

TOWN OF POWNAL

**Financial Statements and
Required Report as of
June 30, 2020
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited).....	3
BASIC FINANCIAL STATEMENTS	
Statement of net position	16
Statement of activities	17
Balance sheet – Governmental funds	18
Reconciliation of total governmental fund balance to government-wide net position	19
Statement of revenue, expenditures, and changes in fund balance – Governmental Funds.....	20
Reconciliation of the statement of revenue, expenditures, and changes in fund balance to the statement of activities	21
Statement of net position - Fiduciary funds.....	22
Statement of changes in net position - Fiduciary funds.....	22
Notes to financial statements.....	23
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Statement of revenue, expenditures, and changes in fund balance – Budget and actual - General fund and Road fund	43
Schedule of proportionate share of net pension liability	44
Schedule of contributions – pension plans.....	45
OTHER REQUIRED REPORT	
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	46
Schedule of findings and questioned costs	48

INDEPENDENT AUDITOR'S REPORT

March 22, 2021

To the Town Selectmen of
Town of Pownal:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Pownal, Vermont (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Town of Pownal as of June 30, 2020, and the respective changes in financial position 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 schedules of contributions, and proportionate share of the net pension liability 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

VT CPA License #092.0048099

TOWN OF POWNAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2020

The following is a discussion and analysis of the Town of Pownal (the Town)'s financial performance for the fiscal year ended June 30, 2020. This section is a summary of the Town's financial activities based on currently known facts, decisions, or conditions. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Town's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Town's general fund expenditures were \$13,094 less than budgeted.
- Town's road fund expenditures were \$71,096 less than budgeted.
- Total net position decreased \$1,203,821. This was predominately due to depreciation of the wastewater treatment facility.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are *entity-wide* financial statements that provide both *short-term* and *long-term information* about the Town's *overall* financial status.
- The remaining statements are *fund* financial statements that focus on *individual parts* of the Town, reporting the operation *in more detail* than the entity-wide statements. The fund financial statements concentrate on the Town's most significant funds.
- The *governmental funds statements* tell how basic services, such as municipal activities, were financed in the *short-term*, as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the Town acts solely as a *trustee or agent* for the benefit of others, including the employees of the Town.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The 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 for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table A-1 Organization of the Town's Annual Financial Report

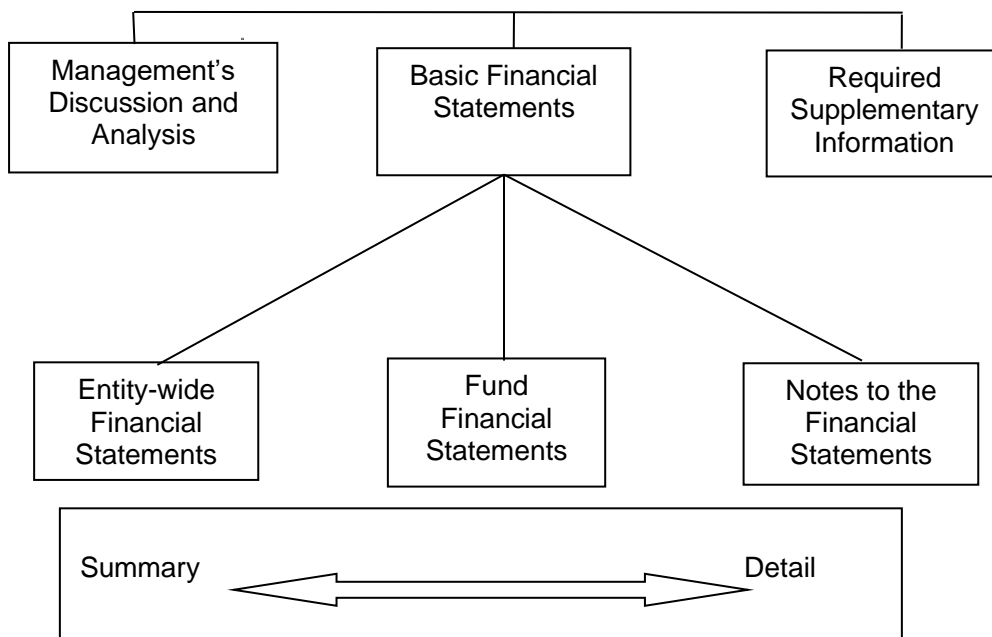


Table A-2 summarizes the major features of the Town's financial statements, including the portion of the Town's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

Table A-2 Major Features of the Town-Wide and Fund Financial Statements

Fund Financial Statements			
	Entity-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire Town (except fiduciary funds)	The day-to-day operating activities of the Town, such as appraisals and Town maintenance.	Instances in which the Town administers resources on behalf of someone else, such as the Martin Potter Fund.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances. 	<ul style="list-style-type: none"> • Statement of net position - fiduciary • Statement of changes in net position - fiduciary
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.
Type of asset & deferred outflow/liability & deferred inflow information	All assets, deferred outflows and liabilities, and deferred inflows both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table A-2 Major Features of the Town-Wide and Fund Financial Statements (Continued)

Fund Financial Statements			
	Entity-Wide	Governmental Funds	Fiduciary Funds
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid.	Revenue 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.	All additions and deductions during the year, regardless of when cash is received or paid.

Town-Wide Statements

The Town-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Town's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Town-wide statements report the Town's net position and how they have changed. Net position – the difference between the Town's assets and liabilities – is one way to measure the Town's financial health or position.

- Over time, increases or decreases in the Town's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the Town, additional nonfinancial factors, such as the impact of certain legislative changes to regulations, and the condition of building and other facilities should be considered.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Investment in capital assets, net of related debt.
 - Restricted net position are those with constraints placed on use by external sources or imposed by law.
 - Unrestricted net position does not meet any of the above restrictions.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's funds, not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.
- The Town establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The Town has two kinds of funds:

- **Governmental Funds:** Most of the Town's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the Town-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, road fund, capital projects fund, special aid fund, and waste water O&M fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- **Fiduciary Funds:** The Town is the trustee, or fiduciary, for assets that belong to others, such as the Gardner Cemetery and Neighborhood Watch. The Town is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Town excludes these activities from the Town-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Table A-3 Condensed Statements of Net Position - Governmental Activities

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Percent <u>Change</u>
Assets:			
Current and other assets	\$ 2,192,326	\$ 1,873,893	17%
Capital assets, net	<u>15,722,588</u>	<u>17,941,199</u>	-12%
Total assets	17,914,914	19,815,092	-10%
Deferred outflows of resources	<u>82,592</u>	<u>79,478</u>	4%
Total assets and deferred outflows of resources	<u>\$ 17,997,506</u>	<u>\$ 19,894,570</u>	-10%
Liabilities:			
Current liabilities	\$ 362,437	\$ 186,467	94%
Net pension liability	217,840	140,214	55%
Long-term debt outstanding	<u>1,701,243</u>	<u>1,718,642</u>	-1%
Total liabilities	<u>2,281,520</u>	<u>2,045,323</u>	12%
Deferred inflows of resources	<u>2,028</u>	<u>34,016</u>	-94%
Total liabilities and deferred inflows of resources	<u>\$ 2,283,548</u>	<u>\$ 2,079,339</u>	10%
Net position			
Invested in capital assets	\$ 13,922,628	\$ 16,132,934	-14%
Restricted	1,173,012	620,385	89%
Unrestricted	<u>618,318</u>	<u>1,061,912</u>	-42%
Total net position	<u>\$ 15,713,958</u>	<u>\$ 17,815,231</u>	-12%

Changes in Net Position

The Town's fiscal year 2020 revenue totaled \$2,648,036 (see Table A-4). Property taxes and charges for services accounted for most of the Town's revenue by contributing 65% and 18%, respectively, of every dollar raised (see Table A-5). The remainder came from state and federal aid, operating grants, and other miscellaneous sources.

The total cost of all programs and services totaled \$3,851,857 for fiscal year 2020. The majority of this amount was used for wastewater operations expense (44%), road construction and maintenance (25%), and general services (16%) (see Table A-6).

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (Continued)

Table A-4 Changes in Net Position from Operating Activities Only

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Percent <u>Change</u>
Charges for services	\$ 474,161	\$ 447,409	6%
Operating grants	248,350	335,814	-26%
General revenue:			
Property taxes and other tax items	1,723,456	1,681,513	2%
State aid	85,838	68,702	25%
Use of money and property	32,881	30,969	6%
Other	<u>83,350</u>	<u>67,786</u>	23%
Total revenue	<u>2,648,036</u>	<u>2,632,193</u>	1%
General services	609,368	573,253	6%
Road construction and maintenance	959,558	785,233	22%
Wastewater operations expense	1,710,343	1,640,093	4%
Public safety	72,431	63,301	14%
Health	13,324	7,575	76%
Street lights	13,991	13,069	7%
Transfer station	152,173	138,577	10%
Ballot articles	246,740	251,740	-2%
Debt service interest	<u>73,929</u>	<u>56,804</u>	30%
Total expenses	<u>3,851,857</u>	<u>3,529,645</u>	9%
Decrease in net position	<u>\$ (1,203,821)</u>	<u>\$ (897,452)</u>	34%

Significant variances are explained below. (See Table A-4).

- Charges for services increased mainly due to the EU rate for sewer use increasing from 117/EU to 123/EU.
- Operating Grants decreased mainly due to The State of Vermont not awarding certain grants during COVID.
- General services increased due to cost increases.
- Road construction and maintenance increased due to increased cost of product.
- Health insurance increased due to cost and added employees to the policy.
- Ballot articles decreased due to non-response of request.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (Continued)

Table A-5 Sources of Revenue for Fiscal Year 2020:

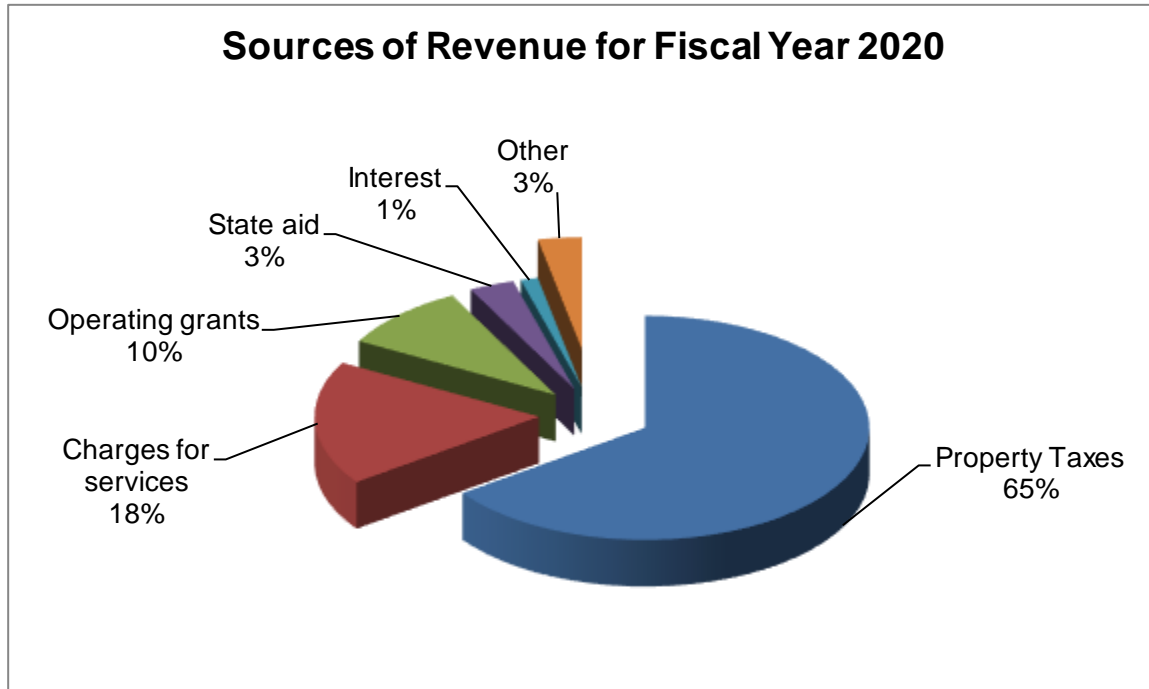
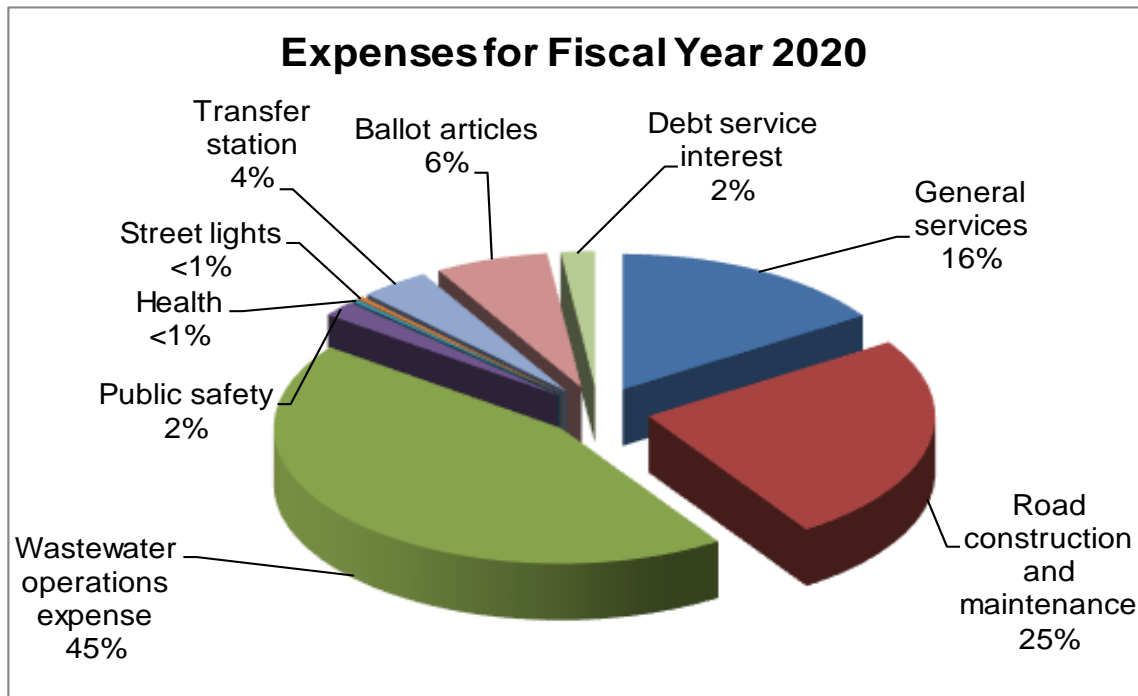


Table A-6 Expenses for Fiscal Year 2020:



FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (Continued)

Governmental Activities

Revenue for the Town's governmental activities totaled \$2,648,036 while total expenses equaled \$3,851,857. This resulted in a decrease in net position of \$1,203,821.

Table A-7 presents the cost of Town activities: General services, road construction and maintenance, wastewater operations expense, public safety, health, street lights, transfer station, ballot articles, debt service, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and aid provided for specific programs). The net cost indicates the financial burden placed on the Town by each of these functions.

Table A-7 Net Cost of Governmental Activities

	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
Functions:				
General services	\$ 609,368	\$ 568,110	\$ 573,253	\$ 530,770
Road construction and maintenance	959,558	711,208	785,233	449,419
Wastewater operations expense	1,710,343	1,350,191	1,640,093	1,300,985
Public safety	72,431	72,431	63,301	63,301
Health	13,324	13,324	7,575	7,575
Street lights	13,991	13,991	13,069	13,069
Transfer station	152,173	79,422	138,577	72,759
Ballot articles	246,740	246,740	251,740	251,740
Debt service interest	73,929	73,929	56,804	56,804
	<u>\$ 3,851,857</u>	<u>\$ 3,129,346</u>	<u>\$ 3,529,645</u>	<u>\$ 2,746,422</u>

- The cost of all governmental activities this year was \$3,851,857.
- The users of the Town's programs financed \$474,161 of the cost.
- The federal and state governments subsidized certain programs with grants and contributions in the amount of \$248,350.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the Town-wide financial statements. The Town's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

Governmental Funds Highlights

General Fund – Actual expenditures were less than budgeted expenditures by \$13,094.

Road Fund – Actual expenditures were less than budgeted expenditures by \$71,096.

Wastewater O&M Fund – Actual expenditures were greater than budgeted due to cost increases not budgeted for.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

General Fund and Road Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the general fund and the road fund

Figure A-8 General Fund:

	<u>General Fund</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
REVENUE:				
Property taxes and tax items	\$ 991,455	\$ 851,984	\$ 874,362	\$ 22,378
State aid	75,400	58,900	69,471	10,571
Charges for services	103,700	98,750	102,324	3,574
Intergovernmental charges	11,400	11,100	11,685	585
Use of money and property	23,550	27,450	23,424	(4,026)
Other	<u>112,850</u>	<u>240,346</u>	<u>49,406</u>	<u>(190,940)</u>
 Total revenue	 <u>1,318,355</u>	 <u>1,288,530</u>	 <u>1,130,672</u>	 <u>(157,858)</u>
 EXPENDITURES:				
General support	610,640	706,765	596,522	110,243
Road construction and maintenance	9,400	9,400	9,362	38
Public safety	74,800	74,800	71,715	3,085
Health	6,275	5,775	2,974	2,801
Street lights	15,000	15,000	13,991	1,009
Transfer station	162,400	159,627	279,249	(119,622)
Ballot articles	268,740	246,740	246,740	-
Debt service	<u>171,100</u>	<u>136,575</u>	<u>121,035</u>	<u>15,540</u>
 Total expenditures	 <u>1,318,355</u>	 <u>1,354,682</u>	 <u>1,341,588</u>	 <u>13,094</u>
 OTHER FINANCING SOURCES				
Proceeds from issuance of long-term debt	<u>-</u>	<u>-</u>	<u>132,096</u>	<u>132,096</u>
 Total other sources	 <u>-</u>	 <u>-</u>	 <u>132,096</u>	 <u>132,096</u>
 NET CHANGE IN FUND BALANCES	 -	 (66,152)	 (78,820)	 (12,668)
 FUND BALANCE - beginning of year	 <u>897,091</u>	 <u>897,091</u>	 <u>897,091</u>	 <u>-</u>
 FUND BALANCE - end of year	 <u>\$ 897,091</u>	 <u>\$ 830,939</u>	 <u>\$ 818,271</u>	 <u>\$ (12,668)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

General Fund and Road Fund Budgetary Highlights (Continued)

Figure A-8.1 Road Fund:

	<u>Road Fund</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Favorable
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	(Unfavorable)
REVENUE:				
Real property taxes and tax items	\$ 848,697	\$ 836,030	\$ 836,030	\$ -
State aid	128,500	128,500	248,350	119,850
Use of money and property	-	2,800	2,734	(66)
Other	<u>123,563</u>	<u>56,270</u>	<u>14,992</u>	<u>(41,278)</u>
Total revenue	<u>1,100,760</u>	<u>1,023,600</u>	<u>1,102,106</u>	<u>78,506</u>
EXPENDITURES:				
Road construction and maintenance	1,048,910	1,107,695	1,036,942	70,753
Debt service	<u>51,850</u>	<u>52,300</u>	<u>51,957</u>	<u>343</u>
Total expenditures	<u>1,100,760</u>	<u>1,159,995</u>	<u>1,088,899</u>	<u>71,096</u>
Excess of revenues over expenditures	<u>-</u>	<u>(136,395)</u>	<u>13,207</u>	<u>149,602</u>
OTHER FINANCING SOURCES				
Proceeds from issuance of long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	(136,395)	13,207	149,602
FUND BALANCE - beginning of year	<u>859,551</u>	<u>859,551</u>	<u>859,551</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 859,551</u>	<u>\$ 723,156</u>	<u>\$ 872,758</u>	<u>\$ 149,602</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

Capital Assets

As of June 30, 2020, the Town had a net investment of \$15,722,588 in capital assets.

Table A-9 Capital Assets (net of depreciation)

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Percent <u>Change</u>
Land - Municipal	\$ 425,013	\$ 425,013	0%
Land - Wastewater	456,476	456,476	0%
Construction in progress	132,096	-	NA
Buildings and building improvements	430,309	449,728	-4%
Wastewater system	11,021,777	12,279,308	-10%
Land Improvements	160,057	168,896	-5%
Machinery and equipment	965,477	974,154	-1%
Roads, bridges, culverts	<u>2,131,383</u>	<u>2,103,107</u>	1%
	<u>\$ 15,722,588</u>	<u>\$ 16,856,682</u>	-7%

Long-Term Debt

As of June 30, 2020, the Town had \$2,056,338 in long-term debt. More detailed information about the Town's long-term liabilities is presented in the notes to the financial statements.

Table A-10 Outstanding Long-Term Debt

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Percent <u>Change</u>
Public sewer bond	\$ 1,399,549	\$ 1,464,309	-4%
Capital equipment loan	52,000	78,000	-33%
Capital equipment loan	84,380	105,475	-20%
Revolving Loan	132,096	-	NA
Net pension liability	217,840	162,361	34%
Capital lease	131,935	154,790	-15%
Compensated absences	<u>38,538</u>	<u>31,567</u>	22%
	<u>\$ 2,056,338</u>	<u>\$ 1,996,502</u>	3%

FACTORS BEARING ON THE FUTURE OF THE TOWN OF POWNAL

At the time these financial statements were prepared and audited, the Town was aware of the following existing circumstances that could significantly affect its financial health in the future.

- The Town Board of Selectmen passed a resolution for the construction of new town hall. The Town is in the process of obtaining permits and plans on issuing bonds for construction during the 2020-2021 fiscal year.
- The Town plans to control spending to keep the budget from increasing significantly in the future.
- The Town estimates that a Town-wide reappraisal will occur in the next five years.
- The Town continues to monitor the impact of COVID-19 on the local economy and the Town's revenue streams. Future decisions will be guided by the speed and extent that local revenues and state aid to municipalities rebound, as well as any effect the passage of the federal stimulus act, which includes aid to local governments.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the finances of the Town and to demonstrate the Town's accountability with the funds it receives. If you have any questions about this report or need additional financial information, please contact:

Town of Pownal
Ellen Strohmaier, Treasurer
P.O. Box 411
Pownal, VT 06261

TOWN OF POWNAL

**STATEMENT OF NET POSITION
JUNE 30, 2020**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:

Cash - Unrestricted	\$ 723,083
Cash - Restricted	1,229,597
Taxes and interest receivable, net of allowance	186,747
Accounts receivable	<u>52,899</u>

Total current assets 2,192,326

NON-CURRENT ASSETS:

Capital assets, net	<u>15,722,588</u>
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DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows of resources - pensions	<u>82,592</u>
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES 17,997,506

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	174,309
Notes payable	2,469
Capital lease due within one year	22,855
Bonds and notes payable due within one year	114,400
Accrued bond interest	10,246
Unearned revenue	<u>38,158</u>

Total current liabilities 362,437

LONG-TERM LIABILITIES:

Bonds and notes payable, net of current portion	1,553,625
Capital lease payable, net of current portion	109,080
Compensated absences	38,538
Net pension liability	<u>217,840</u>

Total long-term liabilities 1,919,083

DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources - pensions	<u>2,028</u>
--	--------------

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES 2,283,548

NET POSITION

Net investment in capital assets	13,922,628
Restricted	1,173,012
Unrestricted	<u>618,318</u>

TOTAL NET POSITION \$ 15,713,958

The accompanying notes are an integral part of these statements.

TOWN OF POWNAL

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Expenses</u>	<u>Program Revenue</u>		Net (Expense) Revenue and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants</u>	
GOVERNMENT ACTIVITIES:				
General services	\$ 609,368	\$ 41,258	\$ -	\$ (568,110)
Road construction and maintenance	959,558	-	248,350	(711,208)
Wastewater operations expense	1,710,343	360,152	-	(1,350,191)
Public safety	72,431	-	-	(72,431)
Health services	13,324	-	-	(13,324)
Street lights	13,991	-	-	(13,991)
Transfer station	152,173	72,751	-	(79,422)
Ballot articles	246,740	-	-	(246,740)
Debt service interest	73,929	-	-	(73,929)
TOTAL FUNCTIONS/PROGRAMS	\$ 3,851,857	\$ 474,161	\$ 248,350	(3,129,346)
GENERAL REVENUE:				
Property taxes and other taxes				1,723,456
State aid				85,838
Use of money and property				32,881
Miscellaneous				83,350
TOTAL GENERAL REVENUE				1,925,525
CHANGE IN NET POSITION				(1,203,821)
TOTAL NET POSITION - beginning of year				16,917,779
TOTAL NET POSITION - end of year				\$ 15,713,958

The accompanying notes are an integral part of these statements.

TOWN OF POWNAL

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Governmental Fund Types				Totals Governmental Funds
	General	Road	Special Revenue	Waste Water O&M	
ASSETS					
Cash - Unrestricted	\$ 657,125	\$ -	\$ -	\$ 65,958	\$ 723,083
Cash - Restricted	203,661	988,710	37,226	-	1,229,597
Taxes and interest receivable, net of allowance	177,827	-	-	8,920	186,747
Accounts receivable	9,407	578	-	42,914	52,899
Due from other funds	13,322	-	-	-	13,322
TOTAL ASSETS	\$ 1,061,342	\$ 989,288	\$ 37,226	\$ 117,792	\$ 2,205,648
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ 46,319	\$ 116,530	\$ -	\$ 11,460	\$ 174,309
Due to other funds	-	-	1,821	11,501	13,322
Notes payable	-	-	-	2,469	2,469
Unearned revenue	38,158	-	-	-	38,158
TOTAL LIABILITIES	84,477	116,530	1,821	25,430	228,258
DEFERRED INFLOWS OF RESOURCES:					
Deferred property taxes	158,594	-	-	-	158,594
TOTAL DEFERRED INFLOWS OF RESOURCES	158,594	-	-	-	158,594
FUND BALANCE:					
Restricted					
For specific purposes	586,528	586,484	-	-	1,173,012
Assigned					
Appropriated for subsequent year's tax levy	65,398	120,763	-	-	186,161
Unappropriated	-	165,511	35,405	92,362	293,278
Total assigned	65,398	286,274	35,405	92,362	479,439
Unassigned	166,345	-	-	-	166,345
TOTAL FUND BALANCE	818,271	872,758	35,405	92,362	1,818,796
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 1,061,342	\$ 989,288	\$ 37,226	\$ 117,792	\$ 2,205,648

The accompanying notes are an integral part of these statements.

TOWN OF POWNAL

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION JUNE 30, 2020

A reconciliation of total governmental fund balance to government-wide net position follows:

Fund Balance - Total governmental funds	\$ 1,818,796
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements	15,722,588
Pension plan activity required to be recorded in the government-wide statements:	
Deferred outflows of resources	82,592
Net pension liability	(217,840)
Deferred inflows of resources	(2,028)
Deferred revenue earned in the current year is recognized as revenue under full accrual accounting	158,594
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements:	
Bonds and notes payable	(1,668,025)
Capital lease payable	(131,935)
Compensated absences	(38,538)
Interest accrued on bonds payable is not recognized as a liability in the funds	<u>(10,246)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 15,713,958</u>

The accompanying notes are an integral part of these statements.

TOWN OF POWNAL

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Fund Types				Total Governmental Funds
	General	Road	Special Revenue	Waste Water O&M	
REVENUE:					
Property taxes and tax items	\$ 874,362	\$ 836,030	\$ -	\$ -	\$ 1,710,392
State aid	69,471	248,350	-	-	317,821
Charges for services	102,324	-	-	360,152	462,476
Intergovernmental charges	11,685	-	-	-	11,685
Use of money and property	23,424	2,734	26	6,697	32,881
Other	49,406	14,992	18,535	417	83,350
Total revenue	<u>1,130,672</u>	<u>1,102,106</u>	<u>18,561</u>	<u>367,266</u>	<u>2,618,605</u>
EXPENDITURES:					
General services	596,522	-	-	-	596,522
Road construction and maintenance	9,362	1,036,942	-	-	1,046,304
Wastewater operations expense	-	-	-	343,907	343,907
Public safety	71,715	-	-	-	71,715
Health services	2,974	-	10,350	-	13,324
Street lights	13,991	-	-	-	13,991
Transfer station	279,249	-	-	-	279,249
Ballot articles	246,740	-	-	-	246,740
Debt service	121,035	51,957	-	474	173,466
Total expenditures	<u>1,341,588</u>	<u>1,088,899</u>	<u>10,350</u>	<u>344,381</u>	<u>2,785,218</u>
Excess (deficiency) of revenue over expenditures	<u>(210,916)</u>	<u>13,207</u>	<u>8,211</u>	<u>22,885</u>	<u>(166,613)</u>
OTHER FINANCING SOURCES					
Proceeds from issuance of long-term debt	<u>132,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,096</u>
Total other sources	<u>132,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,096</u>
NET CHANGE IN FUND BALANCE	(78,820)	13,207	8,211	22,885	(34,517)
FUND BALANCE - beginning of year	<u>897,091</u>	<u>859,551</u>	<u>27,194</u>	<u>69,477</u>	<u>1,853,313</u>
FUND BALANCE - end of year	<u>\$ 818,271</u>	<u>\$ 872,758</u>	<u>\$ 35,405</u>	<u>\$ 92,362</u>	<u>\$ 1,818,796</u>

The accompanying notes are an integral part of these statements.

TOWN OF POWNAL

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net changes in fund balance - Total governmental funds	\$ (34,517)
Capital outlays, net of disposals, are expenditures in governmental funds, but are capitalized in the statement of net position.	295,731
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(1,429,825)
Pension expense resulting from the GASB 68 related actuary reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	(47,966)
Proceeds of long-term debt are recorded as revenues in the governmental funds but are recorded as increases of liabilities in the statement of net position	(132,096)
Certain revenue in the statement of activities are recognized as revenue in the government wide statements but not recognized as revenue under the modified accrual basis of accounting during the prior year	13,064
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	111,855
Repayments of capital leases are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	22,855
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds.	
Accrued interest payable	4,049
Compensated absences	<u>(6,971)</u>
Change in net position - Governmental activities	<u>\$ (1,203,821)</u>

The accompanying notes are an integral part of these statements.

TOWN OF POWNAL

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020**

	<u>Private Purpose Trusts</u>
ASSETS	
Cash - Restricted	\$ <u>2,207</u>
NET POSITION:	
Restricted net position	\$ <u>2,207</u>

TOWN OF POWNAL

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Private Purpose Trusts</u>
ADDITIONS:	
Investment earnings	\$ <u>2</u>
DEDUCTIONS:	
Other deductions	<u>18</u>
CHANGE IN NET POSITION	(16)
NET POSITION - beginning of year	<u>2,223</u>
NET POSITION - end of year	\$ <u>2,207</u>

The accompanying notes are an integral part of these statements.

TOWN OF POWNAL

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

1. NATURE OF OPERATIONS

The Town of Pownal (Town) is governed by its charter, local town law and general laws of the State of Vermont. The members of the Town selectmen comprise the legislative body responsible for overall operations and the Chairman of the Town selectmen serves as Chief Executive Officer.

The following basic services are provided: general government support, public safety, transportation, wastewater and refuse (transfer station).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Pownal (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Significant accounting principles and policies utilized by the Town are described below:

Reporting Entity

All governmental activities and functions performed for the Town are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity includes organizations, functions, and activities over which elected officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Basis of Presentation

The Town's financial statements consist of Town-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund level financial statements which provide more detailed information.

Town-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the Town's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenue, 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 presents a comparison between direct expenses and program revenue 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Town-Wide Statements (Continued)

Program revenue includes charges paid by the recipients of goods or services offered by the programs, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including property taxes, is presented as general revenue.

Fund Financial Statements

The Town uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The fund statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The accounts of the Town are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the Town are as follows:

General Fund: This is the Town's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Road Fund: Used to account for transactions related to maintenance and construction of Town roads.

Special Revenue Fund: This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds or by outside parties.

Waste-Water O&M Fund: This fund is used to account for operations and maintenance related to the sewer of the Town.

Fiduciary Fund Types: Fiduciary funds are used to account for assets held by the Town as an agent for individuals, private organizations, other governmental units, and/or other funds.

Fiduciary Fund: This fund is used to account for fiduciary activities. Fiduciary activities are those in which the Town acts as trustee or agent for resources that belong to others. These activities are not included in the Town-wide financial statements because their resources do not belong to the Town and are not available to be used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The Town reports the following fiduciary fund:

- *Private Purpose Trust Funds*: These funds are used to account for trust arrangements in which principal and income are used for lots, cemeteries, and neighborhood watches. Established criteria govern the use of the funds and members of the Town or representatives of the donors may serve on committees to determine who benefits.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Town-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the Town gives or receives value without directly receiving or giving equal value in exchange include grants and donations.

On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The Town considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash

The Town's cash consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States Agencies and its agencies and obligations of the State and its municipalities and towns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

The operations of the Town include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Town typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenue to provide financing or other services.

In the Town-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the Town's practice to settle these amounts at a net balance based upon the right of legal offset.

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2003. For assets acquired prior to July 1, 2003, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the date received. The Town has elected to not report major general infrastructure assets retroactively.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Town-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Office	\$500	SL	10-20
Roads, bridges, culverts	\$50,000	SL	15-20
Buildings and building improvements	\$5,000	SL	20-50
Machinery and equipment	\$5,000	SL	5-25
Constable	\$1,000	SL	5-10
Land improvements	\$5,000	SL	15-50
Wastewater system	\$10,000	SL	15-50

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes 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 and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

The government has the following items that qualify for reporting in this category;

Deferred charges result from pension contributions made subsequent to the measurement date of the plan.

Deferred charges result from differences between expected and actual experience of the plan.

Deferred charges result from net differences between projected and actual earnings on pension plan investments of the plan.

These amounts are deferred and amortized and expensed against pension expense in future periods.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

The government has the following items that qualify for reporting in this category;

The net amount of the Town's balances of deferred inflows of resources related to pensions is reported in the government-wide Statement of Net Position as deferred inflows of resources. This represents the effect of the net change in the Town's proportion of the collective net pension asset or liability and the difference during the measurement period between the Town's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Unearned Revenue

Unearned revenue is reported when potential revenue does meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the Town before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the Town has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

Unearned revenue recorded in governmental funds is generally not recorded in the Town-wide statements.

Property Taxes

Property taxes are generally levied during September and are due by December 1. Property taxes attach as an enforceable lien on property as of April 1. Property taxes receivable expected to be collected within sixty days subsequent to June 30, 2020, less similar amounts collected during this period in the preceding year, are recognized as revenue, otherwise real property taxes are offset by deferred revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-Term Debt

The Town may issue Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs), in anticipation of the receipt of revenue. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resource of the fund.

The Town may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

The Town may issue Bond Anticipation Notes (BANs), in anticipation of proceeds from the subsequent sales of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

Budgetary Procedures and Budgetary Accounting

The combined statement of revenue, expenditures, and changes in fund equity - budget and actual within the required supplemental information, reflects budgeted and actual amounts for funds with legally adopted budgets. Only the general fund and road fund have legally adopted budgets.

The Town employs the following budgetary procedures:

- A. The Treasurer submits a tentative budget to the Town Selectmen for the fiscal year commencing the following July 1st. The tentative budget includes proposed expenditures and the proposed means of financing for the general fund and road fund.
- B. After public hearings are conducted to obtain taxpayer comments, the Town Selectmen adopt the Town budget.
- C. All subsequent modifications to the adopted budget must be approved by the Town Selectmen.
- D. The budgeted amount of expenditures, in total, is the originally adopted amount, modified for transfers that occurred during the year.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Unexpended appropriations lapse at year-end.

Vested Employee Benefits

Compensated Absences:

Compensated absences consist of unpaid accumulated annual sick leave and vacation time.

Sick leave eligibility and accumulation is specified in individual employment contracts. Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Town employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the governmental funds inasmuch as it will be funded from current financial resources and the government-wide statements includes amounts to be paid from future financial resources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the Town-wide financial statements. In the governmental funds, payables, and accrued liabilities are paid in a timely manner and in full from current financial resources.

Claims and judgments and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the Town's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

Equity Classifications

Town-Wide Statements:

In the Town-wide statements there are three classes of net position:

Net investment in capital assets— consists of net capital assets (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances and related debt obligations from the acquisition, construction, or improvement of these assets.

Restricted net position – includes amounts with constraints placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restricted net position consist of the following:

General bridge	\$	312,937
Municipal Office		204,692
Re-appraisal		173,349
Blacktop		64,053
Box culvert		138,376
Office/Capital		72,776
Legal		251
Equipment		56,376
Building		49,731
Building		39,890
Equipment		1,061
Timber sale		20,312
Strohmaier culvert		10,107
Capital projects		20,060
Audit		5,681
Voting		2,350
Listers state education		1,010
		<u>\$ 1,173,012</u>

Unrestricted net position – reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the Town.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Governmental Funds Statements:

In the fund basis statements there are five classifications of fund balance:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The Town has no nonspendable fund balance as of June 30, 2020.

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The town has available the following restricted fund balances:

Specific purposes:

Fund balance restrictions are created to satisfy legal restrictions, place for future expenditures, or relate to resources not available for general use or appropriation. Restricted fund balance consists of the following:

<u>General fund</u>		<u>Road fund</u>	
Municipal Office	\$ 204,692	General bridge	\$ 312,937
Re-appraisal	173,349	Blacktop	64,053
Office/Capital	72,776	Box culvert	138,376
Legal	251	Building	39,890
Equipment	56,376	Equipment	1,061
Building	49,731	Strohmaier culvert	10,107
Timber sale	20,312	Capital projects	20,060
Audit	5,681	Gravel crushing	-
Voting	2,350		<u>\$ 586,484</u>
Listers state education	1,010		
	<u>\$ 586,528</u>		

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, i.e. the Board of Selectmen. The Town has no committed fund balances as of June 30, 2020.

Assigned fund balance – Includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Amounts appropriated for subsequent years expenditures reported in the general fund and road fund amounted to \$65,398 and \$120,763, respectively.

Unassigned fund balance – Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the Town.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Order of Fund Balance Spending Policy

The Town's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as assigned fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND TOWN-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the Town-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities compared with the current financial resources focus of the governmental funds.

Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the Town's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities and changes in net position, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

4. CASH

Custodial credit risk is the risk that, in the event of a bank failure the Town's deposits may not be returned to it. While the Town does not have a specific policy for custodial credit risk, Vermont statutes govern the Town's investment policies.

The Town's aggregate bank balance, included balances not covered by depository insurance at year-end, are collateralized as follows:

	Bank Balance	Carrying Amount
Cash and Cash equivalents, including trust funds	<u>\$ 2,056,671</u>	<u>\$ 1,954,887</u>
Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name	\$ 1,556,671	
Covered by FDIC insurance	<u>500,000</u>	
Total	<u>\$ 2,056,671</u>	

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash consists of the following:

Reappraisal account	\$ 183,349
Timber sale	20,312
Road maintenance	988,710
Special revenue	37,226
Private purpose trust funds	<u>2,207</u>
Total	<u>\$ 1,231,804</u>

5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2020, were as follows:

	June 30, 2019 Balance	Additions	Disposals	June 30, 2020 Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land - Municipal	\$ 425,013	\$ -	\$ -	\$ 425,013
Land - Waste Water	456,476	-	-	456,476
Construction in Progress	<u>-</u>	<u>132,096</u>	<u>-</u>	<u>132,096</u>
Total non-depreciable cost	<u>881,489</u>	<u>132,096</u>	<u>-</u>	<u>1,013,585</u>
Capital assets that are depreciated:				
Buildings and building improvements	608,923	-	10,100	598,823
Wastewater system	26,187,261	-	3,098	26,184,163
Land improvements	176,182	-	-	176,182
Machinery and equipment	1,803,059	70,698	14,763	1,858,994
Office	25,310	-	3,680	21,630
Roads, bridges, culverts	<u>8,563,208</u>	<u>99,986</u>	<u>-</u>	<u>8,663,194</u>
Total depreciable historical cost	<u>37,363,943</u>	<u>170,684</u>	<u>31,641</u>	<u>37,502,986</u>
Less accumulated depreciation:				
Buildings and building improvements	160,393	12,458	3,601	169,250
Wastewater system	13,907,953	1,257,231	2,798	15,162,386
Land improvements	7,286	8,839	-	16,125
Machinery and equipment	828,905	79,145	14,533	893,517
Office	24,112	442	3,660	20,894
Roads, bridges, culverts	<u>6,460,101</u>	<u>71,710</u>	<u>-</u>	<u>6,531,811</u>
Total accumulated depreciation	<u>21,388,750</u>	<u>1,429,825</u>	<u>24,592</u>	<u>22,793,983</u>
Total cost, net	<u>\$ 16,856,682</u>	<u>\$ (1,127,045)</u>	<u>\$ 7,049</u>	<u>\$ 15,722,588</u>

Depreciation expense of \$1,429,825 for the year ended June 30, 2020, was allocated to specific functions as follows:

Wastewater operations expense	\$ 1,348,742
Road construction and maintenance	80,590
General services	337
Transfer station	<u>156</u>
	<u>\$ 1,429,825</u>

6. SHORT-TERM DEBT

The Town has outstanding short-term direct placement debt that is refinanced annually for the purchase of equipment for the wastewater facility. The note is secured by the equipment. The following is a summary of the short-term debt:

	Beginning Balance	Issued	Redeemed	Ending Balance
Current Expense Note (Direct Borrowing) - 2.95%, Matured 9/18/2019	\$ 13,269	\$ -	\$ 13,269	\$ -
Current Expense Note (Direct Borrowing) - 2.95%, Due 9/18/2020	<u>-</u>	<u>10,569</u>	<u>8,100</u>	<u>2,469</u>
	<u>\$ 13,269</u>	<u>\$ 10,569</u>	<u>\$ 21,369</u>	<u>\$ 2,469</u>

7. LONG-TERM DEBT

Interest on all debt for the year was composed of:

Interest paid - long-term debt	77,504
Interest paid - short-term debt	474
Plus: Interest accrued in the current year	10,246
Less: Interest accrued in the prior year	<u>(14,295)</u>

Total expense \$ 73,929

Long-term liability balances and activity for the year are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year	Long-term Portion
Bonds and notes payable						
Refunding bond	\$ 1,464,309	\$ -	\$ 64,760	\$ 1,399,549	\$ 67,305	1,332,244
Capital equipment loan (Direct Borrowing)	78,000	-	26,000	52,000	26,000	26,000
Capital equipment loan (Direct Borrowing)	105,475	-	21,095	84,380	21,095	63,285
General obligation note (Direct Borrowing)	<u>-</u>	<u>132,096</u>	<u>-</u>	<u>132,096</u>	<u>-</u>	<u>132,096</u>
	1,647,784	132,096	111,855	1,668,025	114,400	1,553,625
Other liabilities						
Net pension liability	162,361	55,479	-	217,840	-	217,840
Capital Lease	154,790	-	22,855	131,935	22,855	109,080
Compensated absences	<u>31,567</u>	<u>6,971 (A)</u>	<u>-</u>	<u>38,538</u>	<u>-</u>	<u>38,538</u>
Total long-term liabilities	<u>\$ 1,996,502</u>	<u>\$ 194,546</u>	<u>\$ 134,710</u>	<u>\$ 2,056,338</u>	<u>\$ 137,255</u>	<u>\$ 1,919,083</u>

(A) - Additions and deletions to compensated absences are shown net because it is impractical to determine these amounts separately.

7. LONG-TERM DEBT (Continued)

Issue dates, maturities, and interest rates on outstanding debt as of June 30, 2020, are as follows:

	<u>Issued</u>	<u>Maturity</u>	<u>Interest rate</u>	<u>Balance</u>
Refunding bond	2016	2035	3.93%	\$ 1,399,549
Capital equipment loan - Direct Borrowing	2016	2021	2.25%	52,000
Capital equipment loan - Direct Borrowing	2019	2018	2.95%	84,380
Revolving loan - Direct Borrowing	2020	2028	0.00%	<u>132,096</u>
				<u>\$ 1,668,025</u>

The following is a summary of the maturity of bonds payable:

<u>Maturities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 114,400	\$ 57,339	\$ 171,739
2022	117,045	53,435	170,480
2023	93,795	49,425	143,220
2024	228,748	45,888	274,636
2025	78,526	42,239	120,765
2026-2030	441,419	161,445	602,864
2031-2035	535,250	48,476	583,726
2036	<u>58,842</u>	<u>1,156</u>	<u>59,998</u>
Totals	<u>\$ 1,668,025</u>	<u>\$ 459,403</u>	<u>\$ 2,127,428</u>

8. CAPITAL LEASE

The Town leases various machinery and equipment. The liabilities under the capital lease are recorded at the present value of the minimum lease payments.

Fiscal Year Ending June 30:

2021	\$ 22,855
2022	22,855
2023	22,855
2024	22,855
2025-2027	<u>68,565</u>
Total future minimum lease payments	159,985
Less: Amount representing interest	<u>28,050</u>
Present value of future minimum lease payments	<u>\$ 131,935</u>

9. INTERFUND BALANCE ACTIVITY

The following is a summary of interfund activity:

	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 13,322	\$ -
Special revenue fund	-	1,821
Waste water O&M fund	-	11,501
Road fund	-	-
	<hr/>	<hr/>
Total	<u>\$ 13,322</u>	<u>\$ 13,322</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

The Town typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund balances are expected to be repaid within one year.

10. PENSION PLAN

Vermont State Employee Retirement System

The Town participates in the Vermont State Employee's Retirement System (VMERS). This is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirement is required to join the system.

Management of the plan is vested in the MERS Retirement Board of Trustees, which consists of the treasurer; two employee representatives who at all times during their term of office are contributing members and have completed five years of creditable service (each elected by the membership of the system); one employer representative who shall at all times during their term of office be a member of the governing body, chief executive officer or supervisor of a participating employer (elected by the membership of the system) and one employer representative who shall at all times during their term of office be a member of the governing body, chief executive officer or supervisor of a participating employer (appointed by the governor from candidates jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association). Copies of each individual defined benefit retirement plan's annual actuarial valuation report, and information describing each defined benefit plan's provisions in greater detail, are available for inspection at the Retirement Division, Office of the State Treasurer, 109 State Street, Montpelier, Vermont 05609-6901.

10. PENSION PLAN (Continued)

Vermont State Employee Retirement System (Continued)

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grant the authority to the retirement board to annually review the amount of municipalities contribution recommended by the actuary of the retirement system to achieve and preserve the financial integrity of the fund and certify the rates of contributions payable by employers. The board of trustees also certifies the rates of contribution payable by employees.

The employer contributions made and percentages of covered payroll for VMERS for 2020 and the preceding two years are as follows:

2020	\$	22,360
2019	\$	23,062
2018	\$	19,514

The Pension Benefit Obligation (PBO) of credited projected benefits is a standardized disclosure measure of the actuarial present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employees' service to date. The retirement system does not make separate measurements for individual employers.

Membership of the Vermont Municipal Employees' Retirement System is made up of the following:

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

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

At June 30, 2020, the Town reported a liability of \$217,840 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of June 30, 2018, adjusted forward using standard actuarial techniques, updated to reflect changes in member contribution rates. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2020, the Town's proportion was 0.1256%, which was an increase of 0.0102% from its proportion measured June 30, 2019.

10. PENSION PLAN (Continued)

Vermont State Employee Retirement System (Continued)

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

For the year ended June 30, 2020, the District recognized pension expense of \$70,326. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 28,223	\$ 1,883
Changes of Assumptions	7,273	-
Net difference between projected and actual earnings on pension plan investments	14,837	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	9,899	145
Contributions subsequent to the measurement date	<u>22,360</u>	<u>-</u>
	<u>\$ 82,592</u>	<u>\$ 2,028</u>

\$22,360 reported as deferred outflows of resources related to pension resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:	
2020	\$ 22,253
2021	13,214
2022	13,468
2023	9,269
2024	-
Thereafter	-
	<u>\$ 58,204</u>

10. PENSION PLAN (Continued)

Vermont State Employee Retirement System (Continued)

Actuarial Assumptions

The total pension liability at June 30, 2019 was determined by using an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019.

These actuarial valuations used the following actuarial assumptions:

Inflation	2.50%
Salary increases	5.00% per year
Investment rate of return	7.50%, net of pension plan investment expenses, including inflation
Actuarial cost method	Entry age actuarial cost method
Cost of Living adjustment	1.15% Group A members and 1.30% for Group B, C, and D members The January 1, 2019 and January 1, 2020 COLAs are 1.30% and 0.80%, respectively, for all groups.
Mortality	<i>Death in Active Service:</i> Groups A, B, C - 98% of RP-2006 Mortality Tables, blended 60% Blue Collar Employee and 40% Healthy Employee with generational projection using scale SSA-2017. Group D - 100% of RP-2006 Blue Collar Mortality Table with generation projection using scale SSA-2017. <i>Healthy Post-retirement:</i> Groups A, B, C - 98% of RP-2006 Mortality Table, blended 60% Blue Collar Annuitant and 40% Healthy Annuitant with generational projection using scale SSA-2017. Group D - 100% of RP-2006 Blue Collar Mortality Table with generation projection using scale SSA-2017. <i>Disabled Post-retirement</i> All Groups - RP-2006 Disabled Mortality Table with generational

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study dated July 27, 2015.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

10. PENSION PLAN (Continued)

Vermont State Employee Retirement System (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Type	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	29.00%	6.90%
US Equity - Large Cap	4.00%	5.94%
US Equity - Small/Mid Cap	3.00%	6.72%
Non-US Equity - Large Cap	5.00%	6.81%
Non-US Equity - Small Cap	2.00%	7.31%
Emerging Markets Debt	4.00%	4.26%
Core Bond	14.00%	1.79%
Non-Core Bonds	6.00%	3.22%
Short Quality Credit	5.00%	1.81%
Private Credit	5.00%	6.00%
US TIPS	3.00%	1.45%
Core Real Estate	5.00%	4.26%
Non-Core Real Estate	3.00%	5.76%
Private Equity	10.00%	10.81%
Infrastructure/Farmland	2.00%	4.89%
	100.00%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made at rates set by the System, which exceed the actuarially determined contribution rate. The actuarially determined contribution rate is comprised of an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.50%) or 1 percent higher (8.50%) than the current rate:

	1 % Decrease (6.50%)	Assumption (7.50%)	1% Increase (8.50%)
Proportionate Share of Net Pension liability	\$ 357,225	\$ 217,840	\$ 102,455

10. PENSION PLAN (Continued)

Vermont State Employee Retirement System (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) of the employers as June 30, 2019, were as follows:

	Pension Plan's Fiduciary Net Position	Town's proportionate share of Plan's Fiduciary Net Position	Town's allocation percentage as determined by the Plan
Total pension liability	\$ 882,957,638	\$ 1,108,665	0.125563%
Net position	<u>(709,465,831)</u>	<u>(890,826)</u>	0.125563%
Net pension liability	<u>\$ 173,491,807</u>	<u>\$ 217,840</u>	0.125563%
Fiduciary net position as a percentage of total pension liability	80.35%	80.35%	

11. BALLOT ARTICLES

Ballot articles consist of support of various Town activities. These activities are approved by the voters annually. A breakdown of ballot articles for the year ended June 30, 2020, is as follows:

Fire company	\$ 181,500
Law enforcement	500
Health care	15,740
Library	30,000
Daycare	7,500
Environmental	700
Youth athletics	2,000
Social services	6,800
Qualified public assistance	<u>2,000</u>
Total	<u><u>\$ 246,740</u></u>

12. COMMITMENTS

During the fiscal year ending June 30, 2020, the Town began a remediation project at the Town's landfill site with a total estimated cost of \$750,000. In connection with this project, the Town obtained financing from the Vermont State Revolving Loan Fund. Through the revolving loan fund, the Town draws down funds, up to the approved amount based on expenditures. Total approved financing for Phase I of this project, through the date of these financial statements, was \$551,306. For the year ended June 30, 2020, the Town drew down \$132,096 from the loan fund. Repayment on this financing is not scheduled to begin until 2025.

13. LEASE AGREEMENT

During the year ending June 30, 2020, the Town entered into a lease agreement for the exclusive right to extract and take gravel, rock, sand, and dirt in accordance with State and Local permits from a parcel land located within the Town over a ten-year period ending in July 2028. Upon expiration of the initial lease term, and the mutual agreement of both parties, the lease agreement may be renewed for an additional ten-year period. Annual payments under the lease, beginning in fiscal year 2020, begin at \$36,000 and increase \$360 each succeeding fiscal year. The Town agreed to limit its amount of gravel extraction to 100,000 cubic yards in the initial ten-year term of the lease. The Town further agreed to pay the lessors \$4.00 per cubic yard for any amount extracted in excess of the 100,000 cubic yard limit. During the year ended June 30, 2020, the Town incurred \$36,000 in lease expense related to this lease agreement. Expenditures under this agreement are recorded in the Road Fund. Future payments due under this agreement are as follows:

Year Ending June 30,	
2021	\$ 36,360
2022	36,720
2023	37,080
2024	37,440
2025	37,800
Thereafter	<u>154,800</u>
Total	<u>\$ 340,200</u>

14. COVID-19 PANDEMIC

As of the date of this report, the United States is in the midst of a national health emergency related to a virus, commonly known as novel coronavirus (COVID-19). The overall Consequences of COVID – 19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact to the Town.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF POWNAL

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND AND ROAD FUND (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 2020

	General Fund				Road Fund				Total (Memorandum Only)			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:												
Property taxes and tax items	\$ 991,455	\$ 851,984	\$ 874,362	\$ 22,378	\$ 848,697	\$ 836,030	\$ 836,030	\$ -	\$ 1,840,152	\$ 1,688,014	\$ 1,710,392	\$ 22,378
State aid	75,400	58,900	69,471	10,571	128,500	128,500	248,350	119,850	203,900	187,400	317,821	130,421
Charges for services	103,700	98,750	102,324	3,574	-	-	-	-	103,700	98,750	102,324	3,574
Intergovernmental charges	11,400	11,100	11,685	585	-	-	-	-	11,400	11,100	11,685	585
Use of money and property	23,550	27,450	23,424	(4,026)	-	2,800	2,734	(66)	23,550	30,250	26,158	(4,092)
Other	112,850	240,346	49,406	(190,940)	123,563	56,270	14,992	(41,278)	236,413	296,616	64,398	(232,218)
Total revenue	1,318,355	1,288,530	1,130,672	(157,858)	1,100,760	1,023,600	1,102,106	78,506	2,419,115	2,312,130	2,232,778	(79,352)
EXPENDITURES:												
General services	610,640	706,765	596,522	110,243	-	-	-	-	610,640	706,765	596,522	110,243
Road construction and maintenance	9,400	9,400	9,362	38	1,048,910	1,107,695	1,036,942	70,753	1,058,310	1,117,095	1,046,304	70,791
Public safety	74,800	74,800	71,715	3,085	-	-	-	-	74,800	74,800	71,715	3,085
Health	6,275	5,775	2,974	2,801	-	-	-	-	6,275	5,775	2,974	2,801
Street lights	15,000	15,000	13,991	1,009	-	-	-	-	15,000	15,000	13,991	1,009
Transfer station	162,400	159,627	279,249	(119,622)	-	-	-	-	162,400	159,627	279,249	(119,622)
Ballot articles	268,740	246,740	246,740	-	-	-	-	-	268,740	246,740	246,740	-
Debt service	171,100	136,575	121,035	15,540	51,850	52,300	51,957	343	222,950	188,875	172,992	15,883
Total expenditures	1,318,355	1,354,682	1,341,588	13,094	1,100,760	1,159,995	1,088,899	71,096	2,419,115	2,514,677	2,430,487	84,190
Excess (deficiency) of revenue over expenditures	-	(66,152)	(210,916)	(144,764)	-	(136,395)	13,207	149,602	-	(202,547)	(197,709)	4,838
OTHER FINANCING SOURCES												
Proceeds from issuance of long-term debt	-	-	132,096	132,096	-	-	-	-	-	-	132,096	132,096
Total other sources	-	-	132,096	132,096	-	-	-	-	-	-	132,096	132,096
NET CHANGE IN FUND BALANCE	-	(66,152)	(78,820)	(12,668)	-	(136,395)	13,207	149,602	-	(202,547)	(65,613)	136,934
FUND BALANCE - beginning of year	897,091	897,091	897,091	-	859,551	859,551	859,551	-	1,756,642	1,756,642	1,756,642	-
FUND BALANCE - end of year	\$ 897,091	\$ 830,939	\$ 818,271	\$ (12,668)	\$ 859,551	\$ 723,156	\$ 872,758	\$ 149,602	\$ 1,756,642	\$ 1,554,095	\$ 1,691,029	\$ 136,934

The accompanying notes are an integral part of this statement.

TOWN OF POWNAL

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of the net pension liability	0.1256%	0.1154%	0.1157%	0.1084%	0.1202%	0.1151%				
Proportionate share of the net pension liability	\$ 217.8	\$ 162.4	\$ 140.2	\$ 139.5	\$ 92.7	\$ 10.5				
Covered-employee payroll	\$ 559.0	\$ 576.6	\$ 472.5	\$ 411.8	\$ 420.1	\$ 371.1				
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.97%	28.16%	29.68%	33.87%	22.06%	2.83%				
Plan fiduciary net position as a percentage of the total pension liability	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%				

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

TOWN OF POWNAL

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 22.4	\$ 20.2	\$ 18.9	\$ 16.5	\$ 16.8	\$ 14.8				
Contributions in relation to the contractually required contribution	22.4	20.2	18.9	16.5	16.8	14.8				
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Covered-employee payroll	\$ 559.0	\$ 576.6	\$ 472.5	\$ 411.8	\$ 420.1	\$ 371.1				
Contributions as a percentage of covered-employee payroll	4.00%	3.51%	4.00%	4.00%	4.00%	4.00%				

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

OTHER REQUIRED REPORT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

March 22, 2021

To the Town Selectmen of
Town of Pownal:

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 Pownal, Vermont (the Town) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 22, 2021.

Internal Control Over Financial Reporting

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

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

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

(Continued)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

TOWN OF POWNAL

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified not
considered to be material weaknesses?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

Section II—Financial Statement Findings

There were no findings.