

TOWN OF SUNDERLAND, VERMONT

Financial Statements and Schedules

June 30, 2017

(With Independent Auditors' Report Thereon)

Love, Cody & Company, CPAs

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Independent Auditor's Report

The Select Board
Town of Sunderland, Vermont

We have audited the accompanying financial statements of Town of Sunderland, Vermont, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Sunderland, Vermont, as of June 30, 2017, and the respective changes in cash basis financial position thereof for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sunderland, Vermont's basic financial statements. The management's discussion and analysis and budgetary comparison information on pages 3-8, 22 and 23, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Information

The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Love, Cody & Company, CPAs, P.C.

November 2, 2018

Vt. Reg. #357

Love, Cody & Company, CPAs

**TOWN OF SUNDERLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

The Management's Discussion and Analysis of the Town of Sunderland, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2017. It focuses on the year-end results and provides an objective analysis of the various funds the Town operates in the conduct of its business from a management perspective. It discusses both the government-wide and fund-based financial statements. Please read it in conjunction with the Town's financial statements, which immediately follow this section.

Financial Highlights

Government-wide financial statements:

- ❖ The assets of the Town of Sunderland exceeded its liabilities at the close of the most recent fiscal year by \$126,330 (net assets).

Fund financial statements:

- ❖ As of the close of the 2017 fiscal year, the Town of Sunderland's governmental funds reported combined ending fund balances of \$496,992, a decrease of \$110,402.

Overview of the Financial Statements

The financial section of this report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and additional required supplementary information. The basic financial statements include two kinds of statements that present different views of the Town. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements for governmental activities report how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers a broad overview of the Town of Sunderland's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town of Sunderland's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Sunderland is improving or deteriorating.

The statement of activities presents information showing how the government's net assets have changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave.)

**TOWN OF SUNDERLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

Both of the government-wide financial statements distinguish functions of the Town of Sunderland that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town of Sunderland include general government, highways and roads, public safety and debt service.

Government-wide financial statements are designed to include the primary government unit as well as any legally separate entities for which the primary government is financially accountable. These separate entities are known as component units. The Town of Sunderland has no such entities that qualify as component units.

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 Sunderland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Sunderland can be classified into one category: governmental funds.

Governmental Funds

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

Notes

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information to provide additional financial information not included in the basic financial statements. The notes to financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Town's budget with actual receipts and disbursements for the General Fund and the Highway Fund. Other supplementary information consists of combining statements for the nonmajor governmental funds.

**TOWN OF SUNDERLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

The following table summarizes the major features of the Town's financial statements, including the portion of the Town's activities covered and the types of information within.

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements
Scope	Entire Town (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary. Includes general fund and special revenue funds.
Required financial statements	-Statement of net assets -Statement of activities	-Balance sheet -Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual basis of accounting and economic resources measurement focus	Modified accrual basis of accounting and current financial resources measurement focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term (capital assets have not been recorded as records have not been maintained).	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow of information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

**TOWN OF SUNDERLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

This section summarizes information and data as related to the Statements of Net Assets as of June 30, 2017 and the Statements of Activities for the year ended June 30, 2017. Comparative information is not presented since this is the first year that the Town has presented its financial statements in accordance with the provisions of GASB Statement No. 34.

Government-Wide Statements

The Town's combined net assets amounted to \$126,330 at June 30, 2017. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

**Table 1
Net Assets**

	2017
Assets:	
Current assets	\$ 496,992
Total assets	496,992
Liabilities:	
Current liabilities	41,259
Long-term liabilities	329,403
Total liabilities	370,662
Net assets:	
Restricted net assets	470,526
Unrestricted net assets (deficit)	(344,196)
Total net assets	\$ 126,330

The Town's liquidity – the ability to pay for its most immediate obligations – is measured by comparing current assets to current liabilities. The Town has current assets approximately 12 times greater than it does current liabilities.

The Town's solvency – the ability to fulfill its total obligations – is measured by comparing debt-to-assets ratio and debt-to-net assets ratio. Debt-to-assets ratio, which equals 66%, computes the percent of assets financed with debt. Debt-to-net assets ratio, which equals 2.9, computes the amount that is owed for debt on every dollar that the Town has available for use providing programs.

It should be noted that these ratios are distorted by the fact that the Town has not maintained a record of its capital assets since it reports on the cash basis of accounting.

**TOWN OF SUNDERLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

Net assets of \$470,526 have been restricted by the voters or sources external to the Town to be used for specific purposes.

**Table 2
Changes in Net Assets**

	2017
Revenues:	
Program revenues:	
Charges for services	\$ 5,950
Grants and contributions	254,487
General revenues:	
Property taxes	530,336
Other general revenues	16,534
Total revenues	807,307
Expenses:	
General government	876,919
Change in net assets	\$ (69,612)

Net assets of the Town's governmental activities decreased by \$69,612.

**Table 3
Governmental Activities**

	Total Cost of Services
	2017
General government	\$ 195,030
Highways and roads	586,166
Public safety	84,463
Debt management- interest	11,260
	\$ 876,919

The costs of providing governmental services amounted to \$879,919 for the year ended June 30, 2017. The cost of providing services is offset by charges for services and program-specific operating and capital grants, resulting in a net cost of services of \$616,482. The net cost of services is funded by property taxes, investment earnings, and grants and contributions not restricted to specific programs.

**TOWN OF SUNDERLAND, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

FINANCIAL ANALYSIS OF THE TOWN FUNDS

Sunderland Safe Roads Committee: The town applied for but did not receive a grant for improvements to Sunderland Hill Rd. Voters will be asked to decide on what to do with the \$31,000 earmarked for these improvements at Town Meeting. Some options will be to create a fund to hold this money with the intention of reapplying for a grant or to have the Town Highway Department use the money to make improvements without a grant. Another option will be to turn this money back to voters, which is the default action when money is not spent in a fiscal year.

Town Highway Department: 2017 was a very busy and productive year for the Sunderland Highway Department. Below are some of the highlights and accomplishments for the year.

- With the help of a state grant, North Road Bridge had a new deck installed.
- Grant money allowed us to pave Hill Farm Rd.
- The northern portion of North Road was paved using funds out of our paving reserve.
- Re-shouldered all the paved roads in town.
- Replaced culverts on Kelly Stand Road.
- Applied for and received a grant to replace a box culvert on Sunderland Hill Road. This work will be done this summer.
- Completed the Water shed study.
- Purchased a truck mounted York rake to enhance road grading operation.
- Numerous trees were removed along town roads that were either dead or too close to the road.

Sunderland Zoning and Energy Plan: The Sunderland Planning Board has been working hard on a complete rewrite of the Zoning Regulations as well as drafting a Town Energy Plan. There will be public meetings in 2018 with both the Planning and Selectboard as these plans go through the approval process.

Sunderland Reappraisal Results: The Sunderland Listers performed a town wide reappraisal in 2017. The Vermont Department of Tax sent a letter evaluating the reappraisal indicating that everything was satisfactory, and the town is now in compliance.

Town Website: The town places any relevant information on the site, warnings of upcoming meetings, meeting minutes, meeting videos, a calendar with meeting times and locations and all town regulations and permits.

Additional Financial Information

Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Town of Sunderland, 104 Mountain View Road, Sunderland, VT 05250.

TOWN OF SUNDERLAND, VERMONT
Statement of Net Position - Cash Basis
June 30, 2017

	Primary Government Governmental Activities
Assets:	
Cash	\$ 496,992
Total assets	\$ 496,992
Liabilities:	
Bonds payable	
Due within one year	\$ 17,550
Due in more than one year	280,800
Capital lease obligation	
Due within one year	23,709
Due in more than one year	48,603
Total liabilities	370,662
Net position:	
Restricted	470,526
Unrestricted (deficit)	(344,196)
Total net position	\$ 126,330

See accompanying notes to financial statements.

TOWN OF SUNDERLAND, VERMONT
Statement of Activities - Cash Basis
Year Ended June 30, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 195,030	5,795	40,459	(148,776)
Highways and roads	586,166	155	140,345	(371,983)
Public safety	84,463	-	-	(84,463)
Debt service - interest	11,260	-	-	(11,260)
Total governmental activities	\$ 876,919	5,950	180,804	(616,482)
General revenues:				
Property taxes				530,336
Investment earnings				4,810
Miscellaneous				11,724
Total general revenues				546,870
Change in net position				(69,612)
Net position - beginning				195,942
Net position - ending				\$ 126,330

See accompanying notes to financial statements.

TOWN OF SUNDERLAND, VERMONT
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2017

	General Fund	Highway Fund	Highway Equipment Reserve	National Forest Fund	Cemetery Trust Fund	Reappraisal Fund	Nonmajor Governmental Funds	Totals (Memorandum Only)
Assets								
Cash	\$ 29,151	85,572	73,879	62,581	74,963	95,674	75,172	496,992
Total assets	\$ 29,151	85,572	73,879	62,581	74,963	95,674	75,172	496,992
Fund Balances								
Fund balances:								
Restricted	\$ -	-	-	-	-	-	-	-
Committed	2,685	85,572	73,879	62,581	74,963	95,674	75,172	470,526
Assigned	-	-	-	-	-	-	-	-
Unassigned	26,466	-	-	-	-	-	-	26,466
Total fund balances	\$ 29,151	85,572	73,879	62,581	74,963	95,674	75,172	496,992

See accompanying notes to financial statements.

TOWN OF SUNDERLAND, VERMONT
Reconciliation of the Statement of Cash Basis Assets and Fund Balances –
Governmental Funds to the Statement of Net Position
June 30, 2017

Total fund balances - governmental funds, page 11	\$ 496,992
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Amounts reported for governmental activities in the statement of net assets are different because:

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(370,662)
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Net position - governmental activities, page 9	\$ 126,330
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See accompanying notes to financial statements.

TOWN OF SUNDERLAND, VERMONT
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
Year Ended June 30, 2017

	General Fund	Highway Fund	Highway Equipment Reserve	National Forest Fund	Cemetery Trust Fund	Reappraisal Fund	Nonmajor Governmental Funds	Totals (Memorandum Only)
Revenues:								
Property taxes	\$ 201,971	322,130	-	-	-	-	6,235	530,336
Interest on delinquent taxes	4,284	-	-	-	-	-	-	4,284
Fees	5,795	155	-	-	-	-	-	5,950
Traffic fines	2,061	-	-	-	-	-	-	2,061
Intergovernmental revenue	34,551	83,741	-	-	-	5,908	73,683	197,883
Investment income	2,624	432	146	76	463	571	498	4,810
Other	742	2,812	850	-	800	-	175	5,379
National Forest revenue	-	56,604	-	-	-	-	-	56,604
	252,028	465,874	996	76	1,263	6,479	80,591	807,307
Expenditures:								
Ambulance/Rescue Services	25,000	-	-	-	-	-	-	25,000
Animal Control	2,400	-	-	-	-	-	-	2,400
Appropriation	50	-	-	-	-	-	-	50
Appropriation - Voted	15,500	-	-	-	-	-	-	15,500
Assessment	11,626	-	-	-	-	-	-	11,626
Audit	9,600	-	-	-	-	-	-	9,600
Benn. County Regional Comm.	2,411	-	-	-	-	-	-	2,411
Building maintenance, utilities and supplies	7,039	1,620	-	-	-	-	-	8,659
Cemetery maintenance	-	-	-	-	-	-	10,185	10,185
Debt service - principal and interest	28,810	-	-	-	-	-	-	28,810
Insurance	-	18,996	-	-	-	-	-	18,996
Dues	2,070	-	-	-	-	-	-	2,070
Equipment maintenance	-	37,836	-	-	-	-	-	37,836
Fire protection	39,937	-	-	-	-	-	-	39,937
Gravel	-	19,016	-	-	-	-	-	19,016
Insurance	6,975	20,239	-	-	-	-	-	27,214
Landfill	4,112	-	-	-	-	-	-	4,112
Law enforcement	19,526	-	-	-	-	-	-	19,526
Legal	4,503	-	-	-	-	-	-	4,503
Legal warnings	537	-	-	-	-	-	-	537
Miscellaneous	30	4	-	-	-	-	-	34
Office equipment/lease	5,808	-	-	-	-	-	-	5,808
Office supplies	5,898	-	-	-	-	-	-	5,898
Other expenditures	-	25,639	-	-	-	4,372	5,264	35,275
Paving projects	-	9,288	-	-	-	-	165,367	174,655
Personnel costs:								
Payroll	74,949	108,653	-	-	-	-	-	183,602
Health and dental insurance	7,341	15,824	-	-	-	-	-	23,165
Retirement	1,595	4,146	-	-	-	-	-	5,741
Public Communication	2,000	-	-	-	-	-	-	2,000
Salt, sand and chloride	-	67,053	-	-	-	-	-	67,053
Solid Waste Fees	2,683	-	-	-	-	-	-	2,683
Tabulator programing	2,688	-	-	-	-	-	-	2,688
Technology expenses	156	-	-	-	-	-	-	156
Telephone expense	1,412	-	-	-	-	-	-	1,412
Town meeting officials	2,100	-	-	-	-	-	-	2,100
Town reports	1,681	-	-	-	-	-	-	1,681
Training/workshop	45	150	-	-	-	-	-	195
Capital outlay	-	-	115,575	-	-	-	-	115,575
	288,482	328,464	115,575	-	-	4,372	180,816	917,709
Excess (deficiency) of revenues over expenditures	(36,454)	137,410	(114,579)	76	1,263	2,107	(100,225)	(110,402)
Other financing sources (uses):								
Operating transfers in	-	65,930	188,458	-	-	-	73,463	327,851
Operating transfers out	(67,430)	(186,446)	-	(73,512)	(463)	-	-	(327,851)
	(67,430)	(120,516)	188,458	(73,512)	(463)	-	73,463	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(103,884)	16,894	73,879	(73,436)	800	2,107	(26,762)	(110,402)
Fund balances, July 1, 2016	133,035	68,678	-	136,017	74,163	93,567	101,934	607,394
Fund balances, June 30, 2017	\$ 29,151	85,572	73,879	62,581	74,963	95,674	75,172	496,992

See accompanying notes to financial statements.

TOWN OF SUNDERLAND, VERMONT
Reconciliation of the Statement of Cash Receipts, Cash Disbursements
and Changes in Cash Basis Fund Balances - Governmental Funds
to the Statement of Activities
Year Ended June 30, 2017

Net change in fund balances - governmental funds, page 13	\$ (110,402)
Amounts reported for governmental activities in the statement of activities are different because:	
Repayment of principal on long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	40,790
<hr/> Change in net position - governmental activities, page 10	<hr/> \$ (69,612)

See accompanying notes to financial statements.

TOWN OF SUNDERLAND, VERMONT

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

(a) Financial Reporting Entity

The Town of Sunderland, Vermont (the "Town") is a unit of local government chartered by the State of Vermont. The Town operates under a Select Board form of government and provides services as outlined in its charter.

The accompanying financial statements of the Town of Sunderland, Vermont include all of the financial activity of the Town. The reporting entity consists of the Town; organizations for which the Town is financially accountable; and other organizations for which the nature and significance of their relationship with the Town are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the Town are financially accountable. The Town is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the Town. The Town may be financially accountable if an organization is fiscally dependent on the Town. Based on these criteria, there are no other entities that should be combined with the financial statements of the Town.

As discussed further in Note 1 (d), these financial statements are presented on the cash basis and cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

(b) Basis of Presentation

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

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town. The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements.

(continued)

TOWN OF SUNDERLAND, VERMONT

Notes to Financial Statements

(1) *Summary of Significant Accounting Policies (continued)*

(b) *Basis of Presentation (continued)*

Government-wide Statements

The government-wide financial statements (i.e., the statement of net position – cash basis and the statement of activities – cash basis) report information on all non-fiduciary activities of the Town. Eliminations have been made to minimize the effect of internal transactions between funds. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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

Fund Financial Statements

The fund statements provide information about the Town's funds. Separate statements for each fund category (governmental and proprietary) are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as non-major funds.

The financial activities of the Town that are reported in the accompanying financial statements have been classified in the major funds described in the following paragraphs.

Governmental Funds

General Fund - The General Fund is used to account for all revenues and expenditures applicable to the general operations of the governmental agencies of the Town. All general operating revenues which are not restricted as to use by sources external to the Town are recorded in the General Fund.

Special Revenue Funds - The Special Revenue Funds are operating funds, for which the use of revenues is restricted, generally by Federal and state governments. The Town uses four major Special Revenue Funds: the Highway Fund, the Highway Equipment Reserve Fund, The National Forest Fund, and the Reappraisal Fund.

Permanent Funds - The Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the programs. The Town uses one permanent fund, the Cemetery Trust Fund.

(continued)

TOWN OF SUNDERLAND, VERMONT

Notes to Financial Statements

(1) *Summary of Significant Accounting Policies (continued)*

(c) Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. Equity (i.e., cash basis net position) is segregated into restricted cash basis net position and unrestricted cash basis net position. Operating statements present increases (i.e., receipts) and decreases (i.e., disbursements) in cash basis net position.

Governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the cash basis of accounting. Their reported fund balances (cash basis fund balances) are considered a measure of available spendable resources and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., cash receipts and other financing sources) and decreases (i.e., disbursements and other financing uses) in cash basis fund balances.

(d) Basis of Accounting

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The Town's policy is to prepare its financial statements on the cash basis of accounting; consequently, certain revenue and related assets are recognized when received rather than when earned, and certain expenditures and related liabilities are recognized when paid rather than when the obligation is incurred. When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

(e) Budgets and Budgetary Accounting

Budgets are approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget changes during the year.

(f) Internal Balances and Transfers

Internal balances arise primarily as a result of the Town's pooling of cash deposits. Internal transfers represent administrative charges paid by the enterprise funds and community development fund to the general governmental activities fund.

(g) Capital Assets

The Town does not recognize capital assets in its financial statements.

(h) Cash and Cash Equivalents

For purposes of the statement of cash flows presented for the proprietary funds, cash equivalents include all short-term highly liquid investments which are readily convertible to known amounts of cash and have original maturities of three months or less.

(continued)

TOWN OF SUNDERLAND, VERMONT

Notes to Financial Statements

(1) *Summary of Significant Accounting Policies (continued)*

(i) *Investments*

The Town invests in investments as allowed by State statute. Investments are reported at cost.

(j) *Long-term Debt and Deferred Charges*

Long-term debt and other long-term obligations are not reported in the financial statements under the cash basis of accounting.

(k) *Governmental Fund Balance/Net Assets*

The Town reports its fund balances in accordance with GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The following classifications describe the relative strength of spending constraints:

Non-spendable fund balance is either not in spendable form (such as inventory), or is required to be maintained intact legally or contractually.

Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the Town itself, through formal action of the voters.

Assigned fund balance—amounts the Town intends to use for a specific purpose. Intent can be expressed by the Selectboard or by an official or body to which the Selectboard Council delegates the authority.

Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

In the government-wide financial statements, net assets are classified in the following categories:

Restricted – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted resources are used first to fund appropriations when there are both restricted and unrestricted resources available.

Unrestricted – This category includes both designated and undesignated net assets of the Town. Designated net assets include reserves that were established by the Board, which are considered internally designated. Undesignated net assets are not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. While a separate bank account is not necessary for each reserve fund, a separate identity for each reserve fund is maintained.

(continued)

TOWN OF SUNDERLAND, VERMONT

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

(l) Encumbrance Accounting

Encumbrances outstanding at year-end are recorded as a reservation of fund balance in the Town's governmental funds, since they do not constitute expenditures or liabilities

(m) Use of Accounting Estimates

The preparation of financial statements in conformity with the cash basis requires management to make estimates and assumptions that affect the reported amounts of assets 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.

(2) Cash

Cash is placed in the custody of the Town Treasurer who is elected and consisted of interest-bearing checking accounts maintained at two financial institutions.

Custodial Credit Risk of Bank Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. At June 30, 2017 the Town's cash balances amounted to \$496,992 with a corresponding bank balance of \$551,110. Of the bank balance, \$305,053 was covered by FDIC insurance and \$246,057 was collateralized by securities held by the pledging financial institution.

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

(3) Internal Balances

Internal transfers for the year ended June 30, 2017 were as follows:

Transfer From	Transfer To	Amount	Purpose
General	Highway Fund	\$ 65,930	Property taxes
General	Bldg. Maintenance Reserve Fund	1,500	Appropriation
Highway Fund	Bridge Co-Op Reserve Fund	5,000	Appropriation
General	Highway Equipment Reserve Fund	114,946	Equipment acquisition
General	Guardrail Reserve Fund	1,500	Appropriation
General	Paving Reserve Fund	50,000	Appropriation
General	Road Projects Reserve Fund	15,000	Appropriation
National Forest Fund	Highway Equipment Reserve Fund	73,512	Equipment acquisition
Cemetery Trust Fund	Cemetery Maintenance Fund	463	Interest Income
		\$ 327,851	

TOWN OF SUNDERLAND, VERMONT

Notes to Financial Statements

(4) Bonds Payable

General obligation bonds payable, secured by the general revenue raising powers of the Town, consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Municipal Bond Bank, interest ranging from 0.804% to 3.514% payable May and November, annual principal payments of \$17,550 beginning November 2014, Due November 2033.	\$ 315,900	-	17,550	298,350	17,550

Maturities of bonds and notes payable are as follows:

	Principal	Interest	Total
2018	\$ 17,550	10,953	28,503
2019	17,550	10,579	28,129
2020	17,550	10,143	27,693
2021	17,550	9,653	27,203
2022	17,550	9,114	26,664
2023-2027	87,750	33,367	121,117
2028-2032	87,750	20,722	108,472
2033-2037	35,100	1,628	36,728
	\$ 298,350	106,159	404,509

(5) Leases

The Town leases certain equipment under agreements, which are classified as capital leases. The leased equipment is not included in the financial statements since the Town does not maintain a record of its capital assets under the cash basis of accounting.

Future minimum payments required under capital leases are as follows:

Year ending June 30,	
2018	\$ 25,168
2019	25,168
2020	24,908
Total minimum lease payments	75,244
Less amount representing interest	(2,932)
Present value of minimum lease payments	\$ 72,312

TOWN OF SUNDERLAND, VERMONT

Notes to Financial Statements

(6) Governmental Fund Balances/Net Assets

At June 30, 2017 the town's fund balances were nonspendable, restricted, committed or assigned as follows:

General Fund – the fund balance is unassigned.

Special Revenue Funds – all fund balances of the special revenue funds are considered committed by action of the voters to the purpose of the respective fund.

(7) Property Taxes

Taxes are payable in two installments which were due for the 2016-2017 fiscal year on October 15, 2016 and April 15, 2017. Interest of 1% for three (3) months and 1-½% thereafter with an 8% penalty is charged for delinquent payments for each installment.

(8) Property Taxes

The tax rate for the year is as follows:

General Fund	\$	0.0753
Highway Fund		0.2277
Cemetery		0.0037
Local agreements		0.0023
Municipal building debt		0.0167
Homestead education		1.2371

(9) Risk Management

The Town of Sunderland is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. The Town must remain a member for the minimum of one year and may withdraw from the Fund after that time by giving sixty days' notice. Fund underwriting are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

The Town obtains unemployment insurance through the VLCT Employment Resource and Benefits Trust, Inc.

(10) Contingent Liabilities

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

(11) Subsequent Events

The Town has evaluated subsequent events through November 2, 2018, the date on which the financial statements were available to be issued.

TOWN OF SUNDERLAND, VERMONT
Statement of Cash Receipts, Cash Disbursements and
Changes in Cash Basis Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property taxes	\$ 156,854	201,971	45,117
Interest on delinquent taxes	-	4,284	4,284
Fees	3,840	5,795	1,955
Traffic fines	2,100	2,061	(39)
Intergovernmental revenue	31,066	34,551	3,485
Investment income	3,000	2,624	(376)
Other	-	742	742
	196,860	252,028	55,168
Expenditures:			
Ambulance/Rescue Services	25,000	25,000	-
Animal Control	3,000	2,400	600
Appropriation	50	50	-
Appropriation - Voted	15,500	15,500	-
Assessment	11,000	11,626	(626)
Audit	12,000	9,600	2,400
Benn. County Regional Comm.	2,450	2,411	39
Dues	2,005	2,070	(65)
Fire Protection	42,000	39,937	2,063
Fire Warden	100	-	100
Health Insurance	8,500	7,341	1,159
Insurance	12,000	6,975	5,025
Landfill	7,500	4,112	3,388
Law Enforcement	24,000	19,526	4,474
Legal	7,000	4,503	2,497
Legal Warnings	1,500	537	963
Loan Payment	28,506	28,810	(304)
Miscellaneous	100	30	70
Office Building Alarm System	900	932	(32)
Office Building Electric	1,200	1,049	151
Office Building Heat	2,500	-	2,500
Office Building Janitorial	3,600	3,640	(40)
Office Building Maintenance	1,300	1,418	(118)
Office Equip/Lease	5,000	5,808	(808)
Office Supplies	5,000	5,898	(898)
Planning	4,000	-	4,000
Public Communication	2,050	2,000	50
Retirement	2,100	1,595	505
Solid Waste Fees	6,000	2,683	3,317
Tabulator Programing	5,500	2,688	2,812
Technology Expenses	2,000	156	1,844
Telephone Expense	1,450	1,412	38
Town Meeting Officials	1,400	2,100	(700)
Town Payroll	77,025	74,949	2,076
Town Reports	2,000	1,681	319
Training/Workshop	1,000	45	955
	326,236	288,482	37,754
Excess (deficiency) of revenues over expenditures	(129,376)	(36,454)	92,922
Other financing sources (uses):			
Operating transfers out:			
Interfund transfer - Highway Taxes	-	(65,930)	(65,930)
Bldg Maintenance Reserve Fund	(1,500)	(1,500)	-
	(1,500)	(67,430)	(65,930)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(130,876)	(103,884)	26,992
Fund balances, July 1, 2016	133,035	133,035	-
Fund balances, June 30, 2017	\$ 2,159	29,151	26,992

TOWN OF SUNDERLAND, VERMONT
Statement of Cash Receipts, Cash Disbursements and
Changes in Cash Basis Fund Balance
Budget and Actual - Highway Fund
Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property taxes	\$ 388,060	322,130	(65,930)
National Forest revenue	56,230	56,604	374
State aid to highways	83,750	83,741	(9)
Excess weight permits	150	155	5
Investment income	450	432	(18)
Other	3,450	2,812	(638)
	532,090	465,874	(66,216)
Expenditures:			
Building maintenance & supplies	10,000	1,620	8,380
Chloride	9,000	7,040	1,960
Cold patch	500	281	219
Culverts	2,000	2,042	(42)
Dental insurance	1,250	1,141	109
Diesel	30,000	18,996	11,004
Electric	1,500	1,292	208
Equipment maintenance	35,000	37,836	(2,836)
Erosion control	1,000	689	311
Grant- Better Backroads	-	7,062	(7,062)
Gravel	20,000	19,016	984
Health insurance	17,000	14,683	2,317
Highway payroll	114,300	108,653	5,647
Highway retirement	5,000	4,146	854
Insurance	20,000	20,239	(239)
Miscellaneous	200	4	196
PACIF equipment grant expense	-	1,316	(1,316)
Pavement marking	3,000	1,126	1,874
Pavement marking 2016 -2017 res	3,000	3,000	-
Radio/maintenance	500	728	(228)
Road signs	1,000	960	40
Salt	45,000	48,196	(3,196)
Sand	17,000	11,817	5,183
Stone/tailings	1,000	760	240
Stormwater runoff fee	200	306	(106)
Sublet services	1,000	600	400
Telephone	1,000	1,172	(172)
Tools/safety	1,000	1,360	(360)
Town share paving	-	9,288	(9,288)
Training/workshops	500	150	350
Trash	300	383	(83)
Uniform rental	2,000	2,562	(562)
	343,250	328,464	14,786
Excess (deficiency) of revenues over expenditures	188,840	137,410	(51,430)
Other financing sources (uses):			
Operating transfers in:			
General Fund - Highway Taxes	-	65,930	(65,930)
Operating transfers out:			
Bridge Co-Op Reserve Fund	(5,000)	(5,000)	-
Highway Equipment Fund	(114,946)	(114,946)	-
Guardrail Reserve Fund	(1,500)	(1,500)	-
Paving Reserve Fund	(50,000)	(50,000)	-
Road Projects Reserve Fund	(15,000)	(15,000)	-
	(186,446)	(120,516)	(65,930)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	2,394	16,894	14,500
Fund balances, July 1, 2016	68,678	68,678	-
Fund balances, June 30, 2017	\$ 71,072	85,572	14,500

TOWN OF SUNDERLAND, VERMONT
 Combining Statement of Cash Basis Assets and Fund Balances
 Normajor Governmental Funds
 June 30, 2017

	Special Revenue Funds											Total Nonmajor Governmental Funds
	Cemetery Maintenance Fund	Housing Rehabilitation Fund	Landfill Litigation Fund	Office Building Maintenance Fund	Paving Reserve Fund	Pedestrian and Bicycle Study Fund	Tri- Centennial Fund	Bridge Co-op Reserve Fund	Guardrail Reserve Fund	Road Projects Reserve Fund		
Assets												
Cash	\$ 2,731	6,096	12,372	1,500	1,414	3	283	25,456	7,428	17,889	75,172	
	\$ 2,731	6,096	12,372	1,500	1,414	3	283	25,456	7,428	17,889	75,172	
Fund Balance												
Restricted	\$ -	-	-	-	-	-	-	-	-	-	-	-
Committed	2,731	6,096	12,372	1,500	1,414	3	283	25,456	7,428	17,889	75,172	
Assigned	-	-	-	-	-	-	-	-	-	-	-	-
	2,731	6,096	12,372	1,500	1,414	3	283	25,456	7,428	17,889	75,172	
	\$ 2,731	6,096	12,372	1,500	1,414	3	283	25,456	7,428	17,889	75,172	

TOWN OF SUNDERLAND, VERMONT
 Combining Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2017

	Special Revenue Funds											Total Nonmajor Governmental Funds
	Cemetery Maintenance Fund	Housing Rehabilitation Fund	Landfill Litigation Fund	Office Building Maintenance Fund	Paving Reserve Fund	Pedestrian and Bicycle Study Fund	Tri- Centennial Fund	Bridge Co-Op Reserve Fund	Guardrail Reserve Fund	Road Projects Reserve Fund		
Revenues:												
Investment income	\$ 28	35	76	-	9	-	166	43	141	498		
Property taxes	6,235	-	-	-	-	-	-	-	-	6,235		
Intergovernmental revenue	-	-	-	-	73,683	-	-	-	-	73,683		
Corner stones	175	-	-	-	-	-	-	-	-	175		
	6,438	35	76	-	73,692	-	166	43	141	80,591		
Expenditures:												
Cemetery maintenance	10,185	-	-	-	-	-	-	-	-	10,185		
Highway paving/maintenance	-	-	-	-	151,013	-	-	-	14,354	165,367		
Other	-	-	-	-	-	-	4,987	277	-	5,264		
	10,185	-	-	-	151,013	-	4,987	277	14,354	180,816		
Excess (deficiency) of revenues over expenditures	(3,747)	35	76	-	(77,321)	-	(4,821)	(234)	(14,213)	(100,225)		
Other financing sources (uses):												
Operating transfers in	463	-	-	1,500	50,000	-	5,000	1,500	15,000	73,463		
Operating transfers out	-	-	-	-	-	-	-	-	-	-		
	463	-	-	1,500	50,000	-	5,000	1,500	15,000	73,463		
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(3,284)	35	76	1,500	(27,321)	-	179	1,266	787	(26,762)		
Total fund balances, July 1, 2016	6,015	6,061	12,296	-	28,735	3	25,277	6,162	17,102	101,934		
Total fund balances, June 30, 2017	\$ 2,731	6,096	12,372	1,500	1,414	3	25,456	7,428	17,889	75,172		