

TOWN OF CHARLOTTE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

The Town of Charlotte (the "Town") herein sets forth an overview and analysis of its financial operations for the fiscal years ending June 30, 2015 and 2014.

***Financial Highlights***

- Assets exceeded liabilities on June 30, 2015 by \$9,367,476 (*net position*). Of this amount, \$1,053,149 (*unrestricted net position*) may be used by the various funds of the Town to meet the Town's ongoing obligations.
- The Town's total governmental activities net position increased by \$401,140.
- Fund Balances of Governmental Funds increased by \$294,631 up to a total of \$1,520,970 in fiscal year 2015. The General Fund had a total fund balance of \$389,178 of which \$381,648 was unassigned.

***Overview of the Town's Financial Statements:***

The annual financial report consists of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

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

The *statement of net position* presents information on all of the Town of Charlotte's assets and liabilities with the difference between the two reported as net position.

The *statement of activities* presents information showing how the Town's net position changed during the past fiscal year. The *statement of activities* is on the full accrual basis (i.e. all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows) whereas the *statement of revenues, expenditures and changes in fund balances - governmental funds* is on the modified accrual basis (i.e. revenue is recognized when it becomes measurable and available as net current position and expenditures are recognized when the related liability is incurred). Thus in the *statement of activities*, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The major governmental activities of the Town of Charlotte include general government, highways and bridges, and public safety. The government-wide financial statements can be found in Exhibits A and B of this report. The business-type activity of the Town is the wastewater operation on Thompson's Point, which is accounted for in the proprietary fund statements.

**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 has three types of funds: governmental funds, a proprietary fund and fiduciary funds. The proprietary fund of the Town is an enterprise fund (business activities). This covers our Thompson's Point wastewater department. Fund financial statements can be found in Exhibits C through J.

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**Notes to the financial statements.** The notes provide additional information that is necessary for an understanding of the information in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements in this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. This supplementary information includes the General Fund budget/actual reports and combining statements for various funds. The supplementary information can be found immediately following the notes to the financial statements.

Table 1  
Net Position

	Governmental Activities		Business-type Activities		Total	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
Current and Other Assets	\$ 1,828,456	\$ 1,497,756	\$ 226,154	\$ 186,963	\$ 2,054,610	\$ 1,684,719
Capital Assets	6,848,938	6,687,672	988,341	1,018,341	7,837,279	7,706,013
Total Assets	<u>8,677,394</u>	<u>8,185,428</u>	<u>1,214,495</u>	<u>1,205,304</u>	<u>9,891,889</u>	<u>9,390,732</u>
Deferred Outflows of Resources	19,046	15,157	0	0	19,046	15,157
Current Liabilities	223,106	89,575	51	75,000	223,157	164,575
Long-term Liabilities	277,683	347,524	0	0	277,683	347,524
Total Liabilities	<u>500,789</u>	<u>437,099</u>	<u>51</u>	<u>75,000</u>	<u>500,840</u>	<u>512,099</u>
Deferred Inflows of Resources	42,619	11,594	0	0	42,619	11,594
Net Investment in Capital Assets	6,848,938	6,687,672	988,341	943,341	7,837,279	7,631,013
Restricted	477,048	440,566	0	0	477,048	440,566
Unrestricted	827,046	623,654	226,103	186,963	1,053,149	810,617
Total Net Position	<u>\$ 8,153,032</u>	<u>\$ 7,751,892</u>	<u>\$ 1,214,444</u>	<u>\$ 1,130,304</u>	<u>\$ 9,367,476</u>	<u>\$ 8,882,196</u>

As indicated above, assets exceeded liabilities by \$9,367,476 at the end of fiscal year 2015. Assets exceeded liabilities by \$8,882,196 at the end of fiscal year 2014.

The largest portion of the Town's net position is in its investment in capital assets (83.7% = \$7,837,279). These assets are used to provide services to its citizens (e.g. land, buildings, equipment, and infrastructure). Therefore these assets are not available for future spending. A portion (5.1% = \$477,048) of the Town's net position is subject to restrictions on how it may be used (e.g. highway maintenance, affordable housing, etc.). The remaining balance is an unrestricted net position (11.2% = \$1,053,149) may be used to meet the government's ongoing obligations to citizens and creditors. Some of the amounts included in unrestricted net position have been assigned by management for particular purposes (e.g. capital projects).

**Governmental activities.** Governmental activities increased the Town's net position by \$401,140 in FY15. This is primarily due to the conveyance of two vehicles, a pumper truck and a heavy rescue truck, to Charlotte Volunteer Fire and Rescue Services, Inc. (CVFRS), in conjunction with the agreement between the town and CVFRS. This conveyance is included in the Statement of Activities below as a Special item, Transfer of capital assets to CVFRS, Inc. (\$667,386).

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**Table 2  
Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 1,038,326	\$ 1,049,454	\$ 261,592	\$ 187,884	\$ 1,299,918	\$ 1,237,338
Operating Grants and Contributions	380,269	379,998	0	0	380,269	379,998
Capital Grants and Contributions	173,724	119,003	0	0	173,724	119,003
<b>General Revenues:</b>						
Property Taxes	1,476,095	1,598,567	0	0	1,476,095	1,598,567
Penalties and Interest on Delinquent Taxes	80,478	28,564	0	0	80,478	28,564
General State Grants	100,324	76,300	0	0	100,324	76,300
Unrestricted Investment Earnings	308	289	12	13	320	302
Other Revenues	41,696	1,514	0	0	41,696	1,514
<b>Total Revenues</b>	<b>3,291,220</b>	<b>3,253,689</b>	<b>261,604</b>	<b>187,897</b>	<b>3,552,824</b>	<b>3,441,586</b>
<b>Expenses:</b>						
General Government	799,651	852,915	0	0	799,651	852,915
Public Safety	540,501	715,633	0	0	540,501	715,633
Highways and Streets	935,688	889,559	0	0	935,688	889,559
Culture and Recreation	442,489	345,604	0	0	442,489	345,604
Community Development	160,972	156,444	0	0	160,972	156,444
Interest on Long-term Debt	10,779	14,330	0	0	10,779	14,330
Wastewater	0	0	177,464	153,835	177,464	153,835
<b>Total Expenses</b>	<b>2,890,080</b>	<b>2,974,485</b>	<b>177,464</b>	<b>153,835</b>	<b>3,067,544</b>	<b>3,128,320</b>
<b>Special item:</b>						
Transfer of Capital Assets to Charlotte Fire and Rescue Services, Inc.	0	(667,386)	0	0	0	(667,386)
<b>Increase/(Decrease) in Net Position</b>	<b>\$ 401,140</b>	<b>\$ (388,182)</b>	<b>\$ 84,140</b>	<b>\$ 34,062</b>	<b>\$ 485,280</b>	<b>\$ (354,120)</b>

***Financial Analysis of Major Governmental Funds***

**The General Fund**

The General Fund balance increased \$83,355 from \$305,823 at the end of fiscal year 2014 to \$389,178 at the end of fiscal year 2015.

A budget surplus of \$206,416 was generated in the General Fund during fiscal year 2015. The total revenues budgeted were \$2,912,404. The actual revenues collected were \$3,109,285, which was \$196,881 more than budgeted. The Selectboard anticipated applying \$125,000 of the surplus from the prior year cumulative fund balance to meet expenses, which would have resulted in a planned deficit of \$125,000. However, the resulting surplus of \$81,416 meant that a budget surplus of \$206,416 was generated during FY15. A contributing factor to the surplus created during FY14 was that revenue from Thompson's Point Rent was \$80,044 greater than anticipated, due in part to an increase of the statewide non-residential property tax rate, which factors into the formula for determining rent.

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A total of \$3,037,404 was budgeted for expenses of which only \$3,027,869 was actually spent, resulting in a savings of \$9,535. A large portion of the \$9,535 expense savings came from the \$110,000 reduction in the appropriation to CVFRS described above. Another contributing factor (\$XXX) is that a portion of employees' health insurance cost is paid through a health reimbursement arrangement (HRA); so, although the full potential cost must be budgeted, the actual cost is usually less. Additionally, expenditures in the Planning & Zoning Department were down by \$XXX.

During FY15 the town also received \$XXX from a Structures Grant (Bridge Grant) and \$XXX in Highway State Aid for paving—these funds came into the General Fund and were paid to the town on reimbursement basis for actual costs expended.

In the highway expense budget a total of \$900,814 was spent, \$436 less than the budget. Some line items were underspent and some were overspent. Retreatment and winter plowing/sanding were over by \$65,272 and \$47,553, respectively, while gravel road maintenance and ditching were under by \$70,157 and \$45,956, respectively.

### **The Highway Reserve Fund**

The Highway Reserve Fund ended fiscal year 2015 with a cumulative surplus of \$135,115. The prior year cumulative surplus was \$217,902 resulting in a current year loss of \$82,787. This decrease was primarily due to two transfers of \$77,500 and \$72,500 approved at Town Meeting, 2014 and Town Meeting, 2015, respectively, to be used for bridge reconstruction projects.

### **Other Funds**

The Town has the following reserve funds at June 30, 2015:

Highway Reserve Fund	\$ 135,115
Conservation Fund	463,020
Fire & Rescue Capital Fund	139,343
Non-Major Government Funds	<u>394,314</u>
Total Other Funds	<u>\$1,131,792</u>

### **Restricted Net Position and Reserved Fund Balances**

The restricted net position was \$477,048 on June 30, 2015. These funds are reserved for specific future expenses, such as highway maintenance, affordable housing, trails and other purposes determined by trust or grant agreements.

The unassigned fund balance of the Governmental Funds was \$381,648 on June 30, 2015. These funds are available to address planned or unexpected expenses in the General Fund.

### **Capital Assets**

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Governmental Capital Assets increased \$161,266 net of accumulated depreciation to a total of \$6,848,938 as of June 30, 2015. This was primarily the result of transferring capital assets to the Charlotte Fire and Rescue Services, Inc.

**Long-term Debt**

At the end of the current year, the Town had total long-term debt outstanding of \$300,000. This amount represents bonded debt backed by the full faith and credit of the Town.

Table 3  
Outstanding Debt at Year-End

	Governmental Activities		Business-type Activities		Total	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
Bonds Payable	\$ 300,000	\$ 345,000	\$ 0	\$ 75,000	\$ 300,000	\$ 420,000

The Town's total debt decreased by \$120,000 during the year, reflecting repayments of principal. State statutes limit the amount of bonded debt any governmental entity may issue to 10 times its total assessed valuation. The current debt limit for the Town is \$XXX, which is significantly in excess of the Town's outstanding bonded debt.

Bonds are issued through the Vermont Municipal Bond Bank. The Town issues no bonded debt on its own behalf and does not maintain its own credit rating.

Additional information on the Town's long-term debt can be found in Note IV. G. in the notes to financial statements.

***Economic Factors and Next Year's Budget and Rates***

The following factors were considered in the development of budgets for FY16:

The Town approved a general fund budget for fiscal year 2016 in the amount of \$XXX. This represents a decrease of \$XXX (XX%) from the approved budget for the prior fiscal year.

The following factors will influence budgets in future fiscal year:

The Selectboard will be attempting to keep the municipal budget flat in the coming fiscal year.

This financial report is designed to provide a general overview of the Town of Charlotte, Vermont's financial condition. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Administrator, P.O. Box 119, Charlotte, Vermont 05445.