries	3,000	2,250	750
Payroll Taxes	300	179	121
Dues	250	-	250
Electricity	900	551	349
Water and Sewer	1,200	1,204	(4)
Trash Removal	800	1,179	(379)
Park Maintenance	3,500	1,891	1,609
Trail Maintenance	1,000	1,190	(190)
Special Events	500	58	442
Total Recreation	11,450	8,502	2,948
Rainy Day Reserve -			
Public Safety Study	-	18,234	(18,234)
Total Rainy Day Reserve	-	18,234	(18,234)
Special Grant Funds			
Grant Expenses	-	43,084	(43,084)
Total Special Grant Funds	-	43,084	(43,084)

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

**TOWN OF RICHMOND, VERMONT
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES (CONTINUED):			
Special Appropriations -			
Lake Iroquois Association	400	400	-
Lake Iroquois District	600	600	-
Central Vermont Agency on Aging	1,800	-	1,800
Flags	650	1,330	(680)
Greater Burlington Industrial Corporation	100	100	-
Regional Planning	5,800	5,703	97
Richmond Community Band	400	400	-
Richmond Rescue	66,300	66,300	-
Hale & Hearty	4,100	4,100	-
Transportation Services - SSTA	2,300	1,765	535
Visiting Nurses Association	9,693	9,693	-
Vermont Center for Independent Living	375	375	-
Front Page Forum	-	100	(100)
Committee on Temporary Shelter	500	500	-
Our Community Cares Camp	100	100	-
CUSI Domestic Task Force	8,000	7,538	462
Total Special Appropriations	101,118	99,004	2,114
Debt service -			
Principal payments:			
2016 Police Cams	-	6,264	(6,264)
2005 Engine	10,000	10,000	-
Depot Improvement Note	20,000	20,000	-
2007 Tandem Dump Truck	22,438	22,438	-
2011 Dump Truck	27,470	25,626	1,844
1996 Highway Garage	20,000	20,000	-
Fire Engine 2010 Note	49,500	50,500	(1,000)
Jericho Road Bond	43,200	43,200	-
2015 Dump Truck	25,000	19,844	5,156
2013 Excavator	22,000	21,960	40
2014 Highway Equipment	22,750	22,500	250
Total Principal Payments	262,358	262,332	26
Interest payments:			
2016 Police Cams	-	587	(587)
2011 Engine	1,152	1,011	141
2005 Engine	4,590	4,590	-
Equipment Note Interest	6,000	-	6,000
1996 Highway Garage	4,000	2,695	1,305
Depot Street Interest	1,200	1,166	34
2015 Dump Truck	-	2,395	(2,395)
Jericho Bond Note	25,930	25,927	3
Excavator Interest	1,021	1,491	(470)
2011 Dump Truck Interest	-	544	(544)
2012 Dump Truck	620	-	620
Tandem Dump Truck Interest	-	1,017	(1,017)

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

**TOWN OF RICHMOND, VERMONT
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES (CONTINUED):			
Interest Payments Continued -			
2014 Highway Equipment	380	334	46
Total Interest Payments	<u>44,893</u>	<u>41,757</u>	<u>3,136</u>
Total Debt Service	<u>307,251</u>	<u>304,089</u>	<u>3,162</u>
Capital Outlay -			
Highway and Streets	-	150,805	(150,805)
Police Cruiser Lease	<u>30,000</u>	<u>34,460</u>	<u>(4,460)</u>
Total Capital Outlay	<u>30,000</u>	<u>185,265</u>	<u>(155,265)</u>
Total Expenditures	<u>3,142,792</u>	<u>3,474,152</u>	<u>(331,360)</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>201,110</u>	<u>404,504</u>	<u>203,394</u>
OTHER FINANCING SOURCES (USES):			
Sale of Town Property	1,000	3,868	2,868
Insurance Proceeds	-	7,296	7,296
Transfer to Water and Sewer Fund	(22,370)	(21,616)	754
Transfer to Reappraisal Fund	(7,000)	(7,000)	-
Transfer to Library Reserve Fund	(8,000)	(8,000)	-
Transfer to Conservation Fund	(44,500)	(44,500)	-
Transfer to Fire Reserve Fund	(28,500)	(28,500)	-
Transfer to Police Reserve Fund	(2,040)	(2,040)	-
Transfer to Highway Reserve Fund	(52,700)	(52,645)	55
Transfer to Bridge and Culvert Reserve Fund	<u>(37,000)</u>	<u>(37,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(201,110)</u>	<u>(190,137)</u>	<u>10,973</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 214,367</u>	<u>\$ 214,367</u>

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

TOWN OF RICHMOND, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2016

	<u>Water and Sewer Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 942,586
Accounts Receivable	206,663
Prepaid Expense	<u>2,841</u>
Total Current Assets	<u>1,152,090</u>
Noncurrent Assets:	
Capital Assets	9,615,890
Less: Accumulated Depreciation	<u>(2,218,598)</u>
Total Noncurrent Assets	<u>7,397,292</u>
Total Assets	<u>8,549,382</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	390,318
Accrued Interest	3,540
Accrued Wages	3,253
Due to Other Funds	328,005
Current Portion of Long-term Debt	<u>152,978</u>
Total Current Liabilities	<u>878,094</u>
Noncurrent Liabilities:	
Accrued Compensated Absences	8,124
Long-term Debt	<u>3,112,643</u>
Total Noncurrent Liabilities	<u>3,120,767</u>
Total liabilities	<u>3,998,861</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	4,131,671
Restricted	-
Unrestricted	<u>418,850</u>
Total Net Position	<u>\$ 4,550,521</u>

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

TOWN OF RICHMOND, VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Water and Sewer Fund</u>
Operating Revenues:	
Charges for Services	\$ <u>802,266</u>
Total Operating Revenues	<u>802,266</u>
Operating Expenses:	
Administration	238,094
Pump Station	1,297
Wastewater Department	211,239
Water Department	51,826
Depreciation	<u>166,484</u>
Total Operating Expenses	<u>668,940</u>
Operating Income	<u>133,326</u>
Non-Operating Revenues/(Expenses):	
Transfer In	21,616
Interest Expense	<u>(35,059)</u>
Total Non-Operating Revenues/(Expenses)	<u>(13,443)</u>
Change In Net Position	119,883
Net Position - July 1, 2015	<u>4,430,638</u>
Net Position - June 30, 2016	\$ <u><u>4,550,521</u></u>

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

TOWN OF RICHMOND, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Water and Sewer Fund
Cash Flows From Operating Activities:	
Receipts from Customers	\$ 803,016
Payments for Goods and Services	(342,071)
Payments for Wages and Benefits	(214,286)
Net Cash Provided by Operating Activities	246,659
Cash Flows From Capital And Related Financing Activities:	
Acquisition and Construction of Capital Assets	(1,349,026)
Proceeds from Long-Term Debt	1,602,323
Transfer In	21,616
Principal Paid on General Obligation Bonds	(93,807)
Interest Paid on General Obligation Bonds	(39,433)
Net Cash Provided by Capital and Related Financing Activities	141,673
Cash Flows From Non-Capital Financing Activities:	
Increase/(Decrease) in Due from Other Funds	208,841
Net Cash Provided by Non-Capital Financing Activities	208,841
Net Increase in Cash	597,173
Cash - July 1, 2015	345,413
Cash - June 30, 2016	\$ 942,586
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 133,326
Depreciation	166,484
(Increase)/Decrease in Accounts Receivable	746
(Increase)/Decrease in Prepaid Expenses	(2,762)
Increase/(Decrease) in Accounts Payable	(52,333)
Increase/(Decrease) in Accrued Wages and Benefits Payable	972
Increase/(Decrease) in Compensated Absences Payable	226
Net Cash Provided by Operating Activities	\$ 246,659

The Town received non-cash capital contributions of \$374,581.

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

TOWN OF RICHMOND, VERMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private Purpose Trust Funds	<u>Agency Fund Engineering Fee Fund</u>	Totals Fiduciary Funds
<u>ASSETS</u>			
Cash	\$ 30,635	\$ 8,634	\$ 39,269
Total Assets	<u>30,635</u>	<u>8,634</u>	<u>39,269</u>
<u>LIABILITIES</u>			
Due to Developers	-	7,914	7,914
Due to Other Funds	<u>-</u>	<u>720</u>	<u>720</u>
Total Liabilities	<u>-</u>	<u>8,634</u>	<u>8,634</u>
<u>NET POSITION</u>			
Total Net Position	<u>\$ 30,635</u>	<u>\$ -</u>	<u>\$ 30,635</u>

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

TOWN OF RICHMOND, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Private Purpose Trust Funds
Additions:	
Investment Income	\$ <u>46</u>
Total Additions	<u>46</u>
Deductions:	
Total Deductions	<u>0</u>
Change in Net Position	46
Net Position - July 1, 2015	<u>30,589</u>
Net Position - June 30, 2016	<u><u>\$ 30,635</u></u>

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

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

The Town of Richmond, Vermont, (herein the "Town") operates under a Manager/Selectboard form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, health and social services, culture and recreation, community/economic development, public improvements, planning and zoning, water, sewer and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Town of Richmond, Vermont (the "Town") conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

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

B. Basis of Presentation

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

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole and present a longer-term view of the Town's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town and present a shorter-term view of how operations were financed and what remains available for future spending.

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

The Town reports on the following major governmental funds:

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

Community Development Fund – This fund accounts for the Town's Community Development Loan Fund which provides loans to area businesses.

The Town reports on the following major enterprise funds:

Water and Sewer Fund – This fund accounts for the operations of the Water and Sewer Department.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Additionally, the Town reports the following fund type:

Private Purpose Trust Funds – These funds are used to report trust arrangements under which resources are to be used for books, school athletics and scholarships. Only investment earnings may be used to support these activities.

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Agency Funds – These funds account for resources held by the Town in a purely custodial capacity for other governments, private organizations or individuals.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., total net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses 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.

The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under capital leases and sales of capital assets are reported as other financing sources.

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

E. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

1. Cash

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

Excess cash of individual funds are shown as due from other funds and excess withdrawals are shown as due to other funds. Interest income is allocated based on the due from/to other fund balances.

2. Receivables

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

3. Internal Balances

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as “advances from/to other funds”. All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

4. Prepaid Expenses

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

Reported prepaid expenses of governmental funds in the fund financial statements are offset by a nonspendable fund balance as they are not in spendable form.

5. Pensions

For purposes of measuring the proportionate share of the net pension liability and the related deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Vermont Municipal Employees’ Retirement System (VMERS) plan and additions to/deductions from the VMERS’ fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town has one type which arises under the accrual basis of accounting that qualifies for reporting in this category. The governmental activities reports deferred outflows of resources from one source; deferred outflows related to the Town’s participation in the Vermont Municipal Employees’ Retirement System. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

TOWN OF RICHMOND, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three types of items which arise under the modified accrual basis of accounting and one type which arises under the accrual basis of accounting that qualify for reporting in this category. The governmental activities reports deferred inflows of resources from one source; deferred outflows related to the Town’s participation in the Vermont Municipal Employees’ Retirement System. The governmental funds report deferred inflows of resources from three sources; unavailable property taxes, penalties and interest, unavailable grants and unavailable notes receivable. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

7. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets’ lives are not capitalized. Infrastructure assets are reported starting with fiscal year ended June 30, 2004. The Town has elected to not report major general infrastructure assets retroactively.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Estimated Service Life
Land	\$ 5,000	Not Depreciated
Buildings and Building Improvements	\$ 5,000	50 Years
Vehicles	\$ 5,000	4-20 Years
Machinery and Equipment	\$ 5,000	4-20 Years
Roads, Bridges, and Sidewalks	\$ 5,000	20-30 Years
Water and Sewer Distribution and Collection Systems	\$ 5,000	50 Years
Phosphorus Upgrade	\$ 5,000	50 Years

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are acquired.

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

8. Operating leases:

The Town entered into a three year lease, as lessor, with the Chittenden East Supervisory Union (CESU) which concluded in June, 2015. The lease was renewed with an option to cancel on thirty days notice for \$3,526 per month. Rental income for the year ended June 30, 2016 was \$42,318.

The Town entered into a twenty year lease, as lessor, with the U.S. Postal Service (USPS) through September, 2013. In August, 2013, the lease was renewed through September, 2018. Rental income for the year ended June 30, 2016 was \$89,200.

Minimum future rental income over the remaining terms of the lease is as follows:

	<u>USPS</u>	<u>Total</u>
2017	\$ 89,200	\$ 89,200
2018	89,200	89,200
2019	<u>14,867</u>	<u>14,867</u>
Total	<u>\$ 193,267</u>	<u>\$ 193,267</u>

9. Compensated Absences

It is the Town’s policy to permit employees to accumulate earned but unused leave time. The accrual for unused compensated absences, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental fund financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

10. Long-term Liabilities

Long-term liabilities include bonds and notes payable, capital leases and other obligations such as compensated absences and the Town’s net pension liability. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those statements use the current financial resources measurement focus and only include current liabilities on their balance sheets.

11. Fund Equity

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

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS**

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, whereas government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as other financing sources, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report proceeds of long-term debt as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

Pension-related differences arise because governmental funds report the current year’s required employer contributions as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources. In addition, the accrual for the Town’s proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The General Fund budget is approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget amendments during the year.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2016, expenditures in the General Fund exceeded appropriations by \$331,360. These over expenditures were funded by excess revenues.

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS

A. Cash

The Town's cash as of June 30, 2016 consisted of the following:

Cash:		
Deposits with Financial Institutions		\$2,782,220
Cash on Hand		<u> 687</u>
Total Cash		<u>\$2,782,907</u>

Custodial Credit Risk

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

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 936,917	\$ 936,917
Uninsured, Collateralized by U.S. Government Securities Held by the Bank in the Bank's Name for the Benefit of the Town	<u>1,845,303</u>	<u>1,925,862</u>
Total	<u>\$2,782,220</u>	<u>\$2,862,779</u>

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

B. Receivables

Receivables as of June 30, 2016, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes	\$ 159,010	\$ 0	\$ 159,010
Penalties and Interest	35,278	0	35,278
Billed Services	0	30,763	30,763
Unbilled Services	8,789	175,800	184,589
Employee Receivable (VMERS Catch-up)	7,033	0	7,033
Grants Receivable	41,022	0	41,022
Miscellaneous	940	100	1,040
	<u>\$ 252,072</u>	<u>\$ 206,663</u>	<u>\$ 458,735</u>

C. Loans Receivable

Loans receivable as of June 30, 2016 consist of a loan to the Richmond Village Housing Limited Partnership for community development as follows:

Loan Receivable, Richmond Village Housing Limited Partnership, Interest at 0%, Deferred Until April 30, 2029 When Annual Principal Installments of \$27,500 Begin, Secured by Real Estate	\$ 412,500
Less: Discount on Loan Receivable at 2%.	<u>(133,943)</u>
Reported Value at June 30, 2016	<u>\$ 278,557</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 553,941	\$ 0	\$ 0	\$ 553,941
Construction in Progress	0	8,507	0	8,507
Total Capital Assets, Not Being Depreciated	<u>553,941</u>	<u>8,507</u>	<u>0</u>	<u>562,448</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	1,795,803	0	0	1,795,803
Vehicles and Equipment	2,564,670	564,186	357,046	2,771,810
Infrastructure	2,253,416	414,527	0	2,667,943
Totals	<u>6,613,889</u>	<u>978,713</u>	<u>357,046</u>	<u>7,235,556</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	569,479	35,716	0	605,195
Vehicles and Equipment	1,385,118	191,475	342,418	1,234,175
Infrastructure	544,903	114,839	0	659,742
Totals	<u>2,499,500</u>	<u>342,030</u>	<u>342,418</u>	<u>2,499,112</u>
Total Capital Assets, Being Depreciated	<u>4,114,389</u>	<u>636,683</u>	<u>14,628</u>	<u>4,736,444</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,668,330</u>	<u>\$ 645,190</u>	<u>\$ 14,628</u>	<u>\$ 5,298,892</u>

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 109,100	\$ 0	\$ 0	\$ 109,100
Construction in Progress	159,737	1,723,607	1,690,568	192,776
Total Capital Assets, Not Being Depreciated	268,837	1,723,607	1,690,568	301,876
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	495,728	0	0	495,728
Distribution and Collection Systems	3,069,427	1,690,568	0	4,759,995
Phosphorus Upgrade	3,939,064	0	0	3,939,064
Vehicles and Equipment	119,227	0	0	119,227
Totals	7,623,446	1,690,568	0	9,314,014
Less Accumulated Depreciation for:				
Buildings and Building Improvements	431,490	9,915	0	441,405
Distribution and Collection Systems	677,730	70,429	0	748,159
Phosphorus Upgrade	855,561	78,780	0	934,341
Vehicles and Equipment	87,333	7,360	0	94,693
Totals	2,052,114	166,484	0	2,218,598
Total Capital Assets, Being Depreciated	5,571,332	1,524,084	0	7,095,416
Business-type Activities Capital Assets, Net	\$ 5,840,169	\$ 3,247,691	\$ 1,690,568	\$ 7,397,292

Depreciation was charged as follows:

Governmental Activities:	
General Government	\$ 13,596
Public Safety	86,315
Highways and Streets	231,899
Culture and Recreation	10,220
Total Depreciation Expense - Governmental Activities	\$ 342,030

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2016 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 468,216
Engineering Fee Fund	0	720
Non-Major Governmental Funds	965,442	168,501
Water and Sewer Fund	0	328,005
Total	\$ 965,442	\$ 965,442

Interfund transfers during the year ended June 30, 2016 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Water & Sewer Fund	\$ 14,570	Fund Fire Service Fees
Town Center Maintenance Fund	General Fund	15,000	Fund Debt Service
General Fund	Water & Sewer Fund	7,046	Fund Debt Service
General Fund	Special Grant Fund	12,439 *	Fund Grant Projects
General Fund	Conservation Fund	44,500	Fund Capital Reserve
General Fund	Police Reserve Fund	2,040	Fund Capital Reserve
General Fund	Library Reserve Fund	8,000	Fund Capital Reserve
General Fund	Fire Reserve Fund	28,500	Fund Capital Reserve
General Fund	Highway Reserve Fund	52,645	Fund Capital Reserve
General Fund	Bridge & Culvert Reserve Fund	37,000	Fund Capital Reserve
General Fund	Reappraisal Fund	7,000	Fund Appraisal Expenses
Fire Impact Fee Fund	Fire Reserve Fund	8,858	Fund Capital Reserve
Total		\$ 237,598	

* The transfer from the General Fund to the Special Grant Fund are netted within the General Fund as this fund is consolidated within the General Fund in order to comply with GASB Statement No. 54.

F. Deferred Outflows of Resources

Deferred outflows of resources in the Governmental Activities consists of \$8,487 from the difference between the expected and actual experience, \$53,471 from changes in assumptions, \$51,872 from the difference between the projected and actual investment earnings, \$5,312 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$68,135 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Governmental Activities is \$187,277.

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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G. Deferred Inflows of Resources

Total deferred inflows of resources in the Governmental Activities consists of \$842 resulting from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS).

Deferred inflows of resources in the General Fund consists of \$146,000 of delinquent property taxes, penalties and interest on those taxes and \$28,343 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Total deferred inflows of resources in the General Fund is \$174,343.

Deferred inflows of resources in the Community Development Fund consists of \$278,557 of loans receivable not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

H. Long-term Liabilities

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for both general governmental and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 20 year bonds.

The State of Vermont offers a number of no-interest revolving loan programs to utilize for predetermined purposes. The Town has borrowed money from the Vermont Special Environmental Revolving Fund for water and sewer projects.

The Town has other notes payable to finance various capital projects and purchases through local banks.

It is the policy of the Town to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on the current pay rates, is recorded in the government-wide financial statements and proprietary fund financial statements.

The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries. The accrual for the Town's share of the net pension liability is recorded in the government-wide financial statements.

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Long-term liabilities outstanding as of June 30, 2016 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, 2005 Fire Engine, Principal Payments of \$10,000 Payable on November 15 Annually, Plus Interest, Ranging from 4.991% to 5.741%, Payments Payable on May 15 And November 15, Due November, 2025	\$ 110,000	\$ 0	\$ 10,000	\$ 100,000
Bond Payable, Vermont Municipal Bond Bank, Highway Garage, Principal Payments of \$20,000 Payable on November 1 Annually, Plus Interest, Ranging from 4.85% to 5.40%, Payments Payable on May 1 and November 1, Due November, 2017	60,000	0	20,000	40,000
Bond Payable, Vermont Municipal Bond Bank, Jericho Road Project, Principal Payments of \$43,200 Payable on November 1 Annually, Plus Interest, Ranging from .804% to 4.664% Payments Payable on May 1 and November 1, Due November, 2029	732,000	0	43,200	688,800
Note Payable, Merchants Bank, Depot Improvement, Principal Payments of \$20,000 and Interest, at 2%, Payable on October 6 Annually, Due October 6, 2017	60,000	0	20,000	40,000
Note Payable, Merchants Bank, Highway Equipment, Principal Payments of \$22,500 and Interest, at 1.69%, Payable on October 7 Annually, Due and Paid on on October 7, 2015.	22,500	0	22,500	0
Note Payable, Merchants Bank, Public Safety and Highway Equipment Note, Principal Payments of \$77,970 and Interest, at 2.32%, Payable on March 30 Annually, Due and Paid on March, 30 2016.	76,126	0	76,126	0

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Merchants Bank, Highway Equipment Note, Principal Payments of \$22,438 and Interest, at 2.32%, Payable on April 1 Annually, Due April 1, 2017. \$	44,518	\$ 0	\$ 22,438	\$ 22,080
Note Payable, Merchants Bank, Highway Equipment Note, Principal Payments of \$21,960 and Interest, at 2.32%, Payable on July 16 Annually, Due July, 2017.	66,040	0	21,960	44,080
Note Payable, Merchants Bank, Public Safety Equipment Note, Principal Payments of \$6,264 and Interest, at 2.35%, Payable on June 3 Annually, Due June, 2019.	25,055	0	6,264	18,791
Note Payable, Merchants Bank, Highway Equipment Note, Principal Payments of \$19,844 and Interest, at 2.42%, Payable on January 21 Annually, Due January, 2020.	99,222	0	19,844	79,378
Note Payable, TD Bank, Highway Equipment Note, Principal Payments of \$71,601 and Interest, at 1.83%, Payable Beginning November 16 Annually, Due November, 2020.	<u>0</u>	<u>358,005</u>	<u>0</u>	<u>358,005</u>
Total Governmental Activities	<u>\$1,295,461</u>	<u>\$358,005</u>	<u>\$262,332</u>	<u>\$1,391,134</u>

Business-type Activities:

Bond Payable, State of Vermont Special Environmental Revolving Fund, Waste Water Treatment Project, Annual Principal Payments Ranging from \$11,671 to \$21,785 and an Administrative Fee, at 2%, Payable on March 1 Annually, Due March, 2026.	\$ 217,466	\$ 0	\$ 17,871	\$ 199,595
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Bond Payable, State of Vermont Special Environmental Revolving Fund, Water and Sewer Line Upgrade, Annual Principal Payments Ranging from \$14,323 to \$20,724 and an Administrative Fee, at 2%, Payable on May 1 Annually, Due May, 2032.	302,113	0	15,096	287,017
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TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Preliminary Engineering System Improvements, Annual Principal Payments of \$12,081 and 0% Interest Payable Beginning April 1, 2017 Annually, Due April, 2027	\$ 120,211	\$ 0	\$ 0	\$ 120,211
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water Planning Note, Annual Principal Payments of \$46,500 and 0% Interest Payable Beginning on October 1, 2016 Annually, Due October 2021.	232,450	0	0	232,450
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water Tank Replacement, Annual Principal Payments Ranging from \$37,777 to \$46,312 and Interest at -0.007%, Payable Beginning December 1, 2017, Due December 1, 2046. The Town will Recognize Grant Income Annually for the Amount of Forgiven Principal as a Result of Negative Interest.	49,905	1,102,323	0	1,152,228
Bond Payable, Vermont Municipal Bond Bank, Jericho Road Project, Principal Payments of \$46,800 Payable on November 1 Annually, Plus Variable Interest Payments Payable on May 1 and November 1, Due November, 2029.	793,000	0	46,800	746,200
Note Payable, Merchants Bank, Browns Court Project, Principal Payments of \$14,040 and Interest, at 2.32%, Payable on July 16 Annually, Due July, 2017.	41,960	0	14,040	27,920
Bond Anticipation Note, Merchants Bank, East Main Street Project, Payable September 22, 2016, Interest at 1.50%.	<u>0</u>	<u>500,000</u>	<u>0</u>	<u>500,000</u>
Total Business-type Activities	<u>\$1,757,105</u>	<u>\$ 1,602,323</u>	<u>\$ 93,807</u>	<u>\$3,265,621</u>

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Changes in long-term liabilities during the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 902,000	\$ 0	\$ 73,200	\$ 828,800	\$ 73,200
Notes Payable	393,461	358,005	189,132	562,334	161,749
Compensated Absences	29,570	0	2,277	27,293	0
Net Pension Liability	32,043	236,454	0	268,497	0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Governmental Activities Long-term Liabilities	\$ <u>1,357,074</u>	\$ <u>594,459</u>	\$ <u>264,609</u>	\$ <u>1,686,924</u>	\$ <u>234,949</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
General Obligation Bonds Payable	\$ 1,757,105	\$ 1,602,323	\$ 93,807	\$ 3,265,621	\$ 152,978
Compensated Absences	7,899	225	0	8,124	0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Business-type Activities Long-term Liabilities	\$ <u>1,765,004</u>	\$ <u>1,602,548</u>	\$ <u>93,807</u>	\$ <u>3,273,745</u>	\$ <u>152,978</u>

Compensated Absences are paid by the applicable fund where the employee is charged.

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 234,949	\$ 40,788	\$ 152,978	\$ 37,627
2018	213,029	36,379	191,002	35,597
2019	150,909	31,443	177,808	33,369
2020	144,645	27,808	178,508	31,297
2021	124,802	24,196	179,222	29,081
2022-2026	266,000	84,128	674,855	108,598
2027-2031	216,000	33,661	519,244	44,477
2032-2036	40,800	951	252,485	1,445
2037-2041	0	0	187,560	0
2040-2044	0	0	120,982	0
Maturities Unknown - To Be Refinanced	0	0	500,000	
Principal to be Forgiven (To Be Converted to Grant)	<u>0</u>	<u>0</u>	<u>130,977</u>	
Total	\$ <u>1,391,134</u>	\$ <u>279,354</u>	\$ <u>3,265,621</u>	\$ <u>321,491</u>

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

I. Fund Balances

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

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

Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Town does not have any stabilization arrangements.

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

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

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

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

Major Funds

General Fund:

 Nonspendable Prepaid Expenses \$ 11,792

 Total Nonspendable Fund Balances \$ 11,792

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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The fund balances in the following funds are restricted as follows:

Non-Major Governmental Funds

Restricted for Jericho Road Improvement (Source of Revenue is Grant)	\$ 48,746
Restricted for Conservation (Source of Revenue is Donations)	263,919
Restricted for Fire Department Improvements (Source of Revenue is Impact Fees)	5,700
Restricted for Restoration of Record Expenses (Source of Revenue is Restoration Fees)	53,091
Restricted for Flag Replacement (Source of Revenue is Donations)	9,488
Restricted for Recreation Path Expenditures (Source of Revenue is Donations)	1,101
Restricted for Soccer Program Expenses (Source of Revenue is Recreation Fees)	9,755
Restricted for Tree Replacement (Source of Revenue is Donations)	237
Restricted for Richmond Fire Department Expenditures (Source of Revenue is Donations)	7,672
Restricted for Richmond Free Library (Source of Revenue is Donations)	1,447
Restricted for Lister Education (Source of Revenue is State Payments)	2,548
Restricted for Cemetery Expenses (Source of Revenue is Fees and Donations)	<u>142,141</u>
 Total Non-Major Funds	 <u>545,845</u>
 Total Restricted Fund Balances	 <u>\$545,845</u>

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

Non-Major Funds

Committed by Voters for Police Reserve	\$ 2,040
Committed by Voters for Library Reserve	33,846
Committed by Voters for Fire Reserve	13,629
Committed by Voters for Highway Capital	97,596
Committed by Voters for Bridge and Culvert Reserve	301,445
Committed by Voters for Railroad Street Planning	<u>7,069</u>
 Total Non-Major Funds	 <u>455,625</u>
 Total Committed Fund Balances	 <u>\$455,625</u>

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

Non-Major Funds

Assigned for Reappraisal Expenses	\$115,231
Assigned for Town Center Maintenance	<u>212,017</u>
 Total Non-Major Funds	 <u>327,248</u>
 Total Assigned Fund Balance	 <u>\$327,248</u>

J. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2016 consisted of the following:

Governmental Activities:

Restricted for Jericho Road Improvement by Grant	\$ 48,746
Restricted for Conservation by Donations	263,919
Restricted for Restoration of Records by Statute	53,091
Restricted for Cemetery Expenses by Donations	142,141
Restricted for Soccer Program by Agreement	9,755
Restricted for Fire Department Improvements by Impact Fees	5,700
Restricted for Richmond Fire Department by Donations	7,672
Restricted for Tree Replacement by Donations	237
Restricted for Richmond Free Library by Donations	1,447
Restricted for Lister Education Reserve by Grant	2,548
Restricted for Flag Replacement by Donations	9,488
Restricted for Recreation Path Expenditures by Donations	1,101
Restricted for Community Development by Grant Agreement	<u>278,557</u>
 Total Governmental Activities	 <u>\$824,402</u>

The net position held in trust for various purposes in the Town's Private Purpose Trust Funds consisted of the following:

Restricted for Edmunds Trust Fund by Bequest to be Spent on Books	\$24,196
Restricted for Shanyon Athletic Fund by Bequest to be Spent on School Athletics	3,093
Restricted for Shanyon Trust Fund by Bequest to be Spent on Scholarships	<u>3,346</u>
 Total Private Purpose Trust Funds	 <u>\$30,635</u>

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

V. OTHER INFORMATION

A. PENSION PLAN

Defined Benefit Plan

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2016, the retirement system consisted of 436 participating employers.

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

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources

As of June 30, 2015, the measurement date selected by the State of Vermont, VMERS was funded at 87.42% and had a plan fiduciary net position of \$535,903,742 and a total pension liability of \$612,999,552 resulting in a net pension liability of \$77,095,810. As of June 30, 2016, the Town's proportionate share of this was 0.3483% resulting in a liability of \$268,497. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2015, the Town's proportion of 0.3483% was a decrease of 0.0028% from its proportion measured as of June 30, 2014.

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

For the year ended June 30, 2016, the Town recognized pension expense of \$75,112.

As of June 30, 2016, the Town reported deferred outflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,487	\$ 0
Changes in assumptions	53,471	0
Difference between projected and actual investment earnings	51,872	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,312	842
Town's required employer contributions made subsequent to the measurement date	68,135	0
	\$ 187,277	\$ 842

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$68,135 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2017	\$ 23,892
2018	23,892
2019	23,892
2020	<u>46,624</u>
Total	<u>\$118,300</u>

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Summary of System Provisions

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

Creditable Service: Service as a member plus purchased service.

Average Final Compensation (AFC): Average annual compensation during highest three (3) consecutive years.

Service Retirement Allowance:

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

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

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

Early Retirement Allowance:

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

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

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

Disability Retirement Allowance:

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

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

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Death Benefit:

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

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

Optional Benefit and Death after Retirement: Lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee.

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

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

Member Contributions: 4.875% effective July 1, 2015 (increased from 4.75%).

Employer Contributions: 5.50% effective July 1, 2015 (increased from 5.375%).

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

Significant Actuarial Assumptions and Methods

Interest Rate: A select-and-ultimate interest rate set, specified as follows. The interest rate set is restarted every year.

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and later: 9.00%
Year 9: 8.50%	

Salary increases: 5% per year.

Deaths:

Active participants – 50% of the probabilities in the 1995 Buck Mortality Tables for males and females.

Non-disabled retirees and terminated vested participants – The 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females.

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Disabled retirees – RP-2000 Disabled Life Tables.

Beneficiaries – 1995 Buck Mortality Tables for males and females.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.8% per annum.

Actuarial Cost Method: Entry Age Normal – Level Percentage of Pay.

Asset Valuation Method: Invested assets are reported at fair value.

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

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

Long-term Expected Rate of Return:

The long-term expected rate of return on investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	8.61%
Fixed Income	1.91%
Alternatives	6.93%
Multi-strategy	4.88%

TOWN OF RICHMOND, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

Nominal long-term expected rates of return for these asset classes are equal to the sum of the expected long-term real rates and the expected long-term inflation rate of 3.0%.

Discount Rate: The discount rate used to measure the total pension liability was 7.95%, a decrease from 8.23% in the prior year. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.95 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%):

<u>1% Decrease (6.95%)</u>	<u>Discount Rate (7.95%)</u>	<u>1% Increase (8.95%)</u>
\$536,304	\$268,497	\$43,997

Additional Information

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

B. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

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

TOWN OF RICHMOND, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

C. PROPERTY TAXES

The Town is responsible for assessing and collecting its own property taxes, as well as education taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes were due and payable in two installments on November 15, 2015 and May 15, 2016. They became delinquent the following day. The Town assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale. The tax rates for 2016 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.6554	.6554
Education	<u>1.4761</u>	<u>1.5466</u>
Total	<u>2.1315</u>	<u>2.2020</u>

D. CONTINGENT LIABILITIES

The Town is a participating member in the Central Vermont Solid Waste District. The Town could be subject to a portion of the District's debt if the District experiences financial problems.

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

E. SUBSEQUENT EVENTS

On July 7, 2016, Merchants Bank approved a bond anticipation note in the amount of \$500,000 for financing capital improvements to East Main Street. Total principal and interest at 1.5% is due and payable on July 5, 2017.

On August 15, 2016, Ford Motor Credit Company approved a lease in the amount of \$70,516 to finance the purchase of two police intercept vehicles. Annual principal and interest at 5.7% payments of \$6,393 are due and payable beginning August 17, 2016.

On December 1, 2015, the Town was approved for a Special Environmental Revolving Fund bond in the amount of \$200,260 for the financing of capital improvements to East Main Street. This bond was not drawn upon until subsequent to year end, Five annual payments of \$40,052 with interest at 0% are to begin on February 1, 2018.

TOWN OF RICHMOND, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

On September 22, 2016, the Town paid \$300,000 on an existing bond anticipation note in the amount of \$500,000 with Merchants Bank and refinanced the balance of \$200,000 with a maturity date of September 21, 2017 and interest at 1.55%.

On October 5, 2016, the Merchants Bank approved a capital improvement note in the amount of \$20,667 for financing the purchase of a tractor. Principal and interest at 1.75% is due and payable on October 4, 2017.

On October 5, 2016, the Merchants Bank approved a highway equipment note in the amount of \$11,138 for financing the purchase of a Chevy truck. Principal and interest at 1.75% is due and payable on October 4, 2017.

TOWN OF RICHMOND, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
VMERS DEFINED BENEFIT PLAN
JUNE 30, 2016

	2016	2015
Total Plan Net Pension Liability	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.3483%	0.3511%
Town's Proportionate Share of the Net Pension Liability	\$ 268,497	\$ 32,043
Town's Covered Employee Payroll	\$ 940,245	\$ 905,706
Town's Proportionate Share of the Net Pension liability as a Percentage of Town's Covered Employee Payroll	28.5561%	3.5379%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: The discount rate used to measure the net pension liability was lowered from 8.23% to 7.95%, due to the adoption by the Board of Trustees of a 7.95% expected future rate of return on assets for funding purposes.

Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

**TOWN OF RICHMOND, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
VMERS DEFINED BENEFIT PLAN
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 51,713	\$ 48,682
Contributions in Relation to the Actuarially Determined Contributions	<u>51,713</u>	<u>48,682</u>
Contribution Excess/(Deficiency)	\$ 0	\$ 0
Town's Covered Employee Payroll	\$ 940,245	\$ 905,706
Contributions as a Percentage of Town's Covered Employee Payroll	5.500%	5.375%

Notes to Schedule

Valuation Date: June 30, 2015

Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

TOWN OF RICHMOND, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Jericho Road Improvement Fund	Town Center Main- tenance Fund	Conservation Fund	Police Reserve Fund	Library Reserve Fund	Fire Reserve Fund	Fire Impact Fees Fund	Highway Reserve Fund	Bridge & Culvert Reserve Fund	Reappraisal Fund
Cash	\$ -	\$ 380,518	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from Other Funds	48,746	-	263,919	2,040	33,846	13,629	5,700	97,596	301,445	115,231
Total Assets	<u>\$ 48,746</u>	<u>\$ 380,518</u>	<u>\$ 263,919</u>	<u>\$ 2,040</u>	<u>\$ 33,846</u>	<u>\$ 13,629</u>	<u>\$ 5,700</u>	<u>\$ 97,596</u>	<u>\$ 301,445</u>	<u>\$ 115,231</u>
<u>LIABILITIES</u>										
Due to Other Funds	\$ -	\$ 168,501	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>168,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES</u>										
Restricted	48,746	-	263,919	-	-	-	5,700	-	-	-
Committed	-	-	-	2,040	33,846	13,629	-	97,596	301,445	-
Assigned	-	212,017	-	-	-	-	-	-	-	115,231
Total Fund Balances	<u>48,746</u>	<u>212,017</u>	<u>263,919</u>	<u>2,040</u>	<u>33,846</u>	<u>13,629</u>	<u>5,700</u>	<u>97,596</u>	<u>301,445</u>	<u>115,231</u>
Total Liabilities and Fund Balances	<u>\$ 48,746</u>	<u>\$ 380,518</u>	<u>\$ 263,919</u>	<u>\$ 2,040</u>	<u>\$ 33,846</u>	<u>\$ 13,629</u>	<u>\$ 5,700</u>	<u>\$ 97,596</u>	<u>\$ 301,445</u>	<u>\$ 115,231</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF RICHMOND, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Records Restoration Fund	Railroad Street Planning Fund	Adam Muller Flag Fund	Recreation Path Fund	Recreation (Soccer- Tennis) Fund	Tree Replac- ment Fund	Richmond Fire Department Fund	Richmond Free Library Fund	Lister Education Reserve Fund	Cemetery Funds Fund	Total
Cash	\$ -	\$ -	\$ -	\$ -	\$ 299	\$ -	\$ 7,672	\$ 1,447	\$ -	\$ 141,841	\$ 531,777
Due from Other Funds	53,091	7,069	9,488	1,101	9,456	237	-	-	2,548	300	965,442
Total Assets	\$ 53,091	\$ 7,069	\$ 9,488	\$ 1,101	\$ 9,755	\$ 237	\$ 7,672	\$ 1,447	\$ 2,548	\$ 142,141	\$ 1,497,219
<u>LIABILITIES</u>											
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 168,501
Total Liabilities	-	-	-	-	-	-	-	-	-	-	168,501
<u>FUND BALANCES</u>											
Restricted	53,091	-	9,488	1,101	9,755	237	7,672	1,447	2,548	142,141	545,845
Committed	-	7,069	-	-	-	-	-	-	-	-	455,625
Assigned	-	-	-	-	-	-	-	-	-	-	327,248
Total Fund Balances	\$ 53,091	\$ 7,069	\$ 9,488	\$ 1,101	\$ 9,755	\$ 237	\$ 7,672	\$ 1,447	\$ 2,548	\$ 142,141	\$ 1,328,718
Total Liabilities and Fund Balances	\$ 53,091	\$ 7,069	\$ 9,488	\$ 1,101	\$ 9,755	\$ 237	\$ 7,672	\$ 1,447	\$ 2,548	\$ 142,141	\$ 1,497,219

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF RICHMOND, VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Jericho Road Improvement Fund	Town Center Maintenance Fund	Conservation Fund	Police Reserve Fund	Library Reserve Fund	Fire Reserve Fund	Fire Impact Fees Fund	Highway Reserve Fund	Bridge & Culvert Reserve Fund	Reappraisal Fund
Revenues:										
Rent and Fees	\$ -	\$ 131,962	\$ -	\$ -	\$ -	\$ -	\$ 2,494	\$ -	\$ -	\$ -
Donations	-	-	-	-	-	-	-	-	-	-
Interest Income	-	508	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Revenues	-	132,470	-	-	-	-	2,494	-	-	-
Expenditures:										
General Government	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-
Highways and Streets	4,451	-	-	-	-	-	-	-	-	-
Library	-	-	-	-	4,340	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-
Capital Outlay:										
Highways and Streets	-	-	-	-	-	-	-	132,612	-	-
Public Safety	-	-	-	-	-	386,164	-	-	-	-
Total Expenditures	4,451	-	-	-	4,340	386,164	-	132,612	-	-
Excess/(Deficiency) of Revenues Over Expenditures	(4,451)	132,470	-	-	(4,340)	(386,164)	2,494	(132,612)	-	-
Other Financing Sources/(Uses):										
Proceeds of Long-term Debt	-	-	-	-	-	250,338	-	107,667	-	-
Transfers In	-	-	44,500	2,040	8,000	37,358	-	52,645	37,000	7,000
Transfers Out	-	(15,000)	-	-	-	-	(8,858)	-	-	-
Total Other Financing Sources/(Uses)	-	(15,000)	44,500	2,040	8,000	287,696	(8,858)	160,312	37,000	7,000
Net Change in Fund Balances	(4,451)	117,470	44,500	2,040	3,660	(98,468)	(6,364)	27,700	37,000	7,000
Fund Balances - July 1, 2015	53,197	94,547	219,419	-	30,186	112,097	12,064	69,896	264,445	108,231
Fund Balances - June 30, 2016	\$ 48,746	\$ 212,017	\$ 263,919	\$ 2,040	\$ 33,846	\$ 13,629	\$ 5,700	\$ 97,596	\$ 301,445	\$ 115,231

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF RICHMOND, VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Records Restoration Fund	Railroad Street Planning Fund	Adam Muller Flag Fund	Recreation Path Fund	Recreation (Soccer-Tennis) Fund	Tree Replacement Fund	Richmond Fire Department Fund	Richmond Free Library Fund	Lister Education Reserve Fund	Cemetery Funds Fund	Total Total
Revenues:											
Rent and Fees	\$ 15,785	\$ -	\$ -	\$ -	\$ 6,545	\$ -	\$ -	\$ -	\$ -	\$ 3,100	\$ 159,886
Donations	-	-	-	115	-	-	8,422	-	-	-	8,537
Interest Income	-	-	-	-	-	-	2	-	-	212	722
Miscellaneous	-	-	-	-	-	-	-	2,244	-	-	2,244
Total Revenues	15,785	-	-	115	6,545	-	8,424	2,244	-	3,312	171,389
Expenditures:											
General Government	6,956	-	-	-	-	-	-	-	-	167	7,123
Public Safety	-	-	-	-	-	-	6,019	-	-	-	6,019
Highways and Streets	-	-	-	-	-	-	-	-	-	-	4,451
Library	-	-	-	-	-	-	-	2,660	-	-	7,000
Recreation	-	-	-	-	6,561	-	-	-	-	-	6,561
Capital Outlay:											
Highways and Streets	-	-	-	-	-	-	-	-	-	-	132,612
Public Safety	-	-	-	-	-	-	-	-	-	-	386,164
Total Expenditures	6,956	-	-	-	6,561	-	6,019	2,660	-	167	549,930
Excess/(Deficiency) of Revenues Over Expenditures	8,829	-	-	115	(16)	-	2,405	(416)	-	3,145	(378,541)
Other Financing Sources/(Uses):											
Proceeds of Long-term Debt	-	-	-	-	-	-	-	-	-	-	358,005
Transfers In	-	-	-	-	-	-	-	-	-	-	188,543
Transfers Out	-	-	-	-	-	-	-	-	-	-	(23,858)
Total Other Financing Sources/(Uses)	-	-	-	-	-	-	-	-	-	-	522,690
Net Change in Fund Balances	8,829	-	-	115	(16)	-	2,405	(416)	-	3,145	144,149
Fund Balances - July 1, 2015	44,262	7,069	9,488	986	9,771	237	5,267	1,863	2,548	138,996	1,184,569
Fund Balances - June 30, 2016	\$ 53,091	\$ 7,069	\$ 9,488	\$ 1,101	\$ 9,755	\$ 237	\$ 7,672	\$ 1,447	\$ 2,548	\$ 142,141	\$ 1,328,718

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF RICHMOND , VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass through to Subrecipients	Total Federal Expenditures
<u>U.S. Environmental Protection Agency</u>				
Passed through State of Vermont Department of Environmental Conservation				
Drinking Water State Revolving Funds	66.468	RF3-335	\$ 0	\$ 104,064
Drinking Water State Revolving Funds	66.468	RF3-302	<u>0</u>	<u>873,758</u>
Total U.S. Environmental Protection Agency			<u>0</u>	<u>977,822</u>
<u>U.S. Department of Homeland Security</u>				
Passed through State of Vermont Department of Public Safety				
Homeland Security Grant Program	97.067	02140-75252-109	0	7,778
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	02140-4232-004	<u>0</u>	<u>114,651</u>
Total U.S. Department of Homeland Security			<u>0</u>	<u>122,429</u>
<u>Institute of Museum and Library Services</u>				
Passed through Vermont Agency of Administration Department of Libraries				
State Library Program	45.310	01130-Courier	0	315
State Library Program	45.310	01130-PL-FFY16-105	<u>0</u>	<u>282</u>
Total Institute of Museum and Library Services			<u>0</u>	<u>597</u>
<u>U.S. Department of Agriculture and Forest Services</u>				
Passed through Vermont Department of Forest, Parks and Recreation				
Cooperative Forestry Assistance	10.664	06130-UCF-CFC-16-12	<u>0</u>	<u>856</u>
Total U.S. Department of Agriculture and Forest Services			<u>0</u>	<u>856</u>

See Accompanying Independent Auditor's Report.

TOWN OF RICHMOND, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

<u>Federal Grantor Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Pass through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Transportation</u>				
Passed through Town of Shelburne Police Department				
Minimum Penalties for Repeat Offenders for Driving while Intoxicated	20.608	NH 16164-162	\$ 0	\$ 8,688
Passed through State of Vermont Agency of Transportation				
State and Community Highway Safety	20.600	08100- GR 0941	<u>0</u>	<u>3,004</u>
Total U.S. Department of Transportation			<u>0</u>	<u>11,692</u>
Total			<u>\$ 0</u>	<u>\$ 1,113,396</u>

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Town of Richmond , Vermont under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Richmond, Vermont it is not intended to and does not present the financial position, changes in net position or cash flows.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town of Richmond, Vermont has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

See Accompanying Independent Auditor's Report.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards"

Selectboard
Town of Richmond, Vermont
P.O. Box 285
Richmond, VT 05477

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Richmond, Vermont, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Richmond, Vermont's basic financial statements, and have issued our report thereon dated January 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Richmond, Vermont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Richmond, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Richmond, Vermont'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 Town of Richmond, Vermont'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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

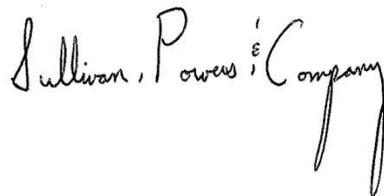
As part of obtaining reasonable assurance about whether the Town of Richmond, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

However, we have noted certain other matters that we reported in a separate letter to the management of the Town of Richmond, Vermont dated January 25, 2017.

Purpose of this Report

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

January 25, 2017
Montpelier, Vermont
VT Lic. #92-000180

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

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[VT Lic. #92-000180](#)

Independent Auditor's Report on Compliance for Each
Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance

Selectboard
Town of Richmond, Vermont
P.O. Box 285
Richmond, VT 05477

Report on Compliance for Each Major Federal Program

We have audited Town of Richmond, Vermont compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) "Compliance Supplement" that could have a direct and material effect on the Town of Richmond, Vermont's major federal program for the year ended June 30, 2016. The Town of Richmond, Vermont's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Deficiencies in Internal Control.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of Richmond, Vermont's major federal program based on our audit of the types of compliance requirements referred to previously.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and Title 2 U.S. "Code of Federal Regulations" Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards" (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to previously that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Richmond, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Town of Richmond, Vermont's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Richmond, Vermont complied, in all material respects, with the types of compliance requirements referred to previously that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

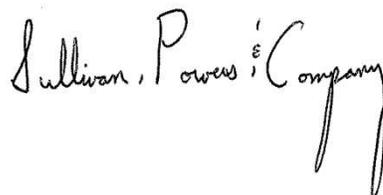
The management of the Town of Richmond, Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the Town of Richmond, Vermont's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on the internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Richmond, Vermont's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

March 8, 2017
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF RICHMOND, VERMONT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016

A single audit was not required in the prior year.

TOWN OF RICHMOND VERMONT
SCHEDULE OF FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2016

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:
Unmodified.

Internal Control Over Financial Reporting:
Material Weaknesses identified:
None noted.
Significant Deficiencies identified not considered to be material weaknesses:
None noted.

Noncompliance material to financial statements:
None noted.

Federal Awards

Internal Control Over Major Programs:
Material Weaknesses identified:
None noted.
Significant Deficiencies identified not considered to be material weaknesses:
None noted.

Type of auditor's report issued on compliance for major programs:
Unmodified.

There are no audit findings that are required to be reported in accordance with 2 CFR 200.516(a).

Major Programs:

<u>CFDA #</u>	<u>Program</u>	<u>Federal Agency</u>
66.468	Clean Water State Revolving Funds – Loan	U.S. Environmental Protection Agency

The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.

The auditee did not qualify as a low risk auditee.