

TOWN OF JERICHO, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2019
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INDEPENDENT AUDITOR'S REPORT

To the Selectboard
Town of Jericho
Jericho, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Jericho, Vermont, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Jericho, Vermont, as of June 30, 2019, and the respective changes in financial position, 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 management's discussion and analysis on pages 3-8, and the pension related schedules on Schedule 3 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's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Jericho's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Respectfully submitted,

Fothergill Segale & Valley, CPAs
FOTHERGILL SEGAL & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

December 17, 2019

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Our discussion and analysis of the Town of Jericho, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Town's financial statements that begin with Exhibit A. This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives.

Financial Highlights

- The Town's net position increased by \$401,224, or approximately 4.63% as a result of this year's operations, from a balance of \$8,662,499 to \$9,063,723.
- The total cost of all of the Town's programs was \$3,463,975, as compared to \$3,316,799 in the prior year.
- The General Fund reported a decrease in fund balance this year of \$27,344, which was \$27,344 worse than the balanced budget.
- The Road Upgrade Fund reported a current year increase in fund balance of \$375, increasing the fund balance from \$115,470 to \$115,845.
- The Non-Major Funds reported a current year decrease in fund balance of \$244,451, decreasing the total fund balances from \$963,517 to \$719,066. Non-Major Fund transfers from the Road Impact Fees Fund, Equipment Fund and Bridge Replacement Fund totaling \$276,000 were made during the year reducing future availability of these reserve funds.

Using This Annual Report

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

Reporting the Town as a Whole

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

These two statements report the Town's net position and changes in them. You can think of the Town's net position – the difference between assets and liabilities – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

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

Reporting the Town's Most Significant Funds

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

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

Fiduciary Fund – The Town is the trustee, or fiduciary, for an agency fund. It is responsible for these assets because of a trust arrangement and the assets can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in a Statement of Fiduciary Net Position on Exhibit H and a Statement of Changes in Fiduciary Net Position on Exhibit I. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Town as a Whole

Beginning in fiscal year 2018, the Jericho Town Library became a part of the Town of Jericho, and is reported in the financial statements as such. This is due to an article which was voted on during the 2017 Town Meeting, changing the Library Board to be appointed by the Selectboard as the current terms expire.

The Town's combined net position increased by \$401,224 from a year ago – increasing from a balance of to \$8,662,499 to \$9,063,723. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Table 1 – Net Position

	2019	2018	Change
Current and other assets	\$ 1,973,505	\$ 2,282,577	\$ (309,072)
Capital assets	8,411,085	7,732,359	678,726
Total assets	10,384,590	10,014,936	369,654
Deferred outflows	131,350	144,977	(13,627)
Long-term liabilities	852,091	882,798	(30,707)
Net pension liability	290,545	253,321	37,224
Other liabilities	301,057	351,946	(50,889)
Total liabilities	1,443,693	1,488,065	(44,372)
Deferred inflows	8,524	9,349	(825)
Net position:			
Invested in capital assets, net of debt	7,618,431	6,766,307	852,124
Restricted	473,070	517,409	(44,339)
Unrestricted	972,222	1,378,783	(406,561)
Total net position	\$ 9,063,723	\$ 8,662,499	\$ 401,224

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from \$1,378,783 on June 30, 2018 to \$972,222, a decrease of \$406,561. The largest changes are the increase in capital assets and invested in capital assets, due to paying down debt and investments in capital assets.

Table 2 - Change in Net Position

REVENUES	2019	2018	Change
Program revenues:			
Charges for services	\$ 290,971	\$ 283,355	\$ 7,616
Operating grants and contributions	282,104	198,441	83,663
Capital grants and contributions	259,924	198,453	61,471
General revenues:			
Property taxes, related int. & pen.	2,927,910	2,798,833	129,077
General state grants	38,788	30,428	8,360
Earnings on investments	8,152	6,190	1,962
Other general revenues	57,350	17,135	40,215
Total revenues	3,865,199	3,532,835	332,364
PROGRAM EXPENSES			
General government and administration	1,225,361	1,075,339	150,022
Highways and streets repairs and maint.	1,334,209	1,343,788	(9,579)
Cultural and recreation	215,315	193,023	22,292
Outside agencies	661,362	670,844	(9,482)
Interest on long-term debt	27,728	33,805	(6,077)
Total program expenses	3,463,975	3,316,799	147,176
Special item	0	18,129	(18,129)
Increase in net position	\$ 401,224	\$ 234,165	\$ 167,059

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Governmental Activities

The increase in net position for governmental activities was \$401,224 in 2019. The biggest variances in revenues between fiscal year 2018 and 2019 were within operating grants and capital grants. Both of these grants saw increases due to the timing of various grant projects. The decrease in tax revenue has to do with the tax rate changes. General government expenses increased due to changes in personnel in the Town Clerk's office and the Lister's office that resulted in fewer hours worked in 2018.

The cost of all governmental activities this year was \$3,463,975. However, as shown in the Statement of Activities on Exhibit B, some of the cost was paid by those who directly benefited from the programs (\$290,971) or by other governments and organizations that subsidized certain programs with grants and contributions (\$542,028).

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

Table 3 Governmental Activities				
	Total Cost of Services	Net (Revenue)/ Cost of Services	Total Cost of Services	Net (Revenue)/ Cost of Services
	2019	2019	2018	2018
General government	\$ 1,225,361	\$ 1,041,028	\$ 1,075,339	\$ 900,379
Highways and streets	1,334,209	831,022	1,343,788	961,353
Cultural and recreational	215,315	69,836	193,023	70,169
Outside agencies	661,362	661,362	670,844	670,844
Debt interest	27,728	27,728	33,805	33,805
Totals	<u>\$ 3,463,975</u>	<u>\$ 2,630,976</u>	<u>\$ 3,316,799</u>	<u>\$ 2,636,550</u>

The Town's Funds

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$1,635,044, which is above last year's total of \$1,906,464. This represents a decrease of \$271,420.

Over the course of the year, the Selectboard members compare year-to-date actual amounts of revenues and expenditures to the budget. No adjustments to the budget were made during the year. The General Fund ended the year with a fund balance of \$800,133. During fiscal year 2019, expenditures were greater than revenues by \$27,344, which was \$27,344 worse than the balanced budget. Exhibit G shows the comparison of actual to budget for the General Fund.

The largest variances in actual revenues versus budgeted revenues were related to grant revenue. For intergovernmental revenue, the town budgeted \$175,000 Class 2 Paving Grant which it did not receive. The town also received less Safe Routes to School grant funding than budgeted due to the timing of the project and actual expenses.

The largest variances between budgeted expenses and actual expenses occurred within the following categories: Selectboard, Planning and Zoning, Highways and Bridges, Buildings and Property, Open Space and capital outlays.

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Selectboard expenses were more than budgeted due mainly to legal fees and advertising costs related to highway vacancies. Expenses for computer services were also more than anticipated. Legal expenses and professional consultants were much higher than budgeted for planning and zoning. Highways and bridges was under budget due because the town did not receive the Class 2 paving grant so it did not do the corresponding budgeted work. Buildings and Property was under budget due to fewer building repairs completed than budgeted. Open Space was under spent because the town ended up not implanting a planned expansion of a parking lot for Mobbs farm which was budgeted.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2019, the Town had \$8,411,085 invested in a broad range of capital assets, including highway and fire equipment, and buildings. (See Table 4 below) This amount represents a net increase (including additions and deductions) of \$1,154,751 over last year.

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

	2019	2018	Change
Land	\$ 58,949	\$ 58,949	\$ 0
Construction in progress	364,962	192,521	172,441
Buildings and improvements	998,762	1,053,819	(55,057)
Vehicles and equipment	574,336	651,715	(77,379)
Infrastructure	6,414,076	5,775,355	638,721
Totals	<u>\$8,411,085</u>	<u>\$7,732,359</u>	<u>\$ 678,726</u>

This year's additions were:

Raceway Road culvert	\$ 584,987
Various design engineering	6,528
Paving	224,577
Ford F350 truck and plow	42,415
Route 15 pedestrian school crossing	99,330
Sidewalk projects	21,594
Garage generator rebuild	10,462
Library renovations	16,522
Highway vehicle	178,382
	<u>\$ 1,184,797</u>

The Town's fiscal year 2020 capital budget calls for the Town to spend a total of \$1,073,288 on projects including \$300,000 for sidewalk construction; \$419,000 for improvements to asphalt and gravel roads; \$75,000 on bridge improvements; and \$96,568 on highway vehicles.

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Debt Administration

At June 30, 2019, the Town had \$792,654 in bonds and leases outstanding versus \$825,293 on June 30, 2018 – a decrease of \$32,639 – as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	2019	2018	Change
Vermont Municipal Bond Bank	\$ 600,000	\$ 660,000	\$ (60,000)
Community Bank	27,084	0	27,084
Kansas State Bank	0	37,215	(37,215)
Caterpillar Financial	21,188	41,725	(20,537)
Kansas State Bank	144,382	0	144,382
Kansas State Bank	0	25,614	(25,614)
Kansas State Bank	0	60,739	(60,739)
Totals	<u>\$ 792,654</u>	<u>\$ 825,293</u>	<u>\$ (32,639)</u>

Economic Factors and Next Year's Budgets and Rates

For the Fiscal Year 2020, the total municipal property tax rate increased by \$0.0149 or 3.3% to \$0.4549.

Contacting the Town's Financial Management

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

TOWN OF JERICHO, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT A

	<u>Governmental Activities</u>	
ASSETS		
Current assets:		
Cash	\$ 1,798,689	
Delinquent taxes, penalties and interest receivable	53,507	
Due from State of VT	34,247	
Due from fiduciary fund	6,886	
Prepaid expenses	<u>80,176</u>	
Total current assets		1,973,505
Noncurrent assets:		
Capital assets:		
Land	58,949	
Construction in progress	364,962	
Property and equipment (net of allowance for accumulated depreciation of \$4,241,000)	<u>7,987,174</u>	
Total noncurrent assets		<u>8,411,085</u>
Total assets		<u>10,384,590</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related		<u>131,350</u>
Total assets plus deferred outflows of resources		<u>10,515,940</u>
LIABILITIES		
Current liabilities:		
Accounts payable	206,614	
Unearned grants	882	
Prepaid recreation fees	88,919	
Accrued interest payable	<u>4,642</u>	
Total current liabilities		301,057
Noncurrent liabilities:		
Net pension liability	290,545	
Accrued compensated absences due after one year	59,437	
Bond and capital leases payable -		
Due within one year	138,324	
Due after one year	<u>654,330</u>	
Total noncurrent liabilities		<u>1,142,636</u>
Total liabilities		<u>1,443,693</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related		<u>8,524</u>
Total liabilities and deferred inflows of resources		<u>1,452,217</u>
NET POSITION		
Invested in capital assets, net of related debt	7,618,431	
Restricted	473,070	
Unrestricted	<u>972,222</u>	
Total net position		<u>\$ 9,063,723</u>

TOWN OF JERICHO, VERMONT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

EXHIBIT B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenues and Change in Net Position</u>
Governmental Activities:					
General government and administration	\$ 1,225,361	\$ 145,594	\$ 38,739	\$ 0	\$ (1,041,028)
Highways and streets	1,334,209	31,424	211,839	259,924	(831,022)
Cultural and recreational	215,315	113,953	31,526	0	(69,836)
Outside agencies	661,362	0	0	0	(661,362)
Interest on long-term debt	27,728	0	0	0	(27,728)
Total governmental activities	<u>\$ 3,463,975</u>	<u>\$ 290,971</u>	<u>\$ 282,104</u>	<u>\$ 259,924</u>	<u>(2,630,976)</u>
General Revenues:					
Property taxes					2,900,024
Interest and penalties on delinquent taxes					27,886
General state grants (current use)					38,788
Earnings on investments					8,152
Gain on trade in of asset					34,000
Miscellaneous					23,350
Total general revenues					<u>3,032,200</u>
Change in net position					401,224
Net position - July 1, 2018					<u>8,662,499</u>
Net position - June 30, 2019					<u>\$ 9,063,723</u>

See Notes to Financial Statements.

TOWN OF JERICHO, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

EXHIBIT C

	Major Funds		Non-Major Funds	
	General	Road	Other	
	Fund	Upgrade	Governmental	Totals
	Fund	Fund	Funds	
ASSETS				
Cash and cash equivalents	\$ 954,063	\$ 115,845	\$ 728,781	\$ 1,798,689
Delinquent taxes, penalties and interest receivable	53,507	0	0	53,507
Due from State of VT	34,247	0	0	34,247
Prepaid expenses	80,176	0	0	80,176
Due from Fiduciary Fund	6,886	0	0	6,886
Due from other funds	7,217	0	0	7,217
Total assets	<u>\$ 1,136,096</u>	<u>\$ 115,845</u>	<u>\$ 728,781</u>	<u>\$ 1,980,722</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 204,116	\$ 0	\$ 2,498	\$ 206,614
Due to other funds	0	0	7,217	7,217
Unearned grant revenue	882	0	0	882
Prepaid recreation fees	88,919	0	0	88,919
Total liabilities	<u>293,917</u>	<u>0</u>	<u>9,715</u>	<u>303,632</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	<u>42,046</u>	<u>0</u>	<u>0</u>	<u>42,046</u>
FUND BALANCES				
Nonspendable, prepaid	80,176	0	0	80,176
Restricted	0	0	473,070	473,070
Assigned	0	115,845	245,996	361,841
Unassigned	719,957	0	0	719,957
Total fund balances	<u>800,133</u>	<u>115,845</u>	<u>719,066</u>	<u>1,635,044</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,136,096</u>	<u>\$ 115,845</u>	<u>\$ 728,781</u>	<u>\$ 1,980,722</u>

TOWN OF JERICHO, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT D

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,635,044

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 as
assets in governmental funds. The cost of the assets is

Cost of the assets	12,652,085	
Accumulated depreciation	<u>(4,241,000)</u>	8,411,085

Unavailable revenues are recognized as earned on the accrual basis
in the statement of net assets, not the modified accrual basis.

Unavailable revenue - taxes	42,046
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Some liabilities, including net pension obligations, are not due and
payable in the current period and, therefore, are not reported in
the governmental funds:

Net pension liability	(290,545)
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Deferred outflows and inflows of resources related to pensions are
applicable to future periods and, therefore, are not reported in the
governmental funds:

Deferred outflows	131,350	
Deferred inflows	<u>(8,524)</u>	122,826

Long-term liabilities, including bonds and leases payable, are not
due and payable in the current period and therefore are not
reported as liabilities in the funds. Long-term liabilities at
year end consist of:

Bonds payable	600,000	
Capital leases payable	192,654	
Accrued interest on bonds payable	4,642	
Accrued compensated absences	<u>59,437</u>	<u>(856,733)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 9,063,723

TOWN OF JERICHO, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

EXHIBIT E

	Major Funds		Non-Major Funds	
	General Fund	Road Upgrade Fund	Other Governmental Funds	Totals
REVENUES				
Property taxes	\$ 2,916,060	\$ 0	\$ 0	\$ 2,916,060
Current use	38,788	0	0	38,788
Fees and licenses	223,564	0	0	223,564
Intergovernmental	522,502	0	0	522,502
Charges for services	36,000	0	31,407	67,407
Interest income	5,537	375	2,240	8,152
Donations	0	0	19,526	19,526
Miscellaneous	22,761	0	589	23,350
Total revenues	<u>3,765,212</u>	<u>375</u>	<u>53,762</u>	<u>3,819,349</u>
EXPENDITURES				
Current				
General government	999,378	0	0	999,378
Public safety	122,229	0	0	122,229
Highways and streets	879,031	0	0	879,031
Health services	3,377	0	0	3,377
Cultural and recreational	172,227	0	40,615	212,842
Outside agencies	661,362	0	0	661,362
Debt service				
Interest	29,114	0	0	29,114
Principal	204,105	0	0	204,105
Capital outlay	1,150,797	0	0	1,150,797
Total expenditures	<u>4,221,620</u>	<u>0</u>	<u>40,615</u>	<u>4,262,235</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(456,408)</u>	<u>375</u>	<u>13,147</u>	<u>(442,886)</u>
OTHER FINANCING SOURCES (USES)				
Lease proceeds	27,084	0	0	27,084
Loan proceeds	144,382	0	0	144,382
Operating transfers in	276,198	0	18,600	294,798
Operating transfers	(18,600)	0	(276,198)	(294,798)
Total other financing sources (uses)	<u>429,064</u>	<u>0</u>	<u>(257,598)</u>	<u>171,466</u>
NET CHANGE IN FUND BALANCE	(27,344)	375	(244,451)	(271,420)
FUND BALANCES - JULY 1, 2018	<u>827,477</u>	<u>115,470</u>	<u>963,517</u>	<u>1,906,464</u>
FUND BALANCES - JUNE 30, 2019	<u>\$ 800,133</u>	<u>\$ 115,845</u>	<u>\$ 719,066</u>	<u>\$ 1,635,044</u>

TOWN OF JERICHO, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

EXHIBIT F

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (271,420)

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

Capital outlays are reported in governmental funds as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated useful
lives as depreciation expense. This is the amount by which capital outlays including
use of proceeds (\$1,184,797) exceeds depreciation expense (\$506,071). 678,726

Some of the capital assets acquired this year were financed with long-term debt. The
amount financed is reported in the governmental funds as an other financing source.
On the other hand, the lease proceeds are not revenue in the statement of activities,
but rather constitutes long-term liabilities in the statement of net assets. (171,466)

Repayment of bond and lease principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net position. 204,105

Property taxes are recognized on an accrual basis in the statement of net position, not
the modified accrual basis. The unavailable property taxes increased by \$11,850. 11,850

Governmental funds report pension contributions as expenditures. However in the
statement of activities, the cost of pension benefits earned net of employee
contributions is reported as pension expense. (50,025)

Interest on long-term debt in the statement of activities differs from the amount
reported in the governmental funds because interest is recognized as an
expenditure in the funds when it is due, and thus requires the use of current
financial resources. In the statement of activities, however, interest expense is
recognized as the interest accrues, regardless of when it is due. The decreased
interest reported in the governmental activities is because accrued interest on
bonds and lease payable decreased. 1,386

Long-term liabilities are not due and payable in the current period and therefore are
not reported as liabilities in the governmental funds. Accrued compensated
absences increased by \$1,932 during the year. (1,932)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 401,224

TOWN OF JERICHO, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2019

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 2,878,286	\$ 2,888,174	\$ 9,888
Penalties and interest	28,000	27,886	(114)
Current use program	29,000	38,788	9,788
Fees and licenses	238,150	223,564	(14,586)
Intergovernmental	642,300	437,578	(204,722)
Interest income	6,000	5,537	(463)
Safe Routes to School grant	112,500	84,924	(27,576)
Comcast lease	36,000	36,000	0
Miscellaneous	1,800	22,761	20,961
Total revenues	<u>3,972,036</u>	<u>3,765,212</u>	<u>(206,824)</u>
EXPENDITURES			
Current			
Town treasurer	79,094	74,442	4,652
Selectboard	292,148	338,406	(46,258)
Town clerk	138,403	125,560	12,843
Listing	35,430	24,939	10,491
Reappraisal	2,000	0	2,000
Health services	5,650	3,377	2,273
Planning and zoning	183,989	213,841	(29,852)
Highways and bridges	997,260	879,031	118,229
Summer recreation program	152,060	123,272	28,788
Unemployment and Workers Comp Insurance	21,500	26,193	(4,693)
Police and safety	120,000	122,229	(2,229)
Buildings and property	209,850	187,641	22,209
Conservation commission	2,700	672	2,028
Open space	53,700	8,938	44,762
Landfill	2,000	8,356	(6,356)
Town library	42,345	39,345	3,000
Outside agencies	660,647	661,362	(715)
Capital outlay - highway equipment	0	52,877	(52,877)
Capital outlay - highway infrastructure	900,000	809,564	90,436
Capital outlay - highway truck	0	144,382	(144,382)
Capital outlay - safe routes to schools	0	16,522	(16,522)
Capital outlay - work in progress	0	28,122	(28,122)
Capital outlay - sidewalks	137,500	99,330	38,170
Debt service			
Interest	26,860	29,114	(2,254)
Principal	221,198	204,105	17,093
Total expenditures	<u>4,284,334</u>	<u>4,221,620</u>	<u>62,714</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(312,298)</u>	<u>(456,408)</u>	<u>(144,110)</u>
OTHER FINANCING SOURCES (USES)			
Lease proceeds	0	27,084	27,084
Loan proceeds	0	144,382	144,382
Operating transfers in	346,198	276,198	(70,000)
Operating transfers out	(33,900)	(18,600)	15,300
Total other financing sources (uses)	<u>312,298</u>	<u>429,064</u>	<u>116,766</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	<u>(27,344)</u>	<u>\$ (27,344)</u>
FUND BALANCE - JULY 1, 2018		<u>827,477</u>	
FUND BALANCE - JUNE 30, 2019		<u>\$ 800,133</u>	

TOWN OF JERICHO, VERMONT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS

EXHIBIT H

JUNE 30, 2019

	<u>WCP Escrow Fund</u>
ASSETS	
Cash	<u>\$ 6,886</u>
Total assets	6,886
LIABILITIES	
Due to Town	<u>6,886</u>
NET POSITION	
Net position	<u><u>\$ 0</u></u>

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2019

	<u>WCP Escrow Fund</u>
ADDITIONS	
Interest and dividends	<u>\$ 17</u>
Total additions	<u>17</u>
DEDUCTIONS	
Transfer to General Fund	<u>6,886</u>
Total deductions	<u>6,886</u>
CHANGE IN NET POSITION	(6,869)
NET POSITION, JULY 1, 2018	<u>6,869</u>
NET POSITION, JUNE 30, 2019	<u><u>\$ 0</u></u>

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

Reporting Entity

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

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

Basic Financial Statements – Government-Wide Statements

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

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

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

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, restricted fund balances, fund equity, revenue and expenditures. The various funds are reported by major fund within the financial statements.

The emphasis in fund financial statements is on the major funds. GASBs No. 34 and No. 37 set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category type or the governmental and enterprise combined) for the determination of major funds. The General Fund and Road Upgrade Fund are shown as major governmental funds. All other funds are nonmajor and are combined in a single column in each of the respective fund financial statements.

The Town reports on the following major governmental funds:

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

Road Upgrade Fund is used to account for funds assigned toward upgrading roads.

Fiduciary Funds

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

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

Measurement Focus

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

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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

Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenue is recognized when transactions occur and expenses are recognized when liabilities are incurred.

Modified Accrual

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

Cash and Cash Equivalents

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

Capital Assets

Infrastructure assets purchased or acquired with an original cost of \$25,000 and capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15 – 30 years
Machinery and equipment	5 – 10 years
Infrastructure	15 – 40 years

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

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these amounts. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

Unavailable Revenue

Unavailable revenue consists of delinquent taxes not collected within sixty (60) days after year end.

Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Net position is divided into three components:

Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consist of assets that are restricted by the Town's creditors, enabling legislation, by grantors, and by other contributors.

Unrestricted net position – all other net position is reported in this category.

Deferred Outflows of Resources

The Town reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The deferred outflows of resources reported in this year's statement of net position are a deferred outflow of resources for contributions made to the Town's defined benefit pension plans subsequent to the measurement date, differences between expected and actual experience in the pension fund, changes of assumptions, changes in proportion and differences between the Town's contributions and proportionate share of contributions. No deferred outflows of resources affect the governmental funds financial statements in the current year.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources

The Town's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). The deferred inflows of resources reported in the Town's statement of net position are changes in proportionate share of contributions and the differences between expected and actual experience.

In its governmental funds, the only deferred inflow of resources are for revenues that are not considered available. The Town will not recognize the related property tax revenues until they are available (collected not later than sixty days after the end of the Town's fiscal year) under the modified accrual basis of accounting, nor will they recognize the related community development notes receivable, until available.

Pensions

In July of 2014, the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS) and additions to/deductions from VMERS's 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.

Fund Equity

GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted fund balances - Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. federal and state grants, bondholders, trust and trustee accounts).

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the Selectboard. Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned fund balances - Indicates the portion of fund equity that is set aside with the intent to be used for a specific purpose by the Selectboard or official that has been given the authority to assign funds (e.g. encumbrances, subsequent budgets). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances - Indicates the portion of fund equity that has not been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The Selectboard establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives). Assigned fund balance is established by the Selectboard through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service or other purposes).

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds. When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied first to committed, then assigned, then unassigned.

Interfund Activities

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

Budgetary Accounting

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

Use of Estimates

The preparation of financial statements in conformity with accounting standards generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 – DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of June 30, 2019, the bank balances were as follows:

Uninsured, collateralized	\$ 1,686,090
FDIC	124,778
Total	<u>\$ 1,810,868</u>

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Reclassifications	Depreciation	Balance June 30, 2019
Capital assets not depreciated					
Land	\$ 58,949	\$ 0	\$ 0	\$ 0	\$ 58,949
Construction in progress	192,521	206,504	(34,063)	0	364,962
Total capital assets not depreciated	<u>251,470</u>	<u>206,504</u>	<u>(34,063)</u>	<u>0</u>	<u>423,911</u>
Capital assets being depreciated					
Buildings and improvements	1,736,386	16,522	0	0	1,752,908
Vehicles and equipment	1,691,863	52,877	(37,238)	0	1,707,502
Infrastructure	7,824,807	942,957	0	0	8,767,764
Total capital assets depreciated	<u>11,253,056</u>	<u>1,012,356</u>	<u>(37,238)</u>	<u>0</u>	<u>12,228,174</u>
Less accumulated depreciation for:					
Buildings and improvements	(682,567)	0	0	(71,579)	(754,146)
Vehicles and equipment	(1,040,148)	0	37,238	(130,256)	(1,133,166)
Infrastructure	(2,049,452)	0	0	(304,236)	(2,353,688)
Total accumulated depreciation	<u>(3,772,167)</u>	<u>0</u>	<u>37,238</u>	<u>(506,071)</u>	<u>(4,241,000)</u>
Total capital assets, net	<u>\$ 7,732,359</u>	<u>\$ 1,218,860</u>	<u>\$ (34,063)</u>	<u>\$ (506,071)</u>	<u>\$ 8,411,085</u>

Depreciation expense was charged to General Government (\$71,579) and Highways and Streets (\$434,492).

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2019, the Library Fund owed the General Fund \$7,217, and the Fiduciary Fund owed the General Fund \$6,886.

NOTE 5 - INTERFUND TRANSFERS

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them as voted through special articles.

		Transfer to		
		General	Town Library	Total
F	General	\$ 0	\$ 18,600	\$ 18,600
r	Road Impact Fees	75,000	0	75,000
o	Equipment	51,198	0	51,198
m	Bridge Replacement	150,000	0	150,000
		<u>\$ 276,198</u>	<u>\$ 18,600</u>	<u>\$294,798</u>

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - LONG-TERM DEBT

Long-term debt at June 30, 2019 consists of the following:

	<u>Total</u>	<u>Due in one year</u>
Bond, Vermont Municipal Bond Bank, for Town Hall renovations, annual principal payment of \$60,000 beginning in 2010 plus interest adjusted annually between 1.9% and 4.65%, due 2029.	\$ 600,000	\$ 60,000
Lease payable - Caterpillar Financial, for excavator, annual payments of \$26,298 principal and interest at 2.25%, due February, 2021.	21,188	21,188
Lease payable - Kansas State Bank, for highway truck, annual payments of \$50,949 principal and interest at 3.89%, due October, 2021.	144,382	48,108
Note payable - Community Bank, for highway truck, annual payments of \$9,028 principal and interest at 3.26%, due September, 2021.	<u>27,084</u>	<u>9,028</u>
Total long-term bond and lease payable	792,654	138,324
Accrued compensated absences	<u>59,437</u>	<u>0</u>
Total long-term debt	<u><u>\$ 852,091</u></u>	<u><u>\$ 138,324</u></u>

Changes in long-term debt were as follows:

Balance, July 1, 2018	\$ 882,798
Lease proceeds	171,466
Lease and bond principal payments	(204,105)
Increase in compensated absences	9,740
Decrease in compensated absences	<u>(7,808)</u>
Balance, June 30, 2019	<u><u>\$ 852,091</u></u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2020	\$ 138,232	\$ 29,495	\$ 167,727
June 30, 2021	116,343	27,118	143,461
June 30, 2022	118,079	22,442	140,521
June 30, 2023	60,000	17,652	77,652
June 30, 2024	60,000	15,021	75,021
June 30, 2025-2029	<u>300,000</u>	<u>37,521</u>	<u>337,521</u>
	<u><u>\$ 792,654</u></u>	<u><u>\$ 149,249</u></u>	<u><u>\$ 941,903</u></u>

Interest paid on long-term debt for the year ended June 30, 2019 was \$29,114.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 – ASSIGNED AND RESTRICTED FUND BALANCES AND NET POSITION

Fund balances and net position are assigned and restricted as follows:

Major Funds	Fund Balance		Net Position
	Assigned	Restricted	Restricted
Road Upgrade Fund	\$ 115,845	\$ 0	\$ 0
Nonmajor Funds			
Bentley Cemetery Fund	0	2,714	2,714
Maude Brown Fund	0	3,953	3,953
Stevens Trust Fund	0	16,428	16,428
Preservation Fund	0	140,356	140,356
Reappraisal Fund	0	101,338	101,338
Road Impact Fees Fund	0	159,827	159,827
Recreation Impact Fund	0	18,875	18,875
Jericho Town Center Library Fund	0	29,579	29,579
Sidewalk Fund	26,403	0	0
Buildings and Property Fund	32,718	0	0
Capital Projects Fund	27,019	0	0
Stormwater Mitigation Fund	20,427	0	0
Equipment Fund	13,974	0	0
Bridge Replacement Fund	59,979	0	0
Open Space Fund	65,476	0	0
Total Nonmajor Funds	245,996	473,070	473,070
Total all funds	\$ 361,841	\$ 473,070	\$ 473,070

NOTE 8 - PROPERTY TAXES

The Town levies its property tax based upon the assessed value as of April 1, for all real property, with exemptions to qualifying veterans and excludes assessments on municipal, school and church properties. Appointed listers establish a Grand List of all property and the Selectboard sets the tax rate required to raise the tax revenue authorized by Town and School District voters and the Vermont Department of Education. The tax is payable in three installments due August 15, November 15, and March 15. For the first two payments, interest at 1% per month is charged for installments not paid. After the final installment is due, a penalty will be charged of 1% per day up to 8% total. The following shows the tax rates for fiscal year 2019:

	Residential	Non-residential
General Fund	\$ 0.4400	\$ 0.4400
State Education Tax	1.4524	1.5379
	<u>\$ 1.8924</u>	<u>\$ 1.9779</u>

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 - PROPERTY TAXES (Continued)

The State of Vermont operates a Current Use Program and enters into tax abatement agreements directly with landowners. Enrolled landowners are required to manage their land in accordance with an approved plan, and the land is subject to a lien to recover taxes abated if the land is ever developed. In exchange, the landowners receive a reduction in assessed value on their property tax bills, which results in a reduction of property tax revenue to the Town. For fiscal year 2019, the amount of Town property taxes foregone as a result of the Current Use Program was approximately \$39,000. In accordance with 32 V.S.A § 3760, the State of Vermont limits the total loss of revenue to zero by providing the Town with a Hold Harmless payment in the following year that is equivalent to the taxes previously foregone.

NOTE 9 - PENSION PLANS

All eligible employees of the Town are enrolled for coverage by the Vermont Municipal Employees' Retirement System (VMERS) immediately upon employment. VMERS has a defined benefit plan and a defined contribution plan that the Town participates in as follows:

VMERS Defined Benefit Plan

Plan description. The Town contributes to the Vermont Municipal Employees' Retirement System (VMERS) which 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 school districts and other municipal 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, 2018, the retirement system consisted of 402 participating employers.

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

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

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

Summary of System Provisions

Membership is open to all full time employees of participating municipalities. The municipality elects coverage under Groups A, B, C, or D. The Town only has Group B members.

Creditable service is service as a member plus purchased service.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - PENSION PLANS (Continued)

Benefits provided and contributions

	Group A	Group B	Group C	Group D
Avg Final Compensation (AFC)	Average annual compensation during highest 5 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 2 consecutive years
Service Retirement Allowance				
Eligibility	Earlier of age 65 with 5 years of service or age 55 with 35 years of service	Earlier of age 62 with 5 years of service or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Amount	1.4% of AFC times service	1.7% of AFC times service as Group B member plus percentage earned as a Group A member times AFC	2.5% of AFC times service as Group C member plus percentage earned as a Group A or B member times AFC	2.5% of AFC times service as Group D member plus percentage earned as a Group A, B, or C member times AFC
Maximum Benefit	60% of AFC, including portion of allowance provided by member contributions		50% of AFC, including portion of allowance provided by member contributions	
Early Retirement Allowance				
Eligibility	Age 55 with 5 years of service		n/a	Age 50 with 20 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		n/a	Normal allowance based on service and AFC at early retirement, without reduction
Vested Retirement Allowance				
Eligibility	5 years of service	5 years of service	5 years of service	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 CPI, subject to the limits on "Post-Retirement Adjustments" described below.			
Disability Retirement Allowance				
Eligibility	5 years of service and disability as determined by Retirement Board			
Amount	Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.			
Death Benefit				
Eligibility	After 5 years of service	After 5 years of service	After 5 years of service	After 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 the date of death.			70% of the unreduced accrued benefit plus children's benefit
Optional Benefit and Death after Retirement				
	Lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contributions guarantee.			Lifetime allowance or 70% contingent annuitant option with no reduction
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 CPI but not more than the following percentage:			
	2%	3%	3%	3%
Member Contributions	2.65% effective 7/1/18	5.0% effective 7/1/18	10.125% effective 7/1/18	11.475% effective 7/1/18
Employer Contributions	4.125% effective 7/1/18	5.625% effective 7/1/18	7.375% effective 7/1/18	9.975% effective 7/1/18
Retirement Stipend	\$25 per month payable at the option of the Board of Retirees			

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - PENSION PLANS (Continued)

For the year ended June 30, 2019, the Town's contributions to the Plan were \$36,713.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the Town reported a liability of \$290,545 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Town's proportion was 0.20650 percent, which was a decrease of 0.00259 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$86,739. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 25,237	\$ 4,646
Changes of assumptions	32,174	0
Net difference between projected and actual earnings on Plan investments	33,673	0
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,553	3,878
Member contributions subsequent to the measurement date	36,713	0
Total	<u>\$ 131,350</u>	<u>\$ 8,524</u>

The \$36,713 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as the net pension expense in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,		
2019	\$	56,924
2020		18,734
2021		3,863
2022		6,592

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - PENSION PLANS (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return – 7.5%, net of pension plan investment expenses, including inflation.

Salary increase – 5% per year.

Mortality:

Death in Active Service:

Groups A, B, C – 98% of RP-2006 blended 60% Blue Collar Employee, 40% Healthy Employee with generational improvement

Group D – RP-2006 Blue Collar Annuitant Table with generational improvement

Healthy Post-retirement:

Groups A, B, C – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational improvement

Group D – 100% of RP-2014 Healthy Annuitant Table with generational improvement

Disabled Post-retirement:

All groups - RP-2006 Disabled Mortality Table with generational improvement

Spouse's age – females three years younger than males.

Cost of Living Adjustments – Assumed to occur on January 1 following one year of retirement at the rate of 1.15% per annum for Group A members and 1.3% per annum for Groups B, C and D members (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Groups A, B, and D who receive a disability retirement benefit, and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2019 COLA is assumed to be 1.3% for all age groups.

Actuarial Cost Method – Entry Age Actuarial Cost Method. Entry Age is the age at date of employment or, if date is unknown, current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

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

Inflation – 2.5%.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - PENSION PLANS (Continued)

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	18.00%	6.10%
Non-US Equity	16.00%	7.45%
Global Equity	9.00%	6.74%
Real Estate	8.00%	5.11%
Private Markets	15.00%	7.60%
Hedge Funds	8.00%	3.86%
Fixed income	26.00%	2.25%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to change in the discount rate – The following presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.5 percent) or 1-percent higher (8.5 percent) than the current rate:

<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
\$ 492,117	\$ 290,545	\$ 126,610

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Town landfill ceased operation in 1992. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site for twenty years after closure and to report monitoring results to the State regulatory agency. Postclosure care expenses of \$8,356 and \$1,950 were recorded in the General Fund for years ended June 30, 2019 and 2018 respectively. Future costs relating to postclosure care may be higher or lower due to inflation, changes in technology or changes in landfill laws and regulations.

NOTE 11 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 17, 2019, the date which the financial statements were available for issue.

TOWN OF JERICHO, VERMONT
COMBINING AND INDIVIDUAL FUND BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

SCHEDULE 1

	Special Revenue Funds								Capital Projects Funds							
	Bentley Cemetery Fund	Maude Brown Fund	Stevens Trust Fund	Preservation Fund	Reappraisal Fund	Road Impact Fees Fund	Recreation Impact Fund	Jericho Town Library Fund	Sidewalk Fund	Buildings and Property Fund	Capital Projects Fund	Stormwater Mitigation Fund	Equipment Fund	Bridge Replacement Fund	Open Space Fund	Total
ASSETS																
Cash	\$ 2,714	\$ 3,953	\$ 16,428	\$ 140,356	\$ 101,338	\$ 162,325	\$ 18,875	\$ 36,796	\$ 26,403	\$ 32,718	\$ 27,019	\$ 20,427	\$ 13,974	\$ 59,979	\$ 65,476	\$ 728,781
Total assets	\$ 2,714	\$ 3,953	\$ 16,428	\$ 140,356	\$ 101,338	\$ 162,325	\$ 18,875	\$ 36,796	\$ 26,403	\$ 32,718	\$ 27,019	\$ 20,427	\$ 13,974	\$ 59,979	\$ 65,476	\$ 728,781
LIABILITIES AND FUND BALANCES																
Liabilities:																
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,498	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,498
Due to other funds	0	0	0	0	0	0	0	7,217	0	0	0	0	0	0	0	7,217
Total liabilities	0	0	0	0	0	2,498	0	7,217	0	0	0	0	0	0	0	9,715
Fund balances:																
Restricted	2,714	3,953	16,428	140,356	101,338	159,827	18,875	29,579	0	0	0	0	0	0	0	473,070
Assigned	0	0	0	0	0	0	0	0	26,403	32,718	27,019	20,427	13,974	59,979	65,476	245,996
Total fund balances	2,714	3,953	16,428	140,356	101,338	159,827	18,875	29,579	26,403	32,718	27,019	20,427	13,974	59,979	65,476	719,066
Total liabilities and fund balances	\$ 2,714	\$ 3,953	\$ 16,428	\$ 140,356	\$ 101,338	\$ 162,325	\$ 18,875	\$ 36,796	\$ 26,403	\$ 32,718	\$ 27,019	\$ 20,427	\$ 13,974	\$ 59,979	\$ 65,476	\$ 728,781

TOWN OF JERICHO, VERMONT
COMBINING AND INDIVIDUAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

SCHEDULE 2

	Special Revenue Funds								Capital Projects Funds								
	Bentley Cemetery Fund	Maude Brown Fund	Stevens Trust Fund	Preservation Fund	Reappraisal Fund	Road Impact Fees Fund	Recreation Impact Fund	Jericho Town Library Fund	Sidewalk Fund	Buildings and Property Fund	Capital Projects Fund	Stormwater Mitigation Fund	Equipment Fund	Bridge Replacement Fund	Open Space Fund	Total	
Revenues																	
Charges for services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,157	\$ 2,250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,407	
Interest	0	0	0	353	235	521	45	0	66	82	68	51	202	452	165	2,240	
Donations	0	0	0	0	0	0	0	19,526	0	0	0	0	0	0	0	19,526	
Other revenue	0	0	0	0	0	0	0	589	0	0	0	0	0	0	0	589	
Total revenues	0	0	0	353	235	29,678	2,295	20,115	66	82	68	51	202	452	165	53,762	
Expenditures																	
Cultural and recreation	0	0	0	0	0	0	0	40,615	0	0	0	0	0	0	0	40,615	
Excess of revenues over (under) expenditures	0	0	0	353	235	29,678	2,295	(20,500)	66	82	68	51	202	452	165	13,147	
Other financing sources																	
Transfers in	0	0	0	0	0	0	0	18,600	0	0	0	0	0	0	0	18,600	
Transfers out	0	0	0	0	0	(75,000)	0	0	0	0	0	0	(51,198)	(150,000)	0	(276,198)	
Total other financing sources (uses)	0	0	0	0	0	(75,000)	0	18,600	0	0	0	0	(51,198)	(150,000)	0	(257,598)	
Net changes in fund balances	0	0	0	353	235	(45,322)	2,295	(1,900)	66	82	68	51	(50,996)	(149,548)	165	(244,451)	
Fund balances - July 1, 2018	2,714	3,953	16,428	140,003	101,103	205,149	16,580	31,479	26,337	32,636	26,951	20,376	64,970	209,527	65,311	963,517	
Fund balances - June 30, 2019	\$ 2,714	\$ 3,953	\$ 16,428	\$ 140,356	\$ 101,338	\$ 159,827	\$ 18,875	\$ 29,579	\$ 26,403	\$ 32,718	\$ 27,019	\$ 20,427	\$ 13,974	\$ 59,979	\$ 65,476	\$ 719,066	

TOWN OF JERICHO, VERMONT
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 VERMONT EMPLOYEES MUNICIPAL RETIREMENT PLAN
 As of Measurement Date June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.2065%	0.2091%	0.2151%	0.1906%	0.1795%
District's proportionate share of the net pension liability (asset)	\$ 290,545	\$253,321	\$276,869	\$146,906	\$ 16,382
District's covered-employee payroll	\$ 657,742	\$620,835	\$573,295	\$495,556	\$451,787
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.17%	40.80%	48.29%	29.64%	3.63%
Plan fiduciary net position as a percentage of the total pension liability	82.60%	83.64%	80.95%	87.42%	98.32%

TOWN OF JERICHO, VERMONT
 SCHEDULE OF TOWN CONTRIBUTIONS
 VERMONT EMPLOYEES MUNICIPAL RETIREMENT PLAN
 Years Ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contributions	\$ 36,713	\$ 36,176	\$ 34,146	\$ 31,531	\$ 26,636	\$ 23,154	\$ 16,955
Contributions in relation to the contractually required contribution	<u>(36,713)</u>	<u>(36,176)</u>	<u>(34,146)</u>	<u>(31,531)</u>	<u>(26,636)</u>	<u>(23,154)</u>	<u>(16,955)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$652,674	\$ 657,742	\$620,835	\$573,295	\$495,556	\$451,787	\$339,100
Contributions as a percentage of covered-employee payroll	5.625%	5.500%	5.500%	5.500%	5.375%	5.125%	5.000%

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Donald J. Murray, CPA

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*

Town of Jericho
Jericho, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Jericho, Vermont, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 17, 2019.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did

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

Purpose of this Report

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

Respectfully submitted,

Fothergill Segale & Valley, CPAs

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Montpelier, Vermont
Vermont Public Accountancy License #110

December 17, 2019