Audited Financial Statements and
Other Financial Information

Town of Fair Haven, Vermont

June 30, 2016

RHR SMITH & COMPANY
Certified Public Accountants

Proven Expertise and Integrity

TOWN OF FAIR HAVEN, VERMONT

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JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

Selectboard
Town of Fair Haven
Fair Haven, Vermont

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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

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made by management, as well as evaluating the overall presentation of the financial statement presentation.

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, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fair Haven, Vermont as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof 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, budgetary comparison information, and pension information on pages 4 through 11 on pages 51 through 54 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 Fair Haven, Vermont's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Departmental Operations – General Fund, combining and individual non-major fund financial statements and capital asset schedules are the responsibility of management and were derived from and related 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 Schedule of Departmental Operations – General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
October 12, 2016

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

(UNAUDITED)

The following management's discussion and analysis of the Town of Fair Haven, 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 Statement Overview

The Town of Fair Haven's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund and highway fund budgetary comparison schedules, and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have separate columns for the two different types of Town activities. The types of activities presented for the Town of Fair Haven are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, cemetery, air park, health and welfare, solid waste management, education, recreation, intergovernmental, judgments and damages, benefits, voter appropriations and other unclassified.

- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of Fair Haven include the water fund, the sewer fund and the water and sewer reserve fund.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Fair Haven, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Fair Haven can be divided into two categories: governmental funds and proprietary funds.

Governmental funds: Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this

comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Fair Haven presents only three columns in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund and the highway fund. All other funds are shown as nonmajor and are combined in the "All Nonmajor Funds" column on these statements.

The general fund and the highway fund are the only funds for which the Town legally adopted a budget. The Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund and Highway Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The Town of Fair Haven maintains three proprietary funds, the water fund, the sewer fund, and the water and sewer reserve fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows – Proprietary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule – Budgetary Basis – Budget and Actual – General Fund and Highway Fund, a Schedule of Proportionate Share of the Net Pension Liability and a Schedule of Contributions.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position, and changes in net position of the Town's governmental activities. The Town's total net position for governmental activities increased by $24,460 from $4.30 million to $4.33 million. For the business-type activities the Town's total net position increased by $92,863 from $3.03 million to $3.12 million.

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 - increased for the governmental activities by $94,527 to a balance of $1,798,914 at the end of the fiscal year. For the business-type activities, the unrestricted net position increased by $284,450 to a balance of $488,192.

Table 1
Town of Fair Haven, Vermont
Net Position
June 30,

	Governmental Activities		Business-type Activites	
	2016	**2015**	**2016**	**2015**
Assets:				
Current Assets	$ 2,292,646	$ 2,261,333	$ 503,657	$ 384,580
Capital Assets	2,368,619	2,455,053	4,642,461	4,834,072
Total Assets	4,661,265	4,716,386	5,146,118	5,218,652
Deferred Outflows of Resources:				
Deferred Amount on Pensions	119,357	50,039	-	-
Total Deferred Inflows of Resources	119,357	50,039	-	-
Liabilities:				
Current Liabilities	111,786	249,722	179,748	318,426
Long-term Debt Outstanding	343,677	113,890	1,842,006	1,868,725
Total Liabilities	455,463	363,612	2,021,754	2,187,151
Deferred Inflows of Resources:				
Deferred Amount on Pensions	-	102,114	-	-
Total Deferred Inflows of Resources	-	102,114	-	-
Net Position:				
Net Investment in Capital Assets	2,289,869	2,360,553	2,636,172	2,827,759
Restricted: Special Revenue Funds	78,853	78,823	-	-
Permanent Funds	157,523	156,936	-	-
Unrestricted	1,798,914	1,704,387	488,192	203,742
Total Net Position	$ 4,325,159	$ 4,300,699	$ 3,124,364	$ 3,031,501

Revenues and Expenses

Revenues for the Town's governmental activities increased by .72%, while total expenses increased by 2.51%. For the business-type activities revenues increased by 10.16%, while total expenses decreased by 7.78%.

Table 2
Town of Fair Haven, Vermont
Change in Net Position
For the Years Ended June 30,

	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
Revenues				
Taxes	$ 3,589,700	$ 3,466,364	$ -	$ -
Intergovernmental	130,573	62,172	-	-
Charges for services	268,955	272,752	824,291	738,856
Miscellaneous	21,758	181,152	53,662	58,121
Total Revenues	4,010,986	3,982,440	877,953	796,977
Expenses				
General government	392,482	276,531	-	-
Public safety	451,769	438,467	-	-
Public works	425,814	539,724	-	-
Cemetery	34,558	35,593	-	-
Air park	1,814	1,223	-	-
Health and welfare	3,913	3,008	-	-
Solid waste management	206,253	167,586	-	-
Education	1,906,158	1,822,148	-	-
Recreation	66,429	53,774	-	-
Intergovernmental	10,994	10,774	-	-
Judgements and damages	15,183	18,108	-	-
Benefits	316,011	289,679	-	-
Voter appropriations	150,236	148,441	-	-
Other	1,014	79,437	-	-
Interest on long-term debt	3,898	4,548	-	-
Water and sewer	-	-	785,090	851,357
Total Expenses	3,986,526	3,889,041	785,090	851,357
Change in Net Position	24,460	93,399	92,863	(54,380)
Net Position - July 1, Restated	4,300,699	4,207,300	3,031,501	3,085,881
Net Position - June 30	$ 4,325,159	$ 4,300,699	$ 3,124,364	$ 3,031,501

Financial Analysis of the Town's Fund Statements

Governmental funds: The financial reporting focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the Town's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's financial position at the end of the year, and the net resources available for spending.

Table 3
Town of Fair Haven, Vermont
Fund Balances - Governmental Funds
June 30,

	2016	2015
General Fund:		
Nonspendable	$ 31,056	$ 31,056
Assigned	170,583	170,583
Unassigned	(22,625)	107,871
Total General Fund	$ 179,014	$ 309,510
Highway Fund:		
Assigned	$ 96,009	$ 96,009
Unassigned	(1,421)	(9,304)
Total Highway Fund	$ 94,588	$ 86,705
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	$ 78,853	$ 78,823
Committed	466,223	333,361
Capital Project Funds:		
Committed	869,432	644,825
Permanent Funds:		
Restricted	157,523	156,936
Total Nonmajor Funds	$ 1,572,031	$ 1,213,945

The general fund total fund balance decreased by $130,496 from the prior fiscal year. The highway fund total fund balance increased by $7,883. The nonmajor fund balances increased by $358,086 over the prior fiscal year.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The water fund had a decrease in net position of $34,000 compared with an decrease of $46,497 last year. The sewer fund had a increase in net position for the year of $68,547 compared with a decrease of $49,514 last year. The water and sewer reserve fund had an increase in net position of $58,316 compared with an increase of $32,523 for last year.

Budgetary Highlights

There was no significant difference between the original and final budget for the general fund or the highway fund.

The general fund actual revenues exceeded budget by $40,967. This was a result of charges for services being over budget along with other revenue.

The general fund actual expenditures were under budget by $880. The highway fund actual expenditures were under budget by $96,851. There were minor over-expenditures in both the general fund and highway fund.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2016, the net book value of capital assets recorded by the Town decreased by $278,045 from the prior year. The decrease is the result of current year depreciation of $308,045 less capital asset additions of $30,000.

Table 4
Town of Fair Haven, Vermont
Capital Assets (Net of Depreciation)
June 30,

	2016	2015
Land	$ 35,837	$ 35,837
Buildings	1,585,732	1,652,053
Building improvements	122,040	128,312
Equipment	313,573	331,954
Vehicles	120,086	177,429
Infrastructure	4,833,812	4,963,540
Total	$ 7,011,080	$ 7,289,125

Debt

At June 30, 2016, the Town had $2,085,040 in notes and bonds outstanding versus $2,263,861 last year, a decrease of 7.90%. Refer to Note 5 of the Notes to Financial Statements for detailed information.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The Town’s unassigned fund balance has fallen below the level to sustain government operations for a period of approximately two months while also maintaining significant reserves for future operations, capital and program needs.

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 3 North Park Place, Fair Haven, Vermont 05743.

TOWN OF FAIR HAVEN, VERMONT

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash	$ 1,697,291	$ 342,084	$ 2,039,375
Investments	251,664	-	251,664
Accounts receivable (net of allowance for uncollectibles):			
Delinquent taxes receivable	170,698	-	170,698
Penalties receivable	9,089	-	9,089
Other	12,796	62,961	75,757
Notes	218,664	-	218,664
Tax acquired property	31,056	-	31,056
Internal balances	(98,612)	98,612	-
Total current assets	2,292,646	503,657	2,796,303
Noncurrent assets:			
Capital assets:			
Land, infrastructure, and other assets not being depreciated	35,085	752	35,837
Buildings and vehicles net of accumulated depreciation	2,333,534	4,641,709	6,975,243
Total noncurrent assets	2,368,619	4,642,461	7,011,080
TOTAL ASSETS	4,661,265	5,146,118	9,807,383
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on pensions	119,357	-	119,357
TOTAL DEFERRED OUTFLOWS OF RESOURCES	119,357	-	119,357
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 4,780,622	$ 5,146,118	$ 9,926,740
LIABILITIES			
Current liabilities:			
Accounts payable	$ 37,339	$ 13,068	$ 50,407
Accrued payroll	22,592	-	22,592
Other accrued payables	12,662	2,397	15,059
Other liabilities	-	-	-
Current portion of long-term obligations	39,193	164,283	203,476
Total current liabilities	111,786	179,748	291,534
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	63,000	1,842,006	1,905,006
Accrued compensated absences	23,526	-	23,526
Net pension liability	257,151	-	257,151
Total noncurrent liabilities	343,677	1,842,006	2,185,683
TOTAL LIABILITIES	455,463	2,021,754	2,477,217
DEFERRED INFLOWS OF RESOURCES			
Deferred amount on pensions	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Net investment in capital assets	2,289,869	2,636,172	4,926,041
Restricted	236,376	-	236,376
Unrestricted	1,798,914	488,192	2,287,106
TOTAL NET POSITION	4,325,159	3,124,364	7,449,523
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 4,780,622	$ 5,146,118	$ 9,926,740

See accompanying independent auditors' report and notes to financial statements.

TOWN OF FAIR HAVEN, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues			Net (Expense) Revenue & Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	$ 392,482	$ 28,226	$ 14,873	$ -	$ (349,383)	$ -	$ (349,383)
Public safety	451,769	75,448	28,032	-	(348,289)	-	(348,289)
Public works	425,814	149,569	87,668	-	(188,577)	-	(188,577)
Cemetery	34,558	13,393	-	-	(21,165)	-	(21,165)
Air park	1,814	-	-	-	(1,814)	-	(1,814)
Health and welfare	3,913	2,319	-	-	(1,594)	-	(1,594)
Solid waste management	206,253	-	-	-	(206,253)	-	(206,253)
Education	1,906,158	-	-	-	(1,906,158)	-	(1,906,158)
Recreation	66,429	-	-	-	(66,429)	-	(66,429)
Intergovernmental	10,994	-	-	-	(10,994)	-	(10,994)
Judgements and damages	15,183	-	-	-	(15,183)	-	(15,183)
Benefits	316,011	-	-	-	(316,011)	-	(316,011)
Voter appropriations	150,236	-	-	-	(150,236)	-	(150,236)
Other	1,014	-	-	-	(1,014)	-	(1,014)
Interest on long-term debt	3,898	-	-	-	(3,898)	-	(3,898)
Total governmental activities	3,986,526	268,955	130,573	-	(3,586,998)	-	(3,586,998)
Business-type activities:							
Water fund	386,112	377,112	-	-	-	(9,000)	(9,000)
Sewer fun	391,053	447,179	-	-	-	56,126	56,126
Water and sewer reserve fund	7,925	-	-	-	-	(7,925)	(7,925)
Total business-type activities	785,090	824,291	-	-	-	39,201	39,201
Total government	$ 4,771,616	$ 1,093,246	$ 130,573	$ -	(3,586,998)	39,201	(3,547,797)

TOWN OF FAIR HAVEN, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(3,586,998)	39,201	(3,547,797)
General revenues:			
Taxes			
Property taxes, levied for general purposes	3,589,700	-	3,589,700
Miscellaneous	21,758	53,662	75,420
Total general revenues	3,611,458	53,662	3,665,120
Change in net position	24,460	92,863	117,323
NET POSITION - JULY 1	4,300,699	3,031,501	7,332,200
NET POSITION - JUNE 30	$ 4,325,159	$ 3,124,364	$ 7,449,523

See accompanying independent auditors' report and notes to financial statements.

TOWN OF FAIR HAVEN, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Highway Fund	All Nonmajor Funds	Total
ASSETS				
Cash and cash equivalents	$ 375,987	$ -	$ 1,321,304	$ 1,697,291
Investments	-	-	251,664	251,664
Accounts receivable (net of allowance for uncollectibles):				
Delinquent taxes receivable	170,698	-	-	170,698
Penalties receivable	9,089	-	-	9,089
Other	1,125	-	11,671	12,796
Notes	218,664	-	-	218,664
Tax acquired property	31,056	-	-	31,056
Due from other funds	1,021,294	106,160	1,012,395	2,139,849
TOTAL ASSETS	$ 1,827,913	$ 106,160	$ 2,597,034	$ 4,531,107
LIABILITIES				
Accounts payable	$ 29,563	$ 4,067	$ 3,709	$ 37,339
Accrued payroll	15,832	6,760	-	22,592
Other accrued payables	11,917	745	-	12,662
Due to other funds	1,217,167	-	1,021,294	2,238,461
TOTAL LIABILITIES	1,274,479	11,572	1,025,003	2,311,054
DEFERRED INFLOWS OF RESOURCES				
Deferred tax revenues	155,756	-	-	155,756
Deferred notes receivable	218,664	-	-	218,664
TOTAL DEFERRED INFLOWS OF RESOURCES	374,420	-	-	374,420
FUND BALANCES				
Nonspendable	31,056	-	-	31,056
Restricted	-	-	236,376	236,376
Committed	-	-	1,335,655	1,335,655
Assigned	170,583	96,009	-	266,592
Unassigned	(22,625)	(1,421)	-	(24,046)
TOTAL FUND BALANCES	179,014	94,588	1,572,031	1,845,633
TOTAL LIABILITIES, FUND BALANCES AND DEFERRED INFLOWS OF RESOURCES	$ 1,827,913	$ 106,160	$ 2,597,034	$ 4,531,107

See accompanying independent auditors' report and notes to financial statements.

TOWN OF FAIR HAVEN, VERMONT

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

	Total Governmental Funds
Total Fund Balances	$ 1,845,633
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, net of accumulated depreciation	2,368,619
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	155,756
Notes receivable	218,664
Deferred outflows of resources are not financial resources and therefore are not reported in the funds	119,357
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(78,750)
Accrued compensated absences	(23,526)
Net pension liability	(280,594)
Net position of governmental activities	$ 4,325,159

See accompanying independent auditors' report and notes to financial statements.

TOWN OF FAIR HAVEN, VERMONT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Highway Fund	All Nonmajor Funds	Totals Governmental Funds
REVENUES				
Taxes	$ 3,192,916	$ 393,053	$ -	$ 3,585,969
Intergovernmental	-	87,668	42,905	130,573
Charges for services	268,955	-	-	268,955
Miscellaneous revenues	45,971	3,373	43,575	92,919
TOTAL REVENUES	3,507,842	484,094	86,480	4,078,416
EXPENDITURES				
Current:				
General government	293,245	-	20,620	313,865
Public safety	375,498	-	21,208	396,706
Public works	-	380,202	-	380,202
Cemetery	30,216	-	3,752	33,968
Air park	1,814	-	-	1,814
Health and welfare	3,913	-	-	3,913
Solid waste management	199,077	-	-	199,077
Education	1,906,158	-	-	1,906,158
Recreation	49,483	-	14,671	64,154
Intergovernmental	10,994	-	-	10,994
Judgements and damages	15,183	-	-	15,183
Benefits	316,011	-	-	316,011
Voter appropriations	150,236	-	-	150,236
Other	-	-	1,014	1,014
Debt service	19,648	-	-	19,648
Capital outlay	-	-	30,000	30,000
TOTAL EXPENDITURES	3,371,476	380,202	91,265	3,842,943
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	136,366	103,892	(4,785)	235,473
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	362,871	362,871
Transfers (out)	(266,862)	(96,009)	-	(362,871)
TOTAL OTHER FINANCING SOURCES (USES)	(266,862)	(96,009)	362,871	-
NET CHANGE IN FUND BALANCES	(130,496)	7,883	358,086	235,473
FUND BALANCES - JULY 1	309,510	86,705	1,213,945	1,610,160
FUND BALANCES - JUNE 30	$ 179,014	$ 94,588	$ 1,572,031	$ 1,845,633

See accompanying independent auditors' report and notes to financial statements.

TOWN OF FAIR HAVEN, 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 (Statement E)	$ 235,473
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset purchases	30,000
Depreciation expense	(116,434)
	(86,434)
Revenues in the Statement of Activities that do not provide current financial resources are not reported.	
Taxes and liens receivable	3,731
Notes receivable	(71,161)
	(67,430)
Deferred outflows of resources is a consumption of net assets by the government that are applicable to a future reporting period and therefore are not reported in the funds.	68,482
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	15,750
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in govermental funds:	
Accrued compensated absences	3,984
Net pension liability	(247,479)
	(243,495)
Deferred inflows of resources are a consumption of net assets by the government that are applicable to a future reporting period and therefore are not reported in the funds.	102,114
Change in net position of governmental activities (Statement B)	$ 24,460

See accompanying independent auditors' report and notes to financial statements.

STATEMENT G

TOWN OF FAIR HAVEN, VERMONT

BALANCE SHEET – PROPRIETARY FUNDS
JUNE 30, 2016

	Enterprise Funds			
	Water Fund	Sewer Fund	Water & Sewer Reserve Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ -	$ -	$ 342,084	$ 342,084
Accounts receivable (net of allowance for uncollectibles)	30,414	32,547	-	62,961
Due from other funds	43,702	54,910	-	98,612
Total current assets	74,116	87,457	342,084	503,657
Capital assets:				
Sewer assets	-	3,689,192	-	3,689,192
Water assets	5,220,291	-	-	5,220,291
Total capital assets	5,220,291	3,689,192	-	8,909,483
Less: accumulated depreciation	(2,172,406)	(2,094,616)	-	(4,267,022)
Net capital assets	3,047,885	1,594,576	-	4,642,461
TOTAL ASSETS	$ 3,122,001	$ 1,682,033	$ 342,084	$ 5,146,118
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable	$ 6,765	$ 6,303	$ -	$ 13,068
Accrued payroll	1,350	1,047	-	2,397
Current portion of long-term liabilities	137,464	26,819	-	164,283
Total current liabilities	145,579	34,169	-	179,748
Long-term liabilities:				
Bonds payable, net of current portion	1,681,090	160,916	-	1,842,006
Total long-term liabilities	1,681,090	160,916	-	1,842,006
Total liabilities	1,826,669	195,085	-	2,021,754
NET POSITION				
Net investment in capital assets	1,229,331	1,406,841	-	2,636,172
Unrestricted	66,001	80,107	342,084	488,192
TOTAL NET POSITION	1,295,332	1,486,948	342,084	3,124,364
TOTAL LIABILITIES AND NET POSITION	$ 3,122,001	$ 1,682,033	$ 342,084	$ 5,146,118

See accompanying independent auditors' report and notes to financial statements.

TOWN OF FAIR HAVEN, VERMONT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds			
	Water Fund	Sewer Fund	Water & Sewer Reserve Fund	Total
OPERATING REVENUES				
Charges for services	$ 377,112	$ 447,179	$ -	$ 824,291
Other	-	47,172	-	47,172
TOTAL OPERATING REVENUES	377,112	494,351	-	871,463
OPERATING EXPENSES				
Payroll	180,014	146,759	-	326,773
Supplies	20,647	19,001	-	39,648
Equipment	12,583	7,133	-	19,716
Purchased services	9,609	18,989	-	28,598
Repairs and maintenance	6,502	10,282	-	16,784
Utilities	14,845	53,875	-	68,720
Miscellaneous	12,694	51,234	7,925	71,853
Depreciation	112,270	79,341	-	191,611
TOTAL OPERATING EXPENSES	369,164	386,614	7,925	763,703
OPERATING INCOME (LOSS)	7,948	107,737	(7,925)	107,760
NON-OPERATING REVENUE (EXPENSES)				
Interest income	-	5,249	1,241	6,490
Interest expense	(16,948)	(4,439)	-	(21,387)
NET NON-OPERATING REVENUE (EXPENSES)	(16,948)	810	1,241	(14,897)
INCOME (LOSS) BEFORE TRANSFERS	(9,000)	108,547	(6,684)	92,863
TRANSFERS IN	-	-	65,000	65,000
TRANSFERS OUT	(25,000)	(40,000)	-	(65,000)
CHANGE IN NET POSITION	(34,000)	68,547	58,316	92,863
NET POSITION - JULY 1	1,329,332	1,418,401	283,768	3,031,501
NET POSITION - JUNE 30	$ 1,295,332	$ 1,486,948	$ 342,084	$ 3,124,364

See accompanying independent auditors' report and notes to financial statements.

TOWN OF FAIR HAVEN, VERMONT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds			
	Water Fund	Sewer Fund	Water & Sewer Reserve Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	$ 367,966	$ 488,320	$ -	$ 856,286
Internal activity - receipts (payments) from/to other funds	65,175	(110,758)	-	(45,583)
Payments to suppliers	(74,924)	(164,794)	(7,925)	(247,643)
Payments to employees	(180,014)	(146,759)	-	(326,773)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	178,203	66,009	(7,925)	236,287
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	-	5,249	1,241	6,490
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	5,249	1,241	6,490
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Transfer to/from reserve fund	(25,000)	(40,000)	65,000	-
Principal payments on bonds and notes payable	(136,255)	(26,819)	-	(163,074)
Interest payments on bonds and notes payable	(16,948)	(4,439)	-	(21,387)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(178,203)	(71,258)	65,000	(184,461)
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-	58,316	58,316
CASH AND CASH EQUIVALENTS - JULY 1	-	-	283,768	283,768
CASH AND CASH EQUIVALENTS - JUNE 30	$ -	$ -	$ 342,084	$ 342,084

See accompanying independent auditors' report and notes to financial statements.

TOWN OF FAIR HAVEN, VERMONT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Enterprise Funds			
	Water Fund	Sewer Fund	Water & Sewer Reserve Fund	Total
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating (loss)	$ 7,948	$ 107,737	$ (7,925)	$ 107,760
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	112,270	79,341	-	191,611
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(9,146)	(6,031)	-	(15,177)
(Increase) decrease in due from other funds	65,175	(88,903)	-	(23,728)
Increase (decrease) in accounts payable	3,075	(3,809)	-	(734)
Increase (decrease) in accrued expenses	(1,119)	(471)	-	(1,590)
Increase (decrease) in due to other funds	-	(21,855)	-	(21,855)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 178,203	$ 66,009	$ (7,925)	$ 236,287
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the year for:				
Interest	$ 16,948	$ 4,439	$ -	$ 21,387

See accompanying independent auditors' report and notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Fair Haven was incorporated under the laws of the State of Vermont. The Town operates under the Selectboard-manager form of government and provides the following services: general government, public safety, public works, cemetery, air park, health and welfare, solid waste management, education, recreation, and other unclassified.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended June 30, 2016, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 72, "*Fair Value Measurement and Application*". The objective of the Statement is to expand comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will improve fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*". The objective of the Statement is to improve financial reporting by instituting a single framework for the presentation of information about pensions, thereby expanding the comparability of pension-related information reported by state and local governments. Management has determined that this Statement is not applicable.

Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*". The objective of this Statement is to identify-in the

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*". This Statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial 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).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's water fund, sewer fund and the water and sewer reserve fund are categorized as business-type activities. All other activities of the Town are categorized as governmental.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, protection, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The 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.

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

Major Funds:

a. The General Fund and the Highway Fund are the general operating funds of the Town. They are used to account for all financial resources except those required to be accounted for in another fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Funds:

b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

d. Permanent Funds are used to account for assets held by the Town pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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, if any, is recognized when due.

Budget

The Town's policy is to adopt an annual budget for operations of the general fund and highway fund. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the inhabitants of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.

3. The budget was adopted subsequent to passage by the inhabitants of the Town.

4. The Town does not adopt budgets for Special Revenue Funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities.
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions.
- Repurchase agreements
- Money market mutual funds

The Town of Fair Haven has a formal investment policy which follows the State of Vermont Statutes.

Interfund Receivables and Payables

Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances". Interfund balances and transactions have been eliminated in the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts for the ambulance receivables is estimated to be $0 as of June 30, 2016.

Capital Assets

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs 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 estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated fixed assets are valued at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings and improvements	10 - 70 years
Infrastructure	20 - 50 years
Machinery and equipment	5 - 30 years
Vehicles	5 - 30 years

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes or bonds payable, compensated absences and retirement benefits.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The Town's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these

compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2016, the Town's liability for compensated absences is $23,526.

Pensions

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) Plan and additions to/deductions from the VMERS Plan fiduciary net position has been determined on the same basis as they are reported by the VMERS Plan. 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.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified, or rescinded only through a Town meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is expressed by the Selectboard.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement 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/expenditure) until then. The Town has only one type of this item, deferred amount on pensions, which arises only under an accrual basis of accounting that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position and or balance sheet will at times 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 only one type of item, deferred tax

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

revenues, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Prepaid taxes and deferred amounts on pensions also qualify for reporting in this category. Prepaid taxes is reported in both the statements of net position and governmental funds balance sheet and deferred amounts on pensions is reported in only the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - Modified Accrual Basis

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

Operating/Non-Operating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses / expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town's investment policies, which follow state statutes, authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all Town funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Town does not have a policy covering custodial credit risk.

At June 30, 2016, the Town's cash balance of $2,039,375 was comprised of deposits amounting to $2,359,459. Of these deposits, $250,000 was insured by federal depository insurance and consequently was not exposed to custodial credit risk and $2,109,459 was collateralized with securities held by the financial institution but not in the Town's name.

Account Type	Bank Balance
Checking accounts	$ 2,017,375
Money market accounts	342,084
	$ 2,359,459

Investments:

At June 30, 2016, the Town's investments of $251,664 were comprised of government securities that were not exposed to custodial credit risk. The certificates of deposit were insured by federal depository insurance.

Account Type	Bank Balance	Current	1 Year	2 - 5 Years
Government securities	$ 97,012	N/A	$ -	$ -
Certificates of deposit	154,652	-	154,652	-
	$ 251,664	$ -	$ 154,652	$ -

Credit risk – Statutes for the State of Vermont authorize the Corporation to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

approved rating service of the State of Vermont, corporate stocks and bonds statutory limits, financial institutions, mutual funds and repurchase agreements. The Corporation does not have an investment policy on credit risk.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

The Town has determined that it has complied with state and federal laws governing the investment of public funds.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2016 consisted of the following individual fund receivables and payables.

	Receivables (Due from)	Payables (Due to)
General Fund	$ 1,021,294	$ 1,217,167
Highway Fund	106,160	-
Special Revenue Funds	239,777	8,899
Capital Project Funds	753,084	992,860
Permanent Funds	19,534	19,535
Enterprise Funds	98,612	-
	$ 2,238,461	$ 2,238,461

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	Balance, 7/1/15	Additions	Disposals	Balance, 6/30/16
Governmental activities				
Non-depreciated assets:				
Land	$ 35,085	$ -	$ -	$ 35,085
	35,085	-	-	35,085
Depreciated assets:				
Buildings	41,968	-	-	41,968
Building improvements	89,313	-	-	89,313
Equipment	516,050	30,000	-	546,050
Vehicles	1,499,895	-	-	1,499,895
Land Improvements	7,900	-	-	7,900
Infrastructure	2,153,916	-	-	2,153,916
	4,309,042	30,000	-	4,339,042
Less: accumulated depreciation	(1,889,074)	(116,434)	-	(2,005,508)
	2,419,968	(86,434)	-	2,333,534
Net governmental capital assets	$ 2,455,053	$ (86,434)	$ -	$ 2,368,619
Business-type activities				
Non-depreciated assets:				
Land	$ 752	$ -	$ -	$ 752
	752	-	-	752
Depreciated assets:				
Buildings	3,539,391	-	-	3,539,391
Building improvements	81,209	-	-	81,209
Equipment	241,357	-	-	241,357
Vehicles	97,174	-	-	97,174
Infrastructure	4,949,600	-	-	4,949,600
	8,908,731	-	-	8,908,731
Less: accumulated depreciation	(4,075,411)	(191,611)	-	(4,267,022)
	4,833,320	(191,611)	-	4,641,709
Net business-type capital assets	$ 4,834,072	$ (191,611)	$ -	$ 4,642,461

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Current year depreciation:	
General government	$ 5,718
Public safety	55,063
Public works	45,612
Solid waste management	7,176
Cemetery	590
Recreation	2,275
	116,434
Water fund	112,270
Sewer fund	79,341
	191,611
Total depreciation expense	$ 308,045

NOTE 5 - LONG TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2016:

	Balance, 7/1/15	Additions	Deletions	Balance, 6/30/16	Current Portion
Governmental-type activities:					
Bonds payable	$ 94,500	$ -	$ (15,750)	$ 78,750	$ 15,750
Accrued compensated absences	27,510	-	(3,984)	23,526	2,353
Net pension liability	33,115	375,326	(127,847)	280,594	23,443
Totals	$ 155,125	$ 375,326	$ (19,734)	$ 102,276	$ 18,103
Business-type activities:					
Bonds payable	$ 2,169,361	$ -	$ (163,072)	$ 2,006,289	$ 164,283
Totals	$ 2,169,361	$ -	$ (163,072)	$ 2,006,289	$ 164,283

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds payable:

Bonds payable:	
Governmental activities:	
$157,500, 2011 General Obligation Bonds payable to the United States Department of Agriculture, due in annual payments of $15,750, through April of 2021. Interest is charged at a rate of 4.125% per annum.	$ 78,750
Total governmental activities - bonds	78,750
Business-type activities:	
$731,213, 1992 General Obligation Bonds payable to Vermont Municipal Bond Bank, due in annual payments varying from $34,014 to $61,646, through December of 2018. Interest is charged at a rate varying from 5.80% to 7.654% per annum.	159,240
$536,383, 2001 General Obligation Bonds payable to Vermont Municipal Bond Bank, Environmental Protection Agency Pollution Control Revolving Fund, due in annual principal payments of $26,819, through October of 2022. No interest is charged.	187,735
$1,946,681, 2009 General Obligation Bonds payable to Vermont Municipal Bond Bank, Vermont Drinking Water State Revolving Fund, due in net annual payments of $39,097, through July of 2039. Interest is charged at a rate of -3.0% per annum.	1,403,852
$108,000, 2011 General Obligation Bonds payable to the United States Department of Agriculture, due in semi-annual payments of $2,328, through December of 2050. Interest is charged at a rate of 3.00% per annum.	99,596
$167,000, 2014 General Obligation Bonds payable to the United States Department of Agriculture, due in semi-annual payments of $5,567, through May of 2044. Interest is charged at a rate of 2.75% per annum.	155,866
Total business-type activities - bonds payable	2,006,289
Total bonds payable	$ 2,085,039

NOTE 5 - LONG TERM DEBT (CONTINUED)

The following is a summary of outstanding note and bond principal and interest requirements for the next five fiscal years ending June 30:

	Principal	Interest	Total Debt Service
2017	$ 180,033	$ (21,293)	158,740
2018	181,616	(23,612)	158,004
2019	183,596	(26,324)	157,272
2020	124,095	(27,080)	97,015
2021	121,926	(25,713)	96,213
2022-2026	420,231	(103,918)	316,313
2027-2031	321,865	(63,016)	258,849
2032-2036	283,956	(28,937)	255,019
2037-2041	212,889	(793)	212,096
2042-2046	35,494	5,405	40,899
2047-2051	19,338	1,472	20,810
	$ 2,085,039	$ (313,809)	$ 1,771,230

All bonds payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes levied on all taxable property within the Town.

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ending June 30, 2016 was $3,898.

NOTE 6 - NONSPENDABLE FUND BALANCES

At June 30, 2016, the nonspendable fund balances were made up of the following account balances:

General fund:	
Tax acquired property	$ 31,056

NOTE 7 - RESTRICTED FUND BALANCES

At June 30, 2016, the restricted fund balances were made up of the following account balances:

Special revenue funds:		
Local Law Enforcement Grant	$	5,252
Jaws of Life		988
Grants - Planning		70,226
Airport Park		1,782
Community Garden		605
Permanent funds:		
Cedar Grove Cemetery		137,989
West Street Cemetery		16,703
Fair Haven Free Library		2,831
	$	236,376

NOTE 8 - COMMITTED FUND BALANCES

At June 30, 2016, the committed fund balances were made up of the following account balances carried forward into the subsequent year's budget:

Special revenue funds:		
Reappraisal	$	166,781
Emergency Reserve		295,442
Restoration/Trees		4,000
Capital projects funds:		
Municipal Building		81,885
Public Works Equipment Replacement		141,931
Fire Equipment Replacement		178,683
Police Cruiser Replacement		35,991
Streets/Sidewalks		199,713
Transfer Station		25,200
Recreation Department		34,463
Bridge Repair		58,802
Listers Equipment/Education		17,786
Records Restoration		15,518
Recreation Building Reserve		45,453
Town Garage Reserve		30,005
Marketing Reserve		4,002
	$	1,335,655

NOTE 9 - ASSIGNED FUND BALANCES

At June 30, 2016, the assigned fund balance was made up of the following account balances carried forward into the subsequent year's budget:

General Fund - amount used in 2016/2017 budget	$	170,583
Highway Fund - amount used in 2016/2017 budget		96,009
	$	266,592

NOTE 10 - EXPENDITURES OVER APPROPRIATIONS

The following appropriations were exceeded by actual expenditures:

		Excess
General government	$	12,409
Health and welfare		38
Solid waste management		2,702
Judgements and damages		13,183
	$	15,885

NOTE 11 - DEFICIT FUND BALANCES

There were no funds with deficit fund balances as of June 30, 2016.

NOTE 12 - PENSION PLAN

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

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. The plan was established effective July 1, 1975, and is governed by *Title 24, V.S.A. Chapter 125*. 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. Employees of the Town other than Teachers are eligible to participate in the VMERS providing they work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year.

NOTE 12 - PENSION PLAN (CONTINUED)

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. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR may be viewed on the State's Department of Finance & Management website at:
http://finance.vermont.gov/reports_and_publications/cafr.

Benefits Provided

The pension plan is divided into four membership groups:

- Group A – general employees whose legislative bodies have not elected to become a member of Group B or Group C
- Groups B & C – general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D – sworn police officers, firefighters and emergency medical personnel

The Town participates in Groups A, B and C. Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

NOTE 12 - PENSION PLAN (CONTINUED)

VMERS	**Group A**	**Group B**	**Group C**	**Group D**
Normal service retirement eligibility	Age 65 with 5 years of service, or age 55 with 35 years of service	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
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 55 with 20 years of service
Early Retirement Eligibility	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

** - A special early retirement factor of 3% per year only for municipal police officers who have attained age 60

Members of all groups may qualify for vested deferred allowance, disability allowances and death benefit allowance subject to meeting various eligibility requirements. Benefits are based on AFC and service.

NOTE 12 - PENSION PLAN (CONTINUED)

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund, and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group are as follows:

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	2.5% of gross salary	4.75% of gross salary to 6/30/15; 4.875% of gross salary after 7/1/15	9.625% of gross salary to 12/31/14; 9.75% of gross salary to 6/30/15; 9.875% of gross salary after 7/1/15	11.125% of gross salary to 6/30/15; 11.35% of gross salary after 7/1/15
Employer Contributions	4% of gross salary	5.375% of gross salary to 6/30/15; 5.50% of gross salary after 7/1/15	6.875% of gross salary to 12/31/14; 7% of gross salary to 6/30/15; 7.125% of gross salary after 7/1/15	9.75% of gross salary to 6/30/15; 9.85% of gross salary after 7/1/15

Employee contributions are withheld pre income tax by the Town and are remitted to the State of Vermont. Such withholdings for the years ended June 30, 2016, 2015 and 2014 totaled $54,773, $51,416 and $46,888, respectively. The Town contributed $51,497, $50,875 and $46,805 for the years ended June 30, 2016, 2015, and 2014, respectively. The Town's total payroll for the year ended June 30, 2016 for all employees covered under this plan was $863,248.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Town reported a liability of $280,594 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

NOTE 12 - PENSION PLAN (CONTINUED)

At June 30, 2015, the Town's proportion was 0.36396% for VMERS, which was an increase of 0.00116% from its proportion measured as of June 30, 2014 for VMERS.

For the year ended June 30, 2016, the Town recognized total pension expense of $29,331. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Changes in proportion		83
Net difference between projected and actual earnings on pension plan investments	-	102,114
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	102,197	-
Total	$ 102,197	$ 102,197

$102,197 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VMERS
Year ended June 30:	
2016	$ 23,443
2017	23,443
2018	23,443
2019	49,028
2020	-
Thereafter	-

NOTE 12 - PENSION PLAN (CONTINUED)

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using the actuarial assumptions outlined below. These assumptions were selected on the basis of the experience study that was performed for the five year period ending June 30, 2010:

VMERS:	
Inflation	3.00% to 3.25% per year
Salary increases	5.00%, per year, including inflation
Interestt rate	A select-and-ultimate interest rate set that is restarted every year follows:

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%	

Mortality rates for active participants in the VMERS plan were based on 50% of the probabilities in the 1995 Buck Mortality Tables for males and females, non-disabled retirees and terminated vested participants were based on the 1995 Buck Mortality Tables with no set-back for males and a one-year set-back for females, disabled retirees were based on the RP-2000 Disabled Life Tables, and the 1995 Buck Mortality Tables for males and females was applied to beneficiaries.

Spouse's age assumptions used in the June 30, 2015 valuation set a husband's age at three years greater than their wives.

Cost-of-Living adjustments to benefits of terminated vested and retired participants were assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D of the VMERS plan.

A smoothing *asset valuation method* was used for funding purposes, 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. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

NOTE 12 - PENSION PLAN (CONTINUED)

The *long-term expected rate of return* on the VMERS plan 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. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

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:

	VMERS	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	31.50%	6.70%
Fixed income	33.00%	2.94%
Alternative	15.50%	6.26%
Multi-strategy	20.00%	5.98%
Total	100.00%	

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above 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 8.23%. 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

NOTE 12 - PENSION PLAN (CONTINUED)

projected future benefit payments to current VMERS System 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%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.95%) or 1 percentage point higher (8.95%) than the current rate:

	Decrease	Rate	Increase
VMERS:			
Discount rate	6.95%	7.95%	8.95%
District's proportionate share of the net pension liability	$ 560,469	$ 280,594	$ 45,980

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the Vermont Municipal Employees' Retirement System (VMERS) or its participating employers. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance & Management website at:

http://finance.vermont.gov/reports_and_publications/cafr

NOTE 13 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

NOTE 13 - RISK MANAGEMENT (CONTINUED)

In addition, the Town is a member of the Vermont League of Cities and Towns (VLCT). The VLCT has set up three insurance trusts; the Property and Casualty Intermunicipal Fund, Inc. (PACIF) for multi-line insurance; the Vermont League of Cities and Towns Health Trust (VLCTHT) for health, life and disability coverage; and the Vermont League of Cities and Towns Unemployment Trust, Inc. (VLCTUT) for unemployment compensation. PACIF, VLCTHT and VLCTUT are nonprofit corporations formed to provide insurance and risk management programs for Vermont cities and towns and is owned by the participating members. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, PACIF has established a self-funded insurance trust. It provides extensive coverage for losses to member municipalities for property damage, auto accidents, injured employees, public official liability and employment practices liability, members gain additional benefits from PACIF's unique public safety and risk management programs as well as dedicated in-house claims adjusters. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and PACIF is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

To provide insurance coverage, VLCTHT has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Benefits available include dental insurance, flexible spending accounts, life insurance, disability insurance, and long-term care insurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

To provide unemployment coverage, VLCTUT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and provides excess reinsurance protection. Contributions are based on payroll expense and the previous two year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VLCTUT is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

NOTE 13 - RISK MANAGEMENT (CONTINUED)

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities 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.

NOTE 14 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - General Fund - Budget and Actual - General Fund
- Budgetary Comparison Schedule - General Fund - Budget and Actual - Highway Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Supplementary Information

SCHEDULE 1

TOWN OF FAIR HAVEN, VERMONT

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 309,510	$ 309,510	$ 309,510	$ -
Resources (Inflows):				
Property taxes	3,189,125	3,189,125	3,192,916	3,791
Permits and licenses	3,600	3,600	5,329	1,729
Charges for services	249,625	249,625	263,626	14,001
Investment income	7,960	7,960	6,727	(1,233)
Miscellaneous revenues	16,565	16,565	39,244	22,679
Transfers from other funds	-	-	-	-
Amounts Available for Appropriation	3,776,385	3,776,385	3,817,352	40,967
Charges to Appropriations (Outflows):				
Current:				
General government	280,836	280,836	293,245	(12,409)
Public safety	390,939	390,939	375,498	15,441
Cemetery	31,475	31,475	30,216	1,259
Air Park	2,460	2,460	1,814	646
Health and welfare	3,875	3,875	3,913	(38)
Solid waste management	196,375	196,375	199,077	(2,702)
Education	1,906,158	1,906,158	1,906,158	-
Recreation	53,300	53,300	49,483	3,817
Intergovernmental expense	11,000	11,000	10,994	6
Judgements and damages	2,000	2,000	15,183	(13,183)
Benefits	321,550	321,550	316,011	5,539
Voter appropriations	150,236	150,236	150,236	-
Debt service	19,649	19,649	19,648	1
Transfers to other funds	267,605	267,605	266,862	743
Total Charges to Appropriations	3,637,458	3,637,458	3,638,338	(880)
Budgetary Fund Balance, June 30	$ 138,927	$ 138,927	$ 179,014	$ 40,087
Utilization of Assigned Fund Balance	$ 170,583	$ 170,583	$ -	$ (170,583)
	$ 170,583	$ 170,583	$ -	$ (170,583)

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE 2

TOWN OF FAIR HAVEN, VERMONT

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
BUDGET AND ACTUAL – HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 86,705	$ 86,705	$ 86,705	$ -
Resources (Inflows):				
Property taxes	393,053	393,053	393,053	-
Intergovernmental	84,000	84,000	87,668	3,668
Miscellaneous revenues	-	-	3,373	3,373
Transfers from other funds	-	-		-
Amounts Available for Appropriation	563,758	563,758	570,799	7,041
Charges to Appropriations (Outflows):				
Public works administration	68,826	68,826	70,763	(1,937)
Summer work	200,156	200,156	152,664	47,492
Winter work	102,763	102,763	69,486	33,277
Public works building	20,545	20,545	15,977	4,568
Public works equipment	82,128	82,128	71,312	10,816
Hydrant replacement	2,635	2,635	-	2,635
Transfers to other funds	96,009	96,009	96,009	-
Total Charges to Appropriations	573,062	573,062	476,211	96,851
Budgetary Fund Balance, June 30	$ (9,304)	$ (9,304)	$ 94,588	$ 103,892
Utilization of Assigned Fund Balance	$ 96,009	$ 96,009	$ -	$ (96,009)
	$ 96,009	$ 96,009	$ -	$ (96,009)

See accompanying independent auditors' report and notes to financial statements.

TOWN OF FAIR HAVEN, VERMONT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITIY
LAST 10 FISCAL YEARS*

	2015	2014	2013
Proportion of the net pension liability (asset)	0.3628%	0.3628%	0.3625%
Proportionate share of the net pension liability (asset)	$ 33,115	$ 33,115	$ 131,995
Covered-employee payroll	$ 863,248	$ 888,405	$ 837,550
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	3.84%	3.73%	15.76%
Plan fiduciary net position as a percentage of the total pension liability	98.32%	98.32%	92.71%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

TOWN OF FAIR HAVEN, VERMONT

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	2016	2015	2014	2013
PLD Plan:				
Contractually required contribution	$ 51,497	$ 49,950	$ 46,805	$ 43,519
Contributions in relation to the contractually required contribution	(51,497)	(49,950)	(46,805)	(43,519)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 863,248	$ 911,209	$ 888,405	$ 837,550
Contributions as a percentage of covered-employee payroll	-5.97%	-5.48%	-5.27%	-5.20%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

Changes of Assumptions

The discount rate used to measure the net pension liability was lowered from 8.15% 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.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

SCHEDULE A

TOWN OF FAIR HAVEN, VERMONT

BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS
BUDGET AND ACTUAL – GENERAL FUND REVENUES
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes:			
Current real property taxes	$ 3,122,575	$ 3,130,622	$ 8,047
Penalties and interest	30,000	24,269	(5,731)
HS-122 late fees	500	460	(40)
Interest	16,000	14,360	(1,640)
Railroad tax	50	22	(28)
Payments in lieu of tax	12,000	13,390	1,390
Land use & current use	8,000	9,793	1,793
Permits and licenses:			
Beverage permits	800	1,205	405
Building permits	800	1,440	640
Dog licenses	1,800	2,319	519
Excess weight permits	200	365	165
Charges for services:			
General government	24,925	25,216	291
Fire department	4,500	4,754	254
Public works	146,500	149,569	3,069
Cemetery	11,700	13,393	1,693
Police department	62,000	70,694	8,694
Investment income	7,960	6,727	(1,233)
Other income:			
Treasury department salary FHGS 1/2	1,575	1,575	-
NSF returned check fee	40	367	327
Insurance reimbursement	500	19,245	18,745
Other income	14,450	18,057	3,607
Total revenues	$ 3,466,875	$ 3,507,842	$ 40,967

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE B

TOWN OF FAIR HAVEN, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Appropriations	Expenditures	Variance
GENERAL GOVERNMENT			
Selectboard	$ 14,180	$ 18,513	$ (4,333)
Town Manager	48,556	42,056	6,500
Elections unit	3,050	3,410	(360)
Town Treasurer	4,613	4,613	-
Accounting department	48,147	48,658	(511)
Auditing department	10,300	10,300	-
Tax listers	19,825	23,015	(3,190)
Delinquent tax collecting	2,500	15,515	(13,015)
Town Clerk	53,001	50,973	2,028
Municipal planning	1,850	948	902
Municipal zoning	14,420	13,600	820
Zoning board	600	806	(206)
Municipal building & grounds	59,794	60,838	(1,044)
	280,836	293,245	(12,409)
PUBLIC SAFETY			
Emergency management	1,700	1,843	(143)
Police department	272,935	273,902	(967)
Police training	1,750	1,146	604
Police vehicles & equipment	22,310	15,982	6,328
Constables	4,200	2,411	1,789
Fire fighting department	11,100	12,221	(1,121)
Fire department training	4,150	1,878	2,272
Fire department communications	9,175	7,830	1,345
Fire department equipment	23,250	19,035	4,215
Fire department warden	200	-	200
Street lights	40,169	39,250	919
	390,939	375,498	15,441
CEMETERY	31,475	30,216	1,259
AIR PARK	2,460	1,814	646
HEALTH AND WELFARE			
Public health inspector	1,900	1,500	400
Animal control	1,975	2,413	(438)
	3,875	3,913	(38)
SOLID WASTE MANAGEMENT	196,375	199,077	(2,702)
EDUCATION	1,906,158	1,906,158	-

TOWN OF FAIR HAVEN, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Appropriations	Expenditures	Variance
RECREATION			
Baseball activities	10,300	8,314	1,986
Recreation department	27,025	25,876	1,149
Special events	10,150	9,968	182
Memberships	5,825	5,325	500
	53,300	49,483	3,817
DEBT SERVICE			
Fire truck principal payment	15,750	15,750	-
Fire truck interest payment	3,899	3,898	1
	19,649	19,648	1
INTERGOVERNMENTAL EXPENSE			
County tax payment	11,000	10,994	6
	11,000	10,994	6
ABATEMENTS & INSURANCE CLAIMS	2,000	15,183	(13,183)
BENEFITS	321,550	316,011	5,539
VOTER APPROPRIATIONS			
Library	72,570	72,570	-
Rescue squad	27,340	27,340	-
Rutland Mental Health	2,739	2,739	-
Fair Haven Concerned Inc.	26,000	26,000	-
BROC Community Action	2,725	2,725	-
Retired and Senior Volunteer	975	975	-
Southwestern VCA	1,800	1,800	-
RAVNAH	7,087	7,087	-
Association for Retarded Citizens	3,500	3,500	-
Castleton Community Seniors	3,000	3,000	-
Marble Regional Transit District	2,500	2,500	-
	150,236	150,236	-
TRANSFERS			
Reserve accounts	267,605	266,862	743
	267,605	266,862	743
	$ 3,637,458	$ 3,638,338	$ (880)

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE C

TOWN OF FAIR HAVEN, VERMONT

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 305,299	$ 1,012,196	$ 3,809	$ 1,321,304
Investments	-	97,012	154,652	251,664
Accounts receivable	-	-	2,772	2,772
Due from other governments	8,899	-	-	8,899
Due from other funds	239,777	753,084	19,534	1,012,395
TOTAL ASSETS	$ 553,975	$ 1,862,292	$ 180,767	$ 2,597,034
LIABILITIES				
Accounts payable	$ -	$ -	$ 3,709	$ 3,709
Due to other funds	8,899	992,860	19,535	1,021,294
TOTAL LIABILITIES	8,899	992,860	23,244	1,025,003
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	78,853	-	157,523	236,376
Committed	466,223	869,432	-	1,335,655
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	545,076	869,432	157,523	1,572,031
TOTAL LIABILITIES AND FUND BALANCES	$ 553,975	$ 1,862,292	$ 180,767	$ 2,597,034

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE D

TOWN OF FAIR HAVEN, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	$ 42,905	$ -	$ -	$ 42,905
Interest/Gains & (Losses)	15,485	102	1,567	17,154
Other	5,747	17,902	2,772	26,421
TOTAL REVENUES	64,137	18,004	4,339	86,480
EXPENDITURES				
Current:				
General Government	20,620	-	-	20,620
Public Safety	21,208	-	-	21,208
Public Works	-	-	-	-
Recreation	-	14,671	-	14,671
Cemeteries	-	-	3,752	3,752
Other	-	1,014	-	1,014
Capital Outlay	-	30,000	-	30,000
TOTAL EXPENDITURES	41,828	45,685	3,752	91,265
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22,309	(27,681)	587	(4,785)
OTHER FINANCING SOURCES (USES)				
Transfers in	110,583	252,288	-	362,871
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	110,583	252,288	-	362,871
NET CHANGE IN FUND BALANCES	132,892	224,607	587	358,086
FUND BALANCES - JULY 1	412,184	644,825	156,936	1,213,945
FUND BALANCES - JUNE 30	$ 545,076	$ 869,432	$ 157,523	$ 1,572,031

See accompanying independent auditors' report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

SCHEDULE E

TOWN OF FAIR HAVEN, VERMONT

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Reappraisal	Local Law Enforcement Grant	Jaws of Life	Grants - Planning	DUI Grant	Fire Emergency Reserve	VLCT PACIF
ASSETS							
Cash and cash equivalents	$ -	$ 5,252	$ -	$ -	$ -	$ 295,442	$ -
Investments	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	1,223	-	2,522
Due from other funds	166,781	-	988	70,226	-	-	-
TOTAL ASSETS	$ 166,781	$ 5,252	$ 988	$ 70,226	$ 1,223	$ 295,442	$ 2,522
LIABILITIES							
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-	1,223	-	2,522
TOTAL LIABILITIES	-	-	-	-	1,223	-	2,522
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	5,252	988	70,226	-	-	-
Committed	166,781	-	-	-	-	295,442	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	166,781	5,252	988	70,226	-	295,442	-
TOTAL LIABILITIES AND FUND BALANCES	$ 166,781	$ 5,252	$ 988	$ 70,226	$ 1,223	$ 295,442	$ 2,522

TOWN OF FAIR HAVEN, VERMONT

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Park Restoration/ Trees	Start Grant	Airport Park	Community Garden	OP 16	Equipment	Totals
ASSETS							
Cash and cash equivalents	$ 4,000	$ -	$ -	$ 605	$ -	$ -	$ 305,299
Investments	-	-	-	-	-	-	-
Accounts receivable	-	349	-	-	4,805	-	8,899
Due from other funds	-	-	1,782	-	-	-	239,777
TOTAL ASSETS	$ 4,000	$ 349	$ 1,782	$ 605	$ 4,805	$ -	$ 553,975
LIABILITIES							
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	349	-	-	4,805	-	8,899
TOTAL LIABILITIES	-	349	-	-	4,805	-	8,899
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	1,782	605	-	-	78,853
Committed	4,000	-	-	-	-	-	466,223
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	4,000	-	1,782	605	-	-	545,076
TOTAL LIABILITIES AND FUND BALANCES	$ 4,000	$ 349	$ 1,782	$ 605	$ 4,805	$ -	$ 553,975

See accompanying independent auditors' report and notes to financial statements.

TOWN OF FAIR HAVEN, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Reappraisal	Local Law Enforcement Grant	Jaws of Life	Grants - Planning	DUI Grant	Fire Emergency Reserve	VLCT PACIF
REVENUES							
Intergovernmental	$ -	$ -	$ -	$ -	$ 20,479	$ 7,553	$ -
Interest/Gains & Losses	15,455	1	1	27	-	-	-
Other	-	-	-	-	-	-	5,747
TOTAL REVENUES	15,455	1	1	27	20,479	7,553	5,747
EXPENDITURES							
Current:							
General Government	-	-	-	-	-	-	5,747
Public Safety	-	-	-	-	20,479	729	-
Public Works	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	20,479	729	5,747
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,455	1	1	27	-	6,824	-
OTHER FINANCING SOURCES (USES)							
Transfers In	-	-	-	-	-	108,583	-
Transfers (Out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	108,583	-
NET CHANGE IN FUND BALANCES	15,455	1	1	27	-	115,407	-
FUND BALANCES - JULY 1	151,326	5,251	987	70,199	-	180,035	-
FUND BALANCES - JUNE 30	$ 166,781	$ 5,252	$ 988	$ 70,226	$ -	$ 295,442	$ -

TOWN OF FAIR HAVEN, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Park Restoration/ Trees	Start Grant	Airport Park	Community Garden	OP 16	Equipment	Totals
REVENUES							
Intergovernmental	$ -	$ 745	$ -	$ -	$ 9,198	$ 4,930	$ 42,905
Interest/Gains & Losses	-	-	1	-	-	-	15,485
Other	-	-	-	-	-	-	5,747
TOTAL REVENUES	-	745	1	-	9,198	4,930	64,137
EXPENDITURES							
Current:							
General Government	-	745		-	9,198	4,930	20,620
Public Safety	-	-	-	-	-	-	21,208
Public Works	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	745	-	-	9,198	4,930	41,828
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	1	-	-	-	22,309
OTHER FINANCING SOURCES (USES)							
Transfers In	2,000	-	-	-	-	-	110,583
Transfers (Out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,000	-	-	-	-	-	110,583
NET CHANGE IN FUND BALANCES	2,000	-	1	-	-	-	132,892
FUND BALANCES - JULY 1	2,000	-	1,781	605	-	-	412,184
FUND BALANCES - JUNE 30	$ 4,000	$ -	$ 1,782	$ 605	$ -	$ -	$ 545,076

See accompanying independent auditors' report and notes to financial statements.

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

SCHEDULE G

TOWN OF FAIR HAVEN, VERMONT

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2016

	Municipal Building	Public Works Equipment Replacement	Fire Equipment Replacement	Police Cruiser Replacement	Streets/ Sidewalks	Transfer Station
ASSETS						
Cash and cash equivalents	$ 977,733	$ -	$ -	$ -	$ -	$ -
Investments	97,012	-	-	-	-	-
Due from other funds	-	141,931	178,683	35,991	199,713	25,200
TOTAL ASSETS	$ 1,074,745	$ 141,931	$ 178,683	$ 35,991	$ 199,713	$ 25,200
LIABILITIES						
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -
Due to other funds	992,860	-	-	-	-	-
TOTAL LIABILITIES	992,860	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	81,885	141,931	178,683	35,991	199,713	25,200
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	81,885	141,931	178,683	35,991	199,713	25,200
TOTAL LIABILITIES AND FUND BALANCES	$ 1,074,745	$ 141,931	$ 178,683	$ 35,991	$ 199,713	$ 25,200

TOWN OF FAIR HAVEN, VERMONT

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2016

	Recreation Department	Bridge Repair	Impact Fees	Listers Equipment/ Education	Records Restoration
ASSETS					
Cash and cash equivalents	$ 34,463	$ -	$ -	$ -	$ -
Investments	-	-	-	-	-
Due from other funds	-	58,802	-	17,786	15,518
TOTAL ASSETS	$ 34,463	$ 58,802	$ -	$ 17,786	$ 15,518
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	34,463	58,802	-	17,786	15,518
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	34,463	58,802	-	17,786	15,518
TOTAL LIABILITIES AND FUND BALANCES	$ 34,463	$ 58,802	$ -	$ 17,786	$ 15,518

TOWN OF FAIR HAVEN, VERMONT

COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2016

	Recreation Building Reserve	Town Garage Reserve	Marketing Reserve	Totals
ASSETS				
Cash and cash equivalents	$ -	$ -	$ -	$ 1,012,196
Investments	-	-	-	97,012
Due from other funds	45,453	30,005	4,002	753,084
TOTAL ASSETS	$ 45,453	$ 30,005	$ 4,002	$ 1,862,292
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	992,860
TOTAL LIABILITIES	-	-	-	992,860
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	45,453	30,005	4,002	869,432
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	45,453	30,005	4,002	869,432
TOTAL LIABILITIES AND FUND BALANCES	$ 45,453	$ 30,005	$ 4,002	$ 1,862,292

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE H

TOWN OF FAIR HAVEN, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Municipal Building	Public Works Equipment Replacement	Fire Equipment Replacement	Police Cruiser Replacement	Streets/ Sidewalks	Transfer Station
REVENUES						
Interest	$ 3	$ 17	$ 48	$ 2	$ 1	$ 19
Other	-	-	-	-	-	-
TOTAL REVENUES	3	17	48	2	1	19
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Recreation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Capital Outlay	-	30,000	-	-	-	-
TOTAL EXPENDITURES	-	30,000	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3	(29,983)	48	2	1	19
OTHER FINANCING SOURCES (USES)						
Transfers In	45,000	82,500	20,000	8,000	50,509	5,000
Transfers (Out)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	45,000	82,500	20,000	8,000	50,509	5,000
NET CHANGE IN FUND BALANCES	45,003	52,517	20,048	8,002	50,510	5,019
FUND BALANCES - JULY 1	36,882	89,414	158,635	27,989	149,203	20,181
FUND BALANCES - JUNE 30	$ 81,885	$ 141,931	$ 178,683	$ 35,991	$ 199,713	$ 25,200

TOWN OF FAIR HAVEN, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Recreation Department	Bridge Repair	Impact Fees	Listers Equipment/ Education	Records Restoration
REVENUES					
Interest	$ 2	$ 3	$ -	$ 1	$ 2
Other	16,673	-	-	1,229	-
TOTAL REVENUES	16,675	3	-	1,230	2
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Recreation	14,671	-	-	-	-
Other	-	-	872	142	-
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	14,671	-	872	142	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,004	3	(872)	1,088	2
OTHER FINANCING SOURCES (USES)					
Transfers In	5,000	25,000	-	-	1,279
Transfers (Out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	5,000	25,000	-	-	1,279
NET CHANGE IN FUND BALANCES	7,004	25,003	(872)	1,088	1,281
FUND BALANCES - JULY 1	27,459	33,799	872	16,698	14,237
FUND BALANCES - JUNE 30	$ 34,463	$ 58,802	$ -	$ 17,786	$ 15,518

TOWN OF FAIR HAVEN, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Recreation Building Reserve	Town Garage Reserve	Marketing Reserve	Totals
REVENUES				
Interest	$ 2	$ 1	$ 1	$ 102
Other	-	-	-	17,902
TOTAL REVENUES	2	1	1	18,004
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Recreation	-	-	-	14,671
Other	-	-	-	1,014
Capital Outlay	-	-	-	30,000
TOTAL EXPENDITURES	-	-	-	45,685
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2	1	1	(27,681)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	10,000	-	252,288
Transfers (Out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	10,000	-	252,288
NET CHANGE IN FUND BALANCES	2	10,001	1	224,607
FUND BALANCES - JULY 1	45,451	20,004	4,001	644,825
FUND BALANCES - JUNE 30	$ 45,453	$ 30,005	$ 4,002	$ 869,432

See accompanying independent auditors' report and notes to financial statements.

Permanent Funds

Permanent funds are used to account for assets held by the Town of Fair Haven, Vermont that are legally restricted and unless otherwise specified, only earnings, and not principal, may be used for purposes that benefit the Town or its residents. These funds have been established for the provision and/or maintenance of the funds.

SCHEDULE I

TOWN OF FAIR HAVEN, VERMONT

COMBINING BALANCE SHEET – NONMAJOR PERMANENT FUNDS
JUNE 30, 2016

	Cedar Grove Cemetery	West Street Cemetery	Fair Haven Free Library	Totals
ASSETS				
Cash and cash equivalents	$ 3,809	$ -	$ -	$ 3,809
Investments	154,652	-	-	154,652
Accounts receivable	2,772	-	-	2,772
Due from other funds	-	16,703	2,831	19,534
TOTAL ASSETS	$ 161,233	$ 16,703	$ 2,831	$ 180,767
LIABILITIES				
Accounts payable	$ 3,709	$ -	$ -	$ 3,709
Due to other funds	19,535	-	-	19,535
TOTAL LIABILITIES	23,244	-	-	23,244
FUND BALANCES				
Restricted	137,989	16,703	2,831	157,523
TOTAL FUND BALANCES	137,989	16,703	2,831	157,523
TOTAL LIABILITIES AND FUND BALANCES	$ 161,233	$ 16,703	$ 2,831	$ 180,767

See accompanying independent auditors' report and notes to financial statements.

TOWN OF FAIR HAVEN, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Cedar Grove Cemetery	West Street Cemetery	Fair Haven Free Library	Totals
REVENUES				
Interest	$ 1,108	$ 393	$ 66	$ 1,567
Other	2,772	-	-	2,772
TOTAL REVENUES	3,880	393	66	4,339
EXPENDITURES				
Other	3,293	393	66	3,752
TOTAL EXPENDITURES	3,293	393	66	3,752
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	587	-	-	587
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers (Out)	-	-	-	-
TOTAL OTHER FINANCING (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	587	-	-	587
FUND BALANCES - JULY 1	137,402	16,703	2,831	156,936
FUND BALANCES - JUNE 30	$ 137,989	$ 16,703	$ 2,831	$ 157,523

See accompanying independent auditors' report and notes to financial statements.

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

TOWN OF FAIR HAVEN, VERMONT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2016

	Land and Non-depreciable Assets	Buildings, Building Improvements & Land Improvements	Furniture, Fixtures, Equipment & Vehicles	Infrastructure	Total
General government	$ 31,832	$ 109,217	$ 19,139	$ 13,367	$ 173,555
Public safety	-	8,539	996,880	-	1,005,419
Public works	-	3,558	938,530	2,081,772	3,023,860
Solid waste management	-	9,967	72,828	-	82,795
Cemetery	3,253	-	8,848	-	12,101
Recreation	-	7,900	9,720	58,777	76,397
Water and sewer fund	752	3,620,600	338,531	4,949,600	8,909,483
Total General Capital Assets	35,837	3,759,781	2,384,476	7,103,516	13,283,610
Less: Accumulated Depreciation	-	(2,052,009)	(1,950,817)	(2,269,704)	(6,272,530)
Net General Capital Assets	$ 35,837	$ 1,707,772	$ 433,659	$ 4,833,812	$ 7,011,080

See accompanying independent auditors' report and notes to financial statements.

TOWN OF FAIR HAVEN, VERMONT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2016

	General Capital Assets 7/1/15	Additions	Deletions	General Capital Assets 6/30/16
General government	$ 173,555	$ -	$ -	$ 173,555
Public safety	1,005,419	-	-	1,005,419
Public works	2,993,860	30,000	-	3,023,860
Solid waste management	82,795	-	-	82,795
Cemetery	12,101	-	-	12,101
Recreation	76,397	-	-	76,397
Water and sewer fund	8,909,483	-	-	8,909,483
Total General Capital Assets	13,253,610	30,000	-	13,283,610
Less: Accumulated Depreciation	(5,964,485)	(308,045)	-	(6,272,530)
Net General Capital Assets	$ 7,289,125	$ (278,045)	$ -	$ 7,011,080

See accompanying independent auditors' report and notes to financial statements.

Proven Expertise and Integrity

INDEPENDENT AUDITORS' 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 Fair Haven
Fair Haven, 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 Fair Haven, 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 Fair Haven, Vermont's basic financial statements, and have issued our report thereon dated October 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Fair Haven, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Fair Haven, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 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

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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 Fair Haven, Vermont'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 organization's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
October 12, 2016