

Federal Compliance Audit

Town of Brandon, Vermont

June 30, 2020



Proven Expertise & Integrity

TOWN OF BRANDON, VERMONT

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JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

Selectboard
Town of Brandon
Brandon, Vermont

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Brandon, Vermont as of June 30, 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 11 and 59 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Brandon, Vermont's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of*

Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and is also not a required part of the basic financial statements.

The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2021 on our consideration of the Town of Brandon, Vermont'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 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 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 of Brandon, Vermont's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
March 9, 2021

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

(UNAUDITED)

The following management's discussion and analysis of the Town of Brandon, Vermont's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2020. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, recreation, appropriations, education and unclassified.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of Brandon include the Wastewater Fund.

Fund Financial Statements

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

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

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

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

The Town of Brandon presents four columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund, transportation grant funds and the trustees of public funds. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the Town's governmental and business-type activities. The Town's total net position for governmental activities increased by \$8,222,070 from \$31,377,252 to \$39,599,322. For business-type activities, the Town's total net position increased by \$576,197 from \$3,611,566 to \$4,187,763.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased for the governmental activities to a balance of \$989,657 at the end of the fiscal year. The business-type activities do not have an unrestricted net position.

Table 1
Town of Brandon, Vermont
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019 (Restated)
Assets:				
Current Assets	\$ 4,632,399	\$ 4,656,683	\$ 1,151,677	\$ 1,026,117
Noncurrent Assets - Capital Assets	39,314,039	31,199,744	4,242,343	3,612,582
Total Assets	<u>43,946,438</u>	<u>35,856,427</u>	<u>5,394,020</u>	<u>4,638,699</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	228,672	240,929	-	-
Total Deferred Outflows of Resources	<u>228,672</u>	<u>240,929</u>	<u>-</u>	<u>-</u>
Liabilities:				
Current Liabilities	1,795,033	1,789,821	65,534	58,263
Noncurrent Liabilities	2,763,412	2,907,172	1,140,723	968,870
Total Liabilities	<u>4,558,445</u>	<u>4,696,993</u>	<u>1,206,257</u>	<u>1,027,133</u>
Deferred Inflows of Resources:				
Deferred Inflows Related to Pensions	17,343	23,111	-	-
Total Deferred Inflows of Resources	<u>17,343</u>	<u>23,111</u>	<u>-</u>	<u>-</u>
Net Position:				
Net Investment in Capital Assets	37,028,492	28,628,187	3,072,295	2,614,501
Restricted:				
General Fund	116,130	125,581	-	-
Transportation Grant Funds	-	158,192	-	-
Trustees of Public Funds	775,800	742,148	-	-
Special Revenue Funds	689,243	728,364	-	-
Wastewater Fund	-	-	1,115,468	997,065
Unrestricted	989,657	994,780	-	-
Total Net Position	<u>\$ 39,599,322</u>	<u>\$ 31,377,252</u>	<u>\$ 4,187,763</u>	<u>\$ 3,611,566</u>

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

	Governmental Activities		Business-type Activities	
	2020	2019	2020	2019
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 219,654	\$ 302,595	\$ 695,144	\$ 664,997
Operating grants and contributions	381,950	152,319	462,755	868,241
<i>General Revenues:</i>				
Taxes	6,715,220	6,594,608	-	-
Grants and contributions not restricted to specific programs	8,620,257	11,950,918	-	-
Miscellaneous	891,881	989,400	27,974	30,398
Total Revenues	16,828,962	19,989,840	1,185,873	1,563,636
Expenses				
General government	678,825	1,224,834	-	-
Public safety	699,644	713,716	-	-
Public works	2,704,963	3,048,215	-	-
Recreation	159,503	205,987	-	-
Education	3,851,274	3,749,008	-	-
County tax	25,665	25,861	-	-
Appropriations	218,024	259,759	-	-
Interest on long-term debt	11,773	14,418	30,579	26,954
Wastewater fund	-	-	456,975	526,610
Depreciation	-	-	122,122	103,630
Unclassified	257,221	296,391	-	-
Total Expenses	8,606,892	9,538,189	609,676	657,194
Change in Net Position	8,222,070	10,451,651	576,197	906,442
Net Position - July 1, Restated	31,377,252	20,925,601	3,611,566	2,705,124
Net Position - June 30	\$ 39,599,322	\$ 31,377,252	\$ 4,187,763	\$ 3,611,566

Revenues and Expenses

Revenues for the Town of Brandon's governmental activities decreased by 15.81%, while total expenses decreased by 9.76%. The decrease in revenues was primarily due to grants and contributions not restricted to specific programs and the decreases in expenses were primarily due to general government and public works.

Revenues for the business-type activities decreased by 24.16% while total expenses decreased by 7.23%.

Financial Analysis of the Town's Fund Statements

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

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

	<u>2020</u>	<u>2019</u>	<u>Increase/ (Decrease)</u>
General Fund:			
Nonspendable	\$ 35,116	\$ 18,333	\$ 16,783
Restricted	116,130	125,581	(9,451)
Assigned	58,000	-	58,000
Unassigned	461,340	473,054	(11,714)
Total General Fund	<u>\$ 670,586</u>	<u>\$ 616,968</u>	<u>\$ 53,618</u>
Transportation Grant Funds:			
Restricted	\$ -	\$ 158,192	\$ (158,192)
Unassigned	(84,464)	-	(84,464)
Total Transportation Grant Funds	<u>\$ (84,464)</u>	<u>\$ 158,192</u>	<u>\$ (242,656)</u>
Trustees of Public Funds:			
Restricted	\$ 775,800	\$ 742,148	\$ 33,652
Total Trustees of Public Funds	<u>\$ 775,800</u>	<u>\$ 742,148</u>	<u>\$ 33,652</u>
Nonmajor Funds:			
Special Revenue Funds:			
Restricted	\$ 598,095	\$ 688,353	\$ (90,258)
Capital Projects Funds:			
Nonspendable	-	780	(780)
Restricted	91,148	40,011	51,137
Total Nonmajor Funds	<u>\$ 689,243</u>	<u>\$ 729,144</u>	<u>\$ (39,901)</u>

The changes in total fund balances for the general fund, transportation grant fund, trustees of public funds and the nonmajor funds occurred due to the regular activity of operations.

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

The Wastewater Fund had an increase in the net position for the fiscal year of \$576,197 versus last year of \$906,442.

Budgetary Highlights

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

The general fund actual revenues exceeded budgeted amounts by \$124,969. All revenue categories were receipted in excess of budgeted amounts with the exception of property taxes, charges for services and miscellaneous revenue.

The general fund actual expenditures exceeded budgeted amounts by \$71,351. All expenditure categories were within or under budgeted amounts with the exception of public works, unclassified and transfers to other funds.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2020, the net book value of capital assets recorded by the Town increased by \$8,744,056 from the prior year. The increase is the result of capital additions of \$9,412,294 less net disposals of \$12,447 and current year depreciation of \$655,791.

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

	<u>2020</u>	<u>2019</u>
Land	\$ 1,102,675	\$ 746,750
Construction in progress	29,364,078	22,835,613
Buildings, building improvements and land improvements	2,723,341	2,812,546
Machinery, equipment and vehicles	1,780,396	1,642,585
Infrastructure	8,585,892	6,774,832
Total	<u>\$ 43,556,382</u>	<u>\$ 34,812,326</u>

Debt

At June 30, 2020, the Town had \$3,455,595 in bonds payable and notes from direct borrowings versus \$3,569,638 last year, a decrease of 3.19%. Refer to Note 8 of the Notes to the Financial Statements for detailed information.

Currently Known Facts, Decisions or Conditions

The outbreak of COVID-19 has been declared a pandemic and led to a national state of emergency in the United States. Refer to Note 1 of Notes to Financial Statements for more detailed information.

At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Town. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Town.

Economic Factors and Next Year's Budgets and Rates

The Town's unassigned fund balance has fallen below a level sufficient to sustain government operations for less than a period of three months. However, the Town continues to maintain significant reserves for future operations, capital and program needs.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's Office at 49 Center Street, Brandon, Vermont 05733.

STATEMENT A

TOWN OF BRANDON, VERMONT

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,158,162	\$ -	\$ 2,158,162
Investments	728,269	-	728,269
Accounts receivable (net of allowance for uncollectibles):			
Taxes	350,507	-	350,507
Other	1,142,641	640,882	1,783,523
Loans receivable (net of allowance for uncollectibles)	728,312	-	728,312
Prepaid items	35,116	187	35,303
Internal balances	(510,608)	510,608	-
Total current assets	<u>4,632,399</u>	<u>1,151,677</u>	<u>5,784,076</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	28,390,853	2,075,900	30,466,753
Depreciable assets, net of accumulated depreciation	10,923,186	2,166,443	13,089,629
Total noncurrent assets	<u>39,314,039</u>	<u>4,242,343</u>	<u>43,556,382</u>
TOTAL ASSETS	<u>43,946,438</u>	<u>5,394,020</u>	<u>49,340,458</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	228,672	-	228,672
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>228,672</u>	<u>-</u>	<u>228,672</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 44,175,110</u>	<u>\$ 5,394,020</u>	<u>\$ 49,569,130</u>

STATEMENT A (CONTINUED)
TOWN OF BRANDON, VERMONT

STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 741,719	\$ 19,266	\$ 760,985
Accrued expenses	23,037	63	23,100
Accrued interest payable	11,834	10,322	22,156
Grant anticipation note	750,000	-	750,000
Current portion of long-term obligations	268,443	35,883	304,326
Total current liabilities	<u>1,795,033</u>	<u>65,534</u>	<u>1,860,567</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	1,756,920	848,651	2,605,571
Notes from direct borrowings	266,283	285,797	552,080
Accrued compensated absences	115,888	6,275	122,163
Net pension liability	624,321	-	624,321
Total noncurrent liabilities	<u>2,763,412</u>	<u>1,140,723</u>	<u>3,904,135</u>
TOTAL LIABILITIES	<u>4,558,445</u>	<u>1,206,257</u>	<u>5,764,702</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	17,343	-	17,343
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>17,343</u>	<u>-</u>	<u>17,343</u>
NET POSITION			
Net investment in capital assets	37,028,492	3,072,295	40,100,787
Restricted: General fund	116,130	-	116,130
Trustees of public funds	775,800	-	775,800
Special revenue funds	689,243	-	689,243
Wastewater fund	-	1,115,468	1,115,468
Unrestricted	989,657	-	989,657
TOTAL NET POSITION	<u>39,599,322</u>	<u>4,187,763</u>	<u>43,787,085</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 44,175,110</u>	<u>\$ 5,394,020</u>	<u>\$ 49,569,130</u>

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

STATEMENT B

TOWN OF BRANDON, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 678,825	\$ 219,654	\$ -	\$ -	\$ (459,171)	\$ -	\$ (459,171)
Public safety	699,644	-	-	-	(699,644)	-	(699,644)
Public works	2,704,963	-	381,950	-	(2,323,013)	-	(2,323,013)
Recreation	159,503	-	-	-	(159,503)	-	(159,503)
Education	3,851,274	-	-	-	(3,851,274)	-	(3,851,274)
County tax	25,665	-	-	-	(25,665)	-	(25,665)
Appropriations	218,024	-	-	-	(218,024)	-	(218,024)
Interest on long-term debt	11,773	-	-	-	(11,773)	-	(11,773)
Unclassified	257,221	-	-	-	(257,221)	-	(257,221)
Total governmental activities	<u>8,606,892</u>	<u>219,654</u>	<u>381,950</u>	<u>-</u>	<u>(8,005,288)</u>	<u>-</u>	<u>(8,005,288)</u>
Business-type activities:							
Wastewater fund	609,676	695,144	-	462,755	-	548,223	548,223
Total business-type activities	<u>609,676</u>	<u>695,144</u>	<u>-</u>	<u>462,755</u>	<u>-</u>	<u>548,223</u>	<u>548,223</u>
Total government	<u>\$ 9,216,568</u>	<u>\$ 914,798</u>	<u>\$ 381,950</u>	<u>\$ 462,755</u>	<u>(8,005,288)</u>	<u>548,223</u>	<u>(7,457,065)</u>

STATEMENT B (CONTINUED)
TOWN OF BRANDON, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Changes in net position:			
Net (expense) revenue	<u>(8,005,288)</u>	<u>548,223</u>	<u>(7,457,065)</u>
General revenues:			
Taxes, levied for general purposes	6,715,220	-	6,715,220
Grants and contributions not restricted to specific programs	8,620,257	-	8,620,257
Miscellaneous	891,881	27,974	919,855
Total general revenues and transfers	<u>16,227,358</u>	<u>27,974</u>	<u>16,255,332</u>
Change in net position	8,222,070	576,197	8,798,267
NET POSITION - JULY 1, RESTATED	<u>31,377,252</u>	<u>3,611,566</u>	<u>34,988,818</u>
NET POSITION - JUNE 30	<u>\$ 39,599,322</u>	<u>\$ 4,187,763</u>	<u>\$ 43,787,085</u>

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

TOWN OF BRANDON, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Transportation Grant Funds	Trustees of Public Funds	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,093,991	\$ -	\$ 64,171	\$ -	\$ 2,158,162
Investments	-	-	711,629	16,640	728,269
Accounts receivable (net of allowance for uncollectibles):					
Taxes	350,507	-	-	-	350,507
Other	18,901	495,718	-	628,022	1,142,641
Loans receivable (net of allowance for uncollectibles)	-	-	-	728,312	728,312
Prepaid items	35,116	-	-	-	35,116
Due from other funds	184,259	372,061	-	581,600	1,137,920
TOTAL ASSETS	\$ 2,682,774	\$ 867,779	\$ 775,800	\$ 1,954,574	\$ 6,280,927
LIABILITIES					
Accounts payable	\$ 186,716	\$ 202,243	\$ -	\$ 352,760	\$ 741,719
Accrued expenses	23,037	-	-	-	23,037
Grant anticipation note	-	750,000	-	-	750,000
Due to other funds	1,464,269	-	-	184,259	1,648,528
TOTAL LIABILITIES	1,674,022	952,243	-	537,019	3,163,284
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues	338,166	-	-	728,312	1,066,478
TOTAL DEFERRED INFLOWS OF RESOURCES	338,166	-	-	728,312	1,066,478
FUND BALANCES (DEFICITS)					
Nonspendable	35,116	-	-	-	35,116
Restricted	116,130	-	775,800	689,243	1,581,173
Committed	-	-	-	-	-
Assigned	58,000	-	-	-	58,000
Unassigned	461,340	(84,464)	-	-	376,876
TOTAL FUND BALANCES (DEFICITS)	670,586	(84,464)	775,800	689,243	2,051,165
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 2,682,774	\$ 867,779	\$ 775,800	\$ 1,954,574	\$ 6,280,927

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

TOWN OF BRANDON, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 2,051,165
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	39,314,039
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	338,166
Loans receivable	728,312
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	228,672
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(1,953,430)
Notes from direct borrowings	(332,117)
Accrued compensated absences	(121,987)
Net pension liability	(624,321)
Accrued interest payable	(11,834)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(17,343)</u>
Net position of governmental activities	<u><u>\$ 39,599,322</u></u>

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

STATEMENT E

TOWN OF BRANDON, VERMONT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Transportation Grant Funds	Trustees of Public Funds	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 6,621,251	\$ -	\$ -	\$ -	\$ 6,621,251
Intergovernmental	436,487	7,744,044	-	821,676	9,002,207
Charges for services	219,544	-	-	110	219,654
Investment income, net of realized/unrealized gains/(losses)	-	-	41,965	9,402	51,367
Miscellaneous revenues	74,449	452,325	-	246,930	773,704
TOTAL REVENUES	7,351,731	8,196,369	41,965	1,078,118	16,668,183
EXPENDITURES					
Current:					
General government	872,547	-	-	-	872,547
Public safety	706,254	-	-	-	706,254
Public works	1,067,339	2,138,452	-	-	3,205,791
Recreation	156,276	-	-	-	156,276
Education	3,851,274	-	-	-	3,851,274
County tax	25,665	-	-	-	25,665
Appropriations	218,024	-	-	-	218,024
Unclassified	46,663	-	8,313	202,245	257,221
Debt service:					
Principal	269,581	-	-	-	269,581
Interest	11,773	-	-	-	11,773
Capital outlay	-	6,424,290	-	864,774	7,289,064
TOTAL EXPENDITURES	7,225,396	8,562,742	8,313	1,067,019	16,863,470
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	126,335	(366,373)	33,652	11,099	(195,287)
OTHER FINANCING SOURCES (USES)					
Transfers in	33,421	192,138	-	99,000	324,559
Transfers (out)	(106,138)	(68,421)	-	(150,000)	(324,559)
TOTAL OTHER FINANCING SOURCES (USES)	(72,717)	123,717	-	(51,000)	-
NET CHANGE IN FUND BALANCES (DEFICITS)	53,618	(242,656)	33,652	(39,901)	(195,287)
FUND BALANCES (DEFICITS) - JULY 1	616,968	158,192	742,148	729,144	2,246,452
FUND BALANCES (DEFICITS) - JUNE 30	\$ 670,586	\$ (84,464)	\$ 775,800	\$ 689,243	\$ 2,051,165

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

TOWN OF BRANDON, VERMONT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (195,287)</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	8,660,411
Capital asset disposals	(12,447)
Depreciation expense	<u>(533,669)</u>
	<u>8,114,295</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported:	
Taxes and liens receivable	93,969
Loans receivable	66,810
	<u>160,779</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>(12,257)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position	<u>383,888</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position	<u>(97,878)</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>5,768</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued interest	(4,179)
Accrued compensated absences	(18,464)
Net pension liability	<u>(114,595)</u>
	<u>(137,238)</u>
Change in net position of governmental activities (Statement B)	<u>\$ 8,222,070</u>

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

TOWN OF BRANDON, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020

	<u>Enterprise Funds</u> <u>Wastewater</u> <u>Fund</u>
ASSETS	
Current assets:	
Accounts receivable (net of allowance for uncollectibles)	\$ 640,882
Prepaid items	187
Due from other funds	<u>510,608</u>
Total current assets	<u>1,151,677</u>
Noncurrent assets:	
Capital assets:	
Construction in progress	2,075,900
Buildings and improvements	2,121,498
Equipment	1,592,383
Sewer lines	493,363
Less: accumulated depreciation	<u>(2,040,801)</u>
Total noncurrent assets	<u>4,242,343</u>
TOTAL ASSETS	<u><u>\$ 5,394,020</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	19,266
Accrued expenses	63
Accrued interest payable	10,322
Current portion of long-term obligations	<u>35,883</u>
Total current liabilities	<u>65,534</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	848,651
Notes from direct borrowings	285,797
Accrued compensated absences	6,275
Total noncurrent liabilities	<u>1,140,723</u>
TOTAL LIABILITIES	<u>1,206,257</u>
NET POSITION	
Net investment in capital assets	3,072,295
Restricted	<u>1,115,468</u>
TOTAL NET POSITION	<u>4,187,763</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 5,394,020</u></u>

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

TOWN OF BRANDON, VERMONT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Enterprise Funds</u> <u>Wastewater</u> <u>Fund</u>
OPERATING REVENUES	
Charges for services	\$ 695,144
Other	3,951
TOTAL OPERATING REVENUES	<u>699,095</u>
OPERATING EXPENSES	
Wages and benefits	175,071
Professional services	36,008
Supplies	2,751
Equipment	4,730
Maintenance and repairs	64,675
Chemicals	45,828
Operations	94,902
Administration	10,000
Insurance	23,010
Depreciation	122,122
TOTAL OPERATING EXPENSES	<u>579,097</u>
OPERATING INCOME (LOSS)	<u>119,998</u>
NONOPERATING REVENUES (EXPENSES)	
Capital contributions	462,755
Interest income	24,023
Interest expense	(30,579)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>456,199</u>
CHANGE IN NET POSITION	576,197
NET POSITION - JULY 1, RESTATED	<u>3,611,566</u>
NET POSITION - JUNE 30	<u>\$ 4,187,763</u>

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

TOWN OF BRANDON, VERMONT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Enterprise Funds</u>
	<u>Wastewater</u>
	<u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 603,922
Other receipts	3,951
Internal activity - receipts (payments) from/to other funds	(34,151)
Payments to employees	(174,169)
Payments to suppliers	(275,836)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>123,717</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Interest income	24,023
NET CASH PROVIDED (USED) FROM NONCAPITAL FINANCING ACTIVITIES	<u>24,023</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest paid on long-term debt	(30,579)
Debt proceeds	206,549
Capital contributions	462,755
Capital asset additions	(751,883)
Principal payments on long-term debt	(34,582)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(147,740)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS - JULY 1	<u>-</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 119,998
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	122,122
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(91,222)
(Increase) decrease in prepaid items	(187)
(Increase) decrease in due from other funds	(34,151)
Increase (decrease) in accounts payable	2,055
Increase (decrease) in accrued liabilities	(255)
Increase (decrease) in accrued interest	4,455
Increase (decrease) in accrued compensated absences	902
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 123,717</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	<u>\$ 30,579</u>

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

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Brandon was incorporated under the laws of the State of Vermont. The Town operates under the Selectboard-manager form of government and provides the following services: general government, public safety, public works, recreation, appropriations, education and unclassified.

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

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

COVID-19 Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and led to a national state of emergency in the United States. The State of Vermont, along with other state and local governments, declared states of emergency and issued multiple public health emergency orders that severely restrict movement and limit businesses and activities to essential functions. These actions and effects of COVID-19 have disrupted economic activity at all levels and impacted the processes and procedures for almost all businesses, including municipal and quasi-municipal entities.

In response to the health crisis created by COVID-19 since early March, the Governor of Vermont issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a "stay at home" directive for most citizens, restricting nonessential travel and limiting movement of all persons in Vermont to those necessary to obtain or provide essential services or activities. See Executive Order 01-20 and its addendums. As of the date of this report, the state of emergency was extended to March 15, 2021 and may be further extended if circumstances warrant. While steps toward reopening the State have begun, the speed and scope of the reopening process will depend upon progress toward limiting the continued spread of the disease.

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact on and Results of Operations

On March 31, 2020 Vermont Secretary of State issued a “Waiver of Mandated Upcoming Municipal Election Dates in 2020”. This allowed mandated date meetings or elections and special meeting petitions to be delayed pursuant to the order. This act was authorized by Act 92, §3 (2020). Additional guidance provided that all current incumbent officers would retain their position until the election may be held. As most Vermont municipalities hold their annual meetings during the first week of March annually, most town meeting days occurred as scheduled.

In accordance with Addendum 6 to Executive Order 01-20, issued by the Governor of Vermont on March 24, 2020 (also referred to as the “Stay Home, Stay Safe Order”) and Directive 5 to Executive Order 01-20, issued by the Governor of Vermont on March 26, 2020, Town facilities were temporarily closed to the public and all nonessential services to its inhabitants were suspended from March 23, 2020 to June 12, 2020. The Town did not reduce its staff but provided services remotely to researchers and to community members.

Impact on Finances

The Town does not currently anticipate any additional FY 2020 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security (“CARES”) Act funding and applicable State programs.

Revolving Loan Fund payments were suspended for three months which affected interest revenues in the Revolving Loan Fund account as well as cash flow. Interest and penalties were suspended during the COVID state of emergency which affects the income of the town.

Expected Federal/State Support

The Town may have to take action to meet certain requirements to receive any additional Federal or State funding for budgetary or economic relief related to the challenges presented by COVID-19. However, the Town expects that if those actions are necessary, that the Town would qualify and satisfy the various conditions required to receive applicable Federal or State funds.

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conclusion

The ongoing effects of COVID-19, including the financial impact to the Town and its inhabitants, may change significantly as events and circumstances evolve locally, nationally and worldwide. At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Town. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Town.

Implementation of New Accounting Standards

During the year ended June 30, 2020, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance." The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. (The following pronouncements exclude Statements No. 83 and No. 88 which were implemented prior to this Statement).

The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 84, Fiduciary Activities; Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period; Statement No. 90, Majority Equity Interests; Statement No. 91, Conduit Debt Obligations; Statement No. 92, Omnibus 2020; Statement No. 93, Replacement of Interbank Offered Rates; Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting); Implementation Guide No. 2018-1, Implementation Guidance Update-2018; Implementation Guide No. 2019-1, Implementation Guidance Update-2019 and Implementation Guide No. 2019-2, Fiduciary Activities. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, Leases and Implementation Guide No. 2019-3, Leases.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 97 "Certain Component Unit Criteria (paragraphs 4 & 5)." The primary objectives of paragraphs 4 & 5 in this Statement are to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

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

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

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

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

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement Focus - Basic Financial Statements and Fund Financial Statements

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

1. Governmental Funds:

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

Major funds:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Transportation Grants Fund is used to account for proceeds from the transportation grant intergovernmental revenue related to capital expenditures for infrastructure improvements including Route 7 - Segment 6, Bridge 114, Churchill Bridge and Union Street Sidewalk.
- c. The Trustees of Public Funds are used to account for assets held by the Town pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor funds:

- d. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- e. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, infrastructure and/or equipment.

2. Proprietary Funds:

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

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

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

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

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

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

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

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

1. In the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A Town meeting of the residents of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

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

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

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

Receivables

Receivables include amounts due for Transportation Grant funds and Enterprise funds primarily. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts in the wastewater fund is estimated to be \$5,286 as of June 30, 2020. Accounts receivable netted with allowances for uncollectible accounts were \$2,843,660 for the year ended June 30, 2020.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions Between Funds

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

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

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

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town is currently working on completing its fixed asset inventory.

Estimated useful lives are as follows:

Buildings and improvements	10 - 50 years
Infrastructure	20 - 50 years
Machinery and equipment	3 - 25 years
Vehicles	3 - 25 years

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

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

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in government-wide statements. The long-term debt consists of bonds payable, notes from direct borrowings, accrued compensated absences and net pension liability.

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

Net Position

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

Fund Balance

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

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

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS) Plan and additions to/deductions from the VMERS Plan's fiduciary net position have been determined on the same basis as they are reported by the VMERS Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has only one type of this item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred revenues, which arises only under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Deferred inflows related to pensions qualifies for reporting in this category as well. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied on July 15, 2019 on the assessed value listed as of April 1, annually, for all real property located in the Town. Taxes were due in four installments on August 15, November 15, February 15 and May 15. Interest accrues at 1% per month until three months following the final payment at which point 1½% per month for each month thereafter. An 8% Collector's Commission is added to the entire unpaid principal tax balance after May 15.

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

Program Revenues

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

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits:

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

At June 30, 2020, the Town's cash and cash equivalents balance of \$2,158,162 was comprised of bank deposits and cash equivalents amounting to \$2,222,128. Bank deposits and cash equivalents are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Town's cash and cash equivalents balance. All of these deposits were insured by federal depository insurance and consequently was not exposed to custodial credit risk.

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Account Type	Bank Balance
Checking accounts	\$ 88,487
ICS accounts	1,764,942
Money market accounts	310,023
Cash equivalents	58,675
	\$ 2,222,128

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates. Certificates of deposit held with local financial institutions for \$16,640 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

At June 30, 2020, the Town's investments of \$728,269 were comprised of certificates of deposit, exchange-traded funds, closed end funds and open-end mutual funds. Of this amount, \$16,640 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk. \$500,000 was insured by the Securities Investor Protection Corporation and consequently not exposed to custodial risk. The remaining investments of \$211,629 were uncollateralized and uninsured.

Investment Type	Fair Value	N/A	< 1 Year	1 - 5 Years
Exchange-traded and closed-end funds	191,376	191,376	-	-
Mutual funds	520,253	520,253	-	-
	\$ 711,629	\$ 711,629	\$ -	\$ -

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements as June 30, 2020:

	June 30, 2020 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Equity securities:				
Exchange-traded and closed-end funds	\$ 191,376	\$ 191,376	\$ -	\$ -
Mutual funds - domestic and foreign	520,253	520,253	-	-
Total equity securities	<u>711,629</u>	<u>711,629</u>	-	-
Total investments by fair value level	711,629	<u>\$ 711,629</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	58,675			
Total cash equivalents measured at the NAV	<u>58,675</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 770,304</u>			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. The Town has no Level II or III investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2020 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Certificates of deposit held with local financial institutions for \$16,640 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

Credit risk - Statutes for the State of Vermont authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other States and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk. Generally, the Town invests excess funds in savings accounts and various certificates of deposit.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2020 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 184,259	\$ 1,464,269
Transportation Grant Funds	372,061	-
Nonmajor Capital Projects Funds	-	184,259
Nonmajor Special Revenue Funds	581,600	-
Wastewater Fund	510,608	-
	<u>\$ 1,648,528</u>	<u>\$ 1,648,528</u>

The result of amounts owed between funds are considered to be in the course of normal operations by the Town. Reconciliation of the amounts owed between funds may or may not be expected to be repaid within one year in their entirety due to the recurring nature of these transactions during operations.

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers at June 30, 2020 consisted of the following:

	Transfers From	Transfers To
General Fund	\$ 106,138	\$ 33,421
Transportation Grant Funds	68,421	192,138
Nonmajor Special Revenue Funds	150,000	5,000
Nonmajor Capital Projects Funds	-	94,000
	<u>\$ 324,559</u>	<u>\$ 324,559</u>

Interfund transfers are the results of legally authorized activity and are considered to be in the course of normal operations.

NOTE 5 - LOANS RECEIVABLE

The Town, through various federal programs, has received grants and advanced funds to encourage community development. These loans, generally secured by subordinated collateral positions, are recorded as loans receivable in the governmental funds. Until repaid, loans of federal awards are offset by deferred revenue, which is taken into operating revenue as payments are received in a future period. Upon receipt, the repayment of these loans is placed in the Town's Grant Fund and is available for future loans.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - LOANS RECEIVABLE (CONTINUED)

As previously mentioned under the COVID-19 section in Note 1, Revolving Loan Fund payments were suspended for three months which affected interest revenues in the Revolving Loan Fund account as well as cash flow. Interest and penalties were suspended during the COVID state of emergency which affects the income of the town.

The following is a description of the notes receivable for the year ended June 30, 2020:

Borrower	Principal	Interest Rate	Terms
11 Center Street Ventures, LLC	\$ 5,585	1.50%	\$562 received monthly through February of 2021.
Swan & Stone, LLC	17,090	1.25%	\$355 received monthly through June of 2019 with a balloon payment of \$17,846 due in July
Olivia's Crouton, LLC	57,071	1.75%	\$442 received monthly through January of 2027 with a balloon payment of \$25,843 in February of 2027.
Park Village Partners, LLC	19,150	1.50%	\$326 received monthly through April of 2023 with a balloon payment of \$8,035 due in May of 2023.
Rutland County Community Land Trust Grant Fund	391,000	1.00%	\$1,278 received monthly beginning July 10, 2030 through July of 2060 and secured by a mortgage.
Red Clover Ale Company, LLC	37,394	2.75%	\$275 received monthly through September of 2025 with a balloon payment of \$23,964 due in October of 2025
Brandon Florist Shoppe, LLC	23,054	2.75%	\$170 received monthly through September of 2025 with a balloon payment of \$14,775 due
Junction Store, LLC	27,712	3.00%	\$248 received monthly through January of 2026 with a balloon payment of \$14,069 due

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - LOANS RECEIVABLE (CONTINUED)

Borrower	Principal	Interest Rate	Terms
Isaiah 6:8. LLC	48,073	3.50%	\$357 paid monthly through May of 2023 with a balloon payment of \$39,471 due June 1, 2023.
Ripton Mountain Distillery, Inc.	24,254	3.00%	\$311 received monthly through October of 2022 with a balloon payment of \$15,979 due November of 2022.
Safer Society Foundation	28,250	3.00%	First six months interest only payments of \$71 received between January 2020 and June 2020, beginning July 2020 monthly payments of \$560 through December of 2024.
Foley's Taco & Bean LLC	29,679	3.00%	\$396 received monthly through January of 2024 with a balloon payment of \$14,027 due February of 2024.
Mae's Place	20,000	3.00%	\$264 received monthly through February of 2025 with a balloon payment of \$6,413 due March of 2025.
Total	<u>\$ 728,312</u>		

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	Balance, 7/1/19	Additions	Disposals	Balance, 6/30/20
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 746,750	\$ 368,368	\$ (12,443)	\$ 1,102,675
Construction in progress	21,493,996	7,382,172	(1,587,990)	27,288,178
	<u>22,240,746</u>	<u>7,750,540</u>	<u>(1,600,433)</u>	<u>28,390,853</u>
Depreciated assets:				
Buildings and building improvements	2,324,711	-	-	2,324,711
Vehicles	1,031,578	135,202	(21,876)	1,144,904
Machinery and equipment	825,142	15,495	-	840,637
Infrastructure	8,328,154	2,347,164	-	10,675,318
	<u>12,509,585</u>	<u>2,497,861</u>	<u>(21,876)</u>	<u>14,985,570</u>
Less: accumulated depreciation	<u>(3,550,587)</u>	<u>(533,669)</u>	<u>21,872</u>	<u>(4,062,384)</u>
	<u>8,958,998</u>	<u>1,964,192</u>	<u>(4)</u>	<u>10,923,186</u>
Net governmental capital assets	<u>31,199,744</u>	<u>\$ 9,714,732</u>	<u>\$ (1,600,437)</u>	<u>\$ 39,314,039</u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Construction in progress	\$ 1,354,989	\$ 720,911	\$ -	\$ 2,075,900
	<u>1,354,989</u>	<u>720,911</u>	<u>-</u>	<u>2,075,900</u>
Depreciated assets:				
Buildings and improvements	\$ 2,104,511	\$ 16,987	\$ -	\$ 2,121,498
Equipment	1,578,398	13,985	-	1,592,383
Sewer lines	493,363	-	-	493,363
	<u>4,176,272</u>	<u>30,972</u>	<u>-</u>	<u>4,207,244</u>
Less: accumulated depreciation	<u>(1,918,679)</u>	<u>(122,122)</u>	<u>-</u>	<u>(2,040,801)</u>
	<u>2,257,593</u>	<u>(91,150)</u>	<u>-</u>	<u>2,166,443</u>
Net business-type capital assets	<u>\$ 3,612,582</u>	<u>\$ 629,761</u>	<u>\$ -</u>	<u>\$ 4,242,343</u>
Current year depreciation:				
<u>Governmental activities</u>				
General government				\$ 39,244
Public safety				30,714
Public works				460,484
Recreation				3,227
Total governmental activities depreciation expense				<u>\$ 533,669</u>
<u>Business-type activities</u>				
Wastewater fund				\$ 122,122
Total business-type activities depreciation expense				<u>\$ 122,122</u>

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 - SHORT-TERM DEBT

The following is a description of short-term debt for the year ended June 30, 2020:

On June 1, 2017, the Town of Brandon issued a Grant Anticipation Note through Community Bank, now known as Bar Harbor Bank & Trust, to meet obligations for highway improvements. The note allowed principal draws up to \$2,000,000 at 1.49% interest per annum with a maturity date of May 31, 2018. On May 29, 2018, this note was modified extending the maturity date to December 31, 2019 and increasing the interest rate to 2.24% on all outstanding balances. On December 23, 2019, this note was modified lowering the principal draws amount down to \$1,000,000 and extending the maturity date to June 1, 2020. On June 8, 2020, the note was modified extending the maturity date to December 1, 2020 and increasing the interest rate to 2.49% on all outstanding balances.

Short-term debt activity for the year ended June 30, 2020 was as follows:

	Balance, 7/1/19	Additions	Repayments	Balance, 6/30/20
Grant anticipation note	\$ 750,000	\$ -	\$ -	\$ 750,000

NOTE 8 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2020:

	Balance, 7/1/19	Additions	Deletions	Balance, 6/30/20	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 2,149,940	\$ -	\$ (196,510)	\$ 1,953,430	\$ 196,510
Notes from direct borrowings payable	421,617	97,878	(187,378)	332,117	65,834
Totals	<u>\$ 2,571,557</u>	<u>\$ 97,878</u>	<u>\$ (383,888)</u>	<u>\$ 2,285,547</u>	<u>\$ 262,344</u>
<u>Business-type activities:</u>					
Bonds payable	\$ 914,517	\$ -	\$ (32,424)	\$ 882,093	\$ 33,442
Notes from direct borrowings payable	83,564	206,549	(2,158)	287,955	2,158
Totals	<u>\$ 998,081</u>	<u>\$ 206,549</u>	<u>\$ (34,582)</u>	<u>\$ 1,170,048</u>	<u>\$ 35,600</u>

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds and notes from direct borrowings:

Governmental activities bonds payable:

\$395,000, 2012 Series 4 & 5 Bond for public safety building improvements, due in annual principal payments of \$19,750 through December 1, 2032. Interest due bi-annually at a net rate of 3.148% per annum.	\$ 256,750
\$2,750,000, 2006 Series 1 Bond for paving improvements, refunded \$1,770,000, 2014 Series 4 Bond due in annual principal payments of \$135,000 through November 15, 2026. Interest due bi-annually at a net rate of 4.674% per annum.	945,000
\$835,200, 2017 Series 3 Bond for capital improvements, due in annual principal payments of \$41,760 through November 2037. Interest is due bi-annually at a net rate of 3.30% per annum.	<u>751,680</u>
Total governmental activities bonds payable	<u><u>\$ 1,953,430</u></u>

Governmental activities notes from direct borrowings:

The Town leases a Sidewalk Plow with Tax-Exempt Leasing Corp. under a non-cancelable lease agreement dated November 21, 2018. The term of the lease is for a six year period expiring November of 2024. Annual principal and interest payments are \$24,028. Interest is at a fixed rate of 3.616% per annum.	\$ 105,806
The Town leases a Caterpillar motor grader with Caterpillar Financial Services Corp. under a non-cancelable lease agreement dated February 26, 2016. The term of the lease is for a nine year period expiring February of 2025. Annual principal and interests payments are \$32,408. Interest is at a fixed rate of 2.75% per annum.	149,484
The Town leases a Ford F-550 with plow with Municipal Leasing Consultants, LLC under a non-cancelable lease agreement dated November 7, 2019. The term of the lease is for a five year period expiring November of 2023. Annual principal and interests payments are \$21,051. Interest is at a fixed rate of 3.77% per annum.	<u>76,827</u>
Total governmental activities notes from direct borrowings	<u><u>\$ 332,117</u></u>

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Business-type activities bonds payable:

\$499,000, USDA Bond for sewer system improvements, due in annual principal payments of \$11,482 through February 1, 2048. Net interest rate is 2.25% per annum.	\$ 474,955
\$478,343, VMBB 2012 Series 4 & 5 Bond for sewer system improvements, due in varying annual principal payments and semi-annual interest payments through December 2036. Net interest rate is 3.52% per annum.	382,168
\$48,063, VMBB 2012 Series 4 & 5 Bond for sewer system improvements, due in varying annual principal payments and semi-annual interest payments through December 2025. Net interest rate of 3.42% per annum.	<u>24,970</u>
Total business-type activities bonds payable	<u><u>\$ 882,093</u></u>

Business-type activities notes from direct borrowings:

\$97,000, RF1-223-1.2 Note payable to Vermont Municipal Bond Bank for sewer system improvements, due in annual principal installments of \$10,300 beginning July of 2025 due through July of 2029. Interest is charged at a fixed rate of 0%. \$45,500 of the note has been forgiven.	\$ 42,834
\$11,000, RF1-159 Vermont State Revolving Fund RF1-159 for sewer engineering services, due in annual principal payments of \$2,200 beginning May 1, 2020 through May 1, 2024. Interest is charged at a fixed rate of 0%.	8,633
\$540,000, RF1-214-3.0 Note payable to Vermont Municipal Bond Bank, paid in twenty annual principal installments of \$32,232, which includes a 2% administration fee beginning one year after project completion. Interest is charged at a fixed rate of 0%. \$12,962 of the note will be forgiven. Drawdown to date is \$236,488.	<u>236,488</u>
Total business type activities notes from direct borrowings	<u><u>\$ 287,955</u></u>

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds principal and interest requirements for the fiscal years ending June 30:

	Governmental Activities			
	Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2021	\$ 196,510	\$ 59,985	\$ 65,834	\$ 7,652
2022	196,510	57,530	68,148	9,339
2023	196,510	50,134	70,546	6,940
2024	196,510	42,303	73,032	4,455
2025	196,510	34,736	54,557	1,878
2026-2030	577,550	82,125	-	-
2031-2035	268,050	44,417	-	-
2036-2040	125,280	6,930	-	-
	\$ 1,953,430	\$ 378,160	\$ 332,117	\$ 30,264

	Business-type Activities			
	Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2021	\$ 33,442	\$ 25,093	\$ 2,158	\$ -
2022	34,491	24,030	2,158	-
2023	35,575	22,931	2,158	-
2024	36,694	21,797	23,850	-
2025	37,850	20,625	22,125	-
2026-2030	187,639	85,569	93,014	-
2031-2035	223,933	54,687	127,123	-
2036-2040	135,037	25,836	15,369	-
2041-2045	91,486	13,776	-	-
2046-2050	65,946	2,611	-	-
	\$ 882,093	\$ 296,955	\$ 287,955	\$ -

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for business-type activities for the year ended June 30, 2020 was \$30,579.

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

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2020 is as follows:

	Balance, 7/1/19	Additions	Deletions	Balance, 6/30/20	Current Portion
<u>Governmental activities:</u>					
Accrued compensated absences	\$ 103,523	\$ 18,464	\$ -	\$ 121,987	\$ 6,099
Net pension liability	509,726	204,407	(89,812)	624,321	-
	<u>\$ 613,249</u>	<u>\$ 222,871</u>	<u>\$ (89,812)</u>	<u>\$ 746,308</u>	<u>\$ 6,099</u>
 <u>Business-type activities:</u>					
Accrued compensated absences	\$ 5,656	\$ 902	\$ -	\$ 6,558	\$ 283

Please see Notes 16 and 19 for detailed information on the other long-term obligations.

NOTE 10 - NONSPENDABLE FUND BALANCE

At June 30, 2020, the Town had the following nonspendable fund balance:

General fund:	
Prepaid items	<u>\$ 35,116</u>

NOTE 11 - RESTRICTED FUND BALANCES

At June 30, 2020, the Town had the following restricted fund balances:

General fund:	
Record preservation	\$ 17,530
Recreation	22,149
Selectboard	40,000
Highway	36,451
Trustee of public funds	775,800
Nonmajor special revenue funds (Schedule E)	598,095
Nonmajor capital projects funds (Schedule G)	91,148
	<u>\$ 1,581,173</u>

TOWN OF BRANDON, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 12 - RESTRICTED NET POSITION

At June 30, 2020, the Town had the following restricted net position balances:

General fund:	
Record preservation	\$ 17,530
Recreation	22,149
Selectboard	40,000
Highway	36,451
Trustee of public funds	775,800
Special revenue funds:	
Reappraisal reserve	84,662
Revolving loan funds	13,217
Town farm fund	16,640
Public safety fund	210
Other grant programs	201
Local option tax fund	483,165
Capital projects funds:	
Equipment and infrastructure fund	91,148
Wastewater fund	1,115,468
	<u>\$ 2,696,641</u>

NOTE 13 - ASSIGNED FUND BALANCES

At June 30, 2020, the Town had the following assigned fund balances:

General fund:	
Highway building and equipment	\$ 48,000
Economic development - broadband project	10,000
	<u>\$ 58,000</u>

NOTE 14 - OVERSPENT APPROPRIATIONS

The Town was noncompliant with the legally adopted budget overspending the entire allowed appropriation of \$7,157,917 by \$71,351 for the year ended June 30, 2020. This was addressed by the utilization of additional revenues of \$124,969. Please see Schedule 1 on page 59 for more information.

NOTE 15 - DEFICIT FUND BALANCE

At June 30, 2020, the Town had the following deficit fund balance:

Transportation Grant Funds	<u>\$ 84,464</u>
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TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 - ACCRUED COMPENSATED ABSENCES

The Town's policies regarding vacation time permits employees to accumulate vacation time. The Town's policies also permit employees to accumulate earned but unused comp time and sick leave, but these are not paid out upon termination. The liability for these compensated absences is recorded as long-term obligations in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2020, the Town's liability for compensated absences is \$128,545.

NOTE 17 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the prior year and amounts of settlements have not exceeded insurance coverage in the past three years. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

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

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

To provide unemployment insurance coverage, VERB has established a self-funded fully insured program. Contributions fund unemployment claims and are based on payroll expense and the claim experience from the best four years out of the last five. Other benefits available include dental insurance, vision plans, flexible spending accounts, life insurance, disability insurance and long-term care insurance. In the event

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 17 - RISK MANAGEMENT (CONTINUED)

that total contributions assessed to and made by all members result in an actual or projected financial deficit and VERB is unable to meet its required obligations, the Program will be terminated with each member assessed their proportionate share of the deficit.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 18 - CONTINGENCIES

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

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

NOTE 19 - DEFINED BENEFIT PENSION PLAN

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost sharing, multi-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975 and is governed by Title 24, V.S.A. Chapter 125. It is designed for persons employed on a regular basis by a school district or by a supervisory union for no fewer than 1,040 hours in a year and for no fewer than 30 hours a week for the school year, as defined in 16 V.S.A. § 1071 or for no fewer than 1,040 hours in a year and for no fewer than 24 hours a week year-round; provided, however, that if a person who was employed on a regular basis by a school district as either a special education or transportation employee and who was transferred to and is working in a supervisory union in the same

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

capacity pursuant to 16 V.S.A. § 261a(a)(6) or (8)(E) and if that person is also employed on a regular basis by a school district within the supervisory union, then the person is an "employee" if these criteria are met by the combined hours worked for the supervisory union and school district. The term shall also mean persons employed on a regular basis by a municipality other than a school district for no fewer than 1,040 hours in a year and for no fewer than 24 hours per week, including persons employed in a library at least one-half of whose operating expenses are met by municipal funding. For the year ended June 30, 2019 (the most recent data available), the retirement system consisted of 14,755 participating members.

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

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR may be viewed on the State's Department of Finance and Management website at:

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

Benefits Provided

The pension plan is divided into four membership groups:

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

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

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

VMERS	Group A	Group B	Group C	Group D
Normal service retirement eligibility	Age 65 with 5 years of service or age 55 with 35 years of service	Age 62 with 5 years of service or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service

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

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

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

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

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	2.750% of gross salary	5.125% of gross salary	10.250% of gross salary	11.600% of gross salary
Employer Contributions	4.250% of gross salary	5.750% of gross salary	7.500% of gross salary	10.100% of gross salary

Employee contributions are withheld pre-income tax by the Town and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2020 totaled \$94,446. The Town contributed \$77,553 for the year ended June 30, 2020. The Town's total payroll for the year ended June 30, 2020 for all employees covered under this plan was \$1,191,211.

Pension Liabilities

At June 30, 2020, the Town reported a liability of \$624,321 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2019 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2018. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2019, the Town's proportion was 0.35986% for VMERS, which was a decrease of 0.00248% from its proportion measured as of June 30, 2018 for VMERS.

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

For the year ended June 30, 2020, the Town recognized pension expense of \$121,084 for the VMERS plan. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 80,887	\$ 5,396
Changes of assumptions	20,845	-
Net difference between projected and actual earnings on pension plan investments	42,523	-
Changes in proportion and differences between contributions and proportionate share of contributions	6,864	11,947
Contributions subsequent to the measurement date	77,553	-
Total	\$ 228,672	\$ 17,343

\$77,553 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VMERS Plan
Plan year ended June 30:	
2020	\$ 55,093
2021	29,184
2022	29,172
2023	20,327
2024	-
Thereafter	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2019 measurement date was determined by rolling forward the total pension liability as of June 30, 2018 to June 30, 2019. The total pension liability was calculated using the following actuarial assumptions:

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Investment Rate of Return: 7.50%, net of pension plan investment expense, including inflation.

Inflation: 2.50%

Salary Increases: 5.00% per year

Deaths After Retirement: Mortality rates for pre-retirement, healthy retirees and disabled retirees in the VMERS plan for Groups A, B, C and D were based variations of RP-2006 Tables with generational improvement using Scale SSA-2017 as follows:

Pre-retirement - Groups A, B and C blended with a 60% Blue Collar Employee and 40% Healthy Employee and Group D with a Blue Collar Annuitant Table

Healthy Retiree - Groups A, B and C with a 60% Blue Collar Annuitant and 40% Healthy Annuitant and Group D with a Blue Collar Annuitant Table

Disabled Retiree - All Groups with a RP-2006 Disabled Mortality Table

Inactive Members: Valuation liability equals 200% of accumulated contributions.

Future Administrative Expenses: An expense adjustment based on actual expenses for the previous year is reflected in the development of recommended employer contribution levels.

Unknown Data for Participants: The same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

Percent Married: 85% of male members and 50% of female members are assumed to be married.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.15% per annum for Group A members and 1.30% per annum for Groups B, C and D members (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group A, B and D who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2020 COLA is 0.80% for all groups.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

A smoothing *asset valuation method* was used for funding purposes in the VMERS plan, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

The *long-term expected rate of return* on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class. These best estimate ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	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 Bonds	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%

TOWN OF BRANDON, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the VMERS plan. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy which exceeds the actuarially determined contribution rate. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease	Discount Rate	1% Increase
<u>VMERS:</u>			
Discount rate	6.50%	7.50%	8.50%
Town's proportionate share of the net pension liability	\$ 1,023,793	\$ 624,321	\$ 293,633

Pension Plan Fiduciary Net Position

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

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 20 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Town's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 21 - RESTATEMENT

In 2020, the Town determined that certain transactions in prior years had been recorded incorrectly. Therefore, a restatement to the 2019 government-wide financial statements was required. The business-type activities net position was restated by \$5,653 from \$3,605,913 to \$3,611,566 to correct the accounts receivable amount and the duplicate reporting of accrued compensated absences.

Required Supplementary Information

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

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions

TOWN OF BRANDON, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 616,968	\$ 616,968	\$ 616,968	\$ -
Resources (Inflows):				
Property taxes	6,721,853	6,721,853	6,621,251	(100,602)
Intergovernmental	206,000	206,000	436,487	230,487
Charges for services	254,310	254,310	219,544	(34,766)
Miscellaneous revenues	78,020	78,020	74,449	(3,571)
Transfers from other funds	-	-	33,421	33,421
Amounts Available for Appropriation	<u>7,877,151</u>	<u>7,877,151</u>	<u>8,002,120</u>	<u>124,969</u>
Charges to Appropriations (Outflows):				
General government	988,000	983,000	872,547	110,453
Public safety	809,250	792,250	706,254	85,996
Public works	857,605	857,605	1,067,339	(209,734)
Recreation	157,405	157,405	156,276	1,129
Education	3,851,274	3,851,274	3,851,274	-
County tax	28,000	28,000	25,665	2,335
Appropriations	218,024	218,024	218,024	-
Debt service:				
Principal	279,500	279,500	269,581	9,919
Interest	25,000	25,000	11,773	13,227
Unclassified	46,125	46,125	46,663	(538)
Transfers to other funds	-	22,000	106,138	(84,138)
Total Charges to Appropriations	<u>7,260,183</u>	<u>7,260,183</u>	<u>7,331,534</u>	<u>(71,351)</u>
Budgetary Fund Balance, June 30	<u>\$ 616,968</u>	<u>\$ 616,968</u>	<u>\$ 670,586</u>	<u>\$ 53,618</u>

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

TOWN OF BRANDON, VERMONT

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

	2020	2019	2018	2017	2016	2015
<u>VMERS:</u>						
Proportion of the net pension liability	0.36%	0.36%	0.38%	0.36%	0.34%	0.00%
Proportionate share of the net pension liability	\$ 624,321	\$ 509,726	\$ 465,228	\$ 459,489	\$ 263,484	\$ 33,210
Covered payroll	\$ 1,183,593	\$ 1,118,217	\$ 1,136,033	\$ 986,618	\$ 865,453	\$ 594,130
Proportionate share of the net pension liability as a percentage of its covered payroll	52.75%	45.58%	40.95%	46.57%	30.44%	5.59%
Plan fiduciary net position as a percentage of the total pension liability	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

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

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

SCHEDULE 3

TOWN OF BRANDON, VERMONT

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>VMERS:</u>						
Contractually required contribution	\$ 77,553	\$ 69,141	\$ 63,467	\$ 62,709	\$ 54,264	\$ 47,773
Contributions in relation to the contractually required contribution	<u>(77,553)</u>	<u>(69,141)</u>	<u>(63,467)</u>	<u>(62,709)</u>	<u>(54,264)</u>	<u>(47,773)</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered payroll	\$ 1,191,211	\$ 1,183,593	\$ 1,118,217	\$ 1,136,033	\$ 986,618	\$ 865,453
Contributions as a percentage of covered payroll	6.51%	5.84%	5.68%	5.52%	5.50%	5.52%

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

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

Other Supplementary Information

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

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

TOWN OF BRANDON, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property taxes	\$ 6,721,853	\$ 6,721,853	\$ 6,621,251	\$ (100,602)
Intergovernmental revenues:				
State aid - highways	152,000	152,000	381,950	229,950
PILOT	54,000	54,000	54,537	537
Charges for services:				
Fees and fines	-	-	100	100
Licenses and permits	19,150	19,150	20,057	907
Clerk revenue	70,950	70,950	62,952	(7,998)
Police revenue	50,000	50,000	54,131	4,131
Recreation revenue	79,800	79,800	46,953	(32,847)
Solid waste revenue	33,400	33,400	30,093	(3,307)
Public works	1,010	1,010	5,258	4,248
Other income:				
Interest and penalties	55,000	55,000	33,720	(21,280)
Interest income	9,000	9,000	8,625	(375)
Tax sale revenue	2,000	2,000	-	(2,000)
Other income	12,020	12,020	32,104	20,084
Transfers from other funds	-	-	33,421	33,421
TOTAL REVENUES	<u>\$ 7,260,183</u>	<u>\$ 7,260,183</u>	<u>\$ 7,385,152</u>	<u>\$ 124,969</u>

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

TOWN OF BRANDON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES					
General government:					
Administration	\$ 357,400	\$ -	\$ 357,400	\$ 349,260	\$ 8,140
Assessor	40,240	(5,000)	35,240	1,445	33,795
Code enforcement	41,650	-	41,650	29,908	11,742
Town clerk	183,055	-	183,055	176,292	6,763
Insurance	147,000	-	147,000	148,955	(1,955)
Economic development	37,885	-	37,885	26,999	10,886
Town buildings and maintenance	180,770	-	180,770	139,688	41,082
	<u>988,000</u>	<u>(5,000)</u>	<u>983,000</u>	<u>872,547</u>	<u>110,453</u>
Public safety:					
Public safety	809,250	(17,000)	792,250	706,254	85,996
	<u>809,250</u>	<u>(17,000)</u>	<u>792,250</u>	<u>706,254</u>	<u>85,996</u>
Public works:					
Administration	458,875	-	458,875	339,465	119,410
Professional services	5,000	-	5,000	3,067	1,933
Supplies and equipment	2,700	-	2,700	10,767	(8,067)
Winter roads	100,000	-	100,000	119,625	(19,625)
Summer roads	148,000	-	148,000	335,293	(187,293)
Vehicle repairs and maintenance	54,000	-	54,000	84,098	(30,098)
Leased equipment	89,030	-	89,030	175,024	(85,994)
	<u>857,605</u>	<u>-</u>	<u>857,605</u>	<u>1,067,339</u>	<u>(209,734)</u>
Recreation	157,405	-	157,405	156,276	1,129
Education	3,851,274	-	3,851,274	3,851,274	-
County tax	28,000	-	28,000	25,665	2,335

TOWN OF BRANDON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Debt service:					
Principal	279,500	-	279,500	269,581	9,919
Interest	25,000	-	25,000	11,773	13,227
	<u>304,500</u>	<u>-</u>	<u>304,500</u>	<u>281,354</u>	<u>23,146</u>
Appropriations:					
BIDCC - 4th of July	6,000	-	6,000	6,000	-
Brandon rescue squad	28,000	-	28,000	28,000	-
Chamber of Commerce	1,000	-	1,000	1,000	-
RSVP	550	-	550	550	-
SW VT Council on Aging	2,400	-	2,400	2,400	-
RAVNA	10,200	-	10,200	10,200	-
Rutland Mental Health	6,624	-	6,624	6,624	-
ARC of Rutland	3,500	-	3,500	3,500	-
Comm. Health Services	1,000	-	1,000	1,000	-
Stephen A. Douglas Inc.	2,500	-	2,500	2,500	-
Brandon Library	92,000	-	92,000	93,125	(1,125)
Senior Citizen Center	13,500	-	13,500	12,375	1,125
Paving projects	50,000	-	50,000	50,000	-
Rutland Co Humane Society	750	-	750	750	-
	<u>218,024</u>	<u>-</u>	<u>218,024</u>	<u>218,024</u>	<u>-</u>
Unclassified:					
Rut. Regional Commission	975	-	975	975	-
Green-up Day	300	-	300	1,088	(788)
Public transit	3,500	-	3,500	3,500	-
REDC	500	-	500	500	-
Rut Nat Resources Conservation	250	-	250	-	250
Mosquito control	40,600	-	40,600	40,600	-
	<u>46,125</u>	<u>-</u>	<u>46,125</u>	<u>46,663</u>	<u>(538)</u>
Transfers to other funds	-	22,000	22,000	106,138	(84,138)
Total Departmental Operations	<u>\$ 7,260,183</u>	<u>\$ -</u>	<u>\$ 7,260,183</u>	<u>\$ 7,331,534</u>	<u>\$ (71,351)</u>

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

TOWN OF BRANDON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Investments	\$ 16,640	\$ -	\$ 16,640
Accounts receivable (net of allowance for uncollectibles)	-	628,022	628,022
Loans receivable (net of allowance for uncollectibles)	728,312	-	728,312
Due from other funds	581,600	-	581,600
TOTAL ASSETS	<u>\$ 1,326,552</u>	<u>\$ 628,022</u>	<u>\$ 1,954,574</u>
LIABILITIES			
Accounts payable	\$ 145	\$ 352,615	\$ 352,760
Due to other funds	-	184,259	184,259
TOTAL LIABILITIES	<u>145</u>	<u>536,874</u>	<u>537,019</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	<u>728,312</u>	-	<u>728,312</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>728,312</u>	<u>-</u>	<u>728,312</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	598,095	91,148	689,243
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>598,095</u>	<u>91,148</u>	<u>689,243</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,326,552</u>	<u>\$ 628,022</u>	<u>\$ 1,954,574</u>

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

TOWN OF BRANDON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ -	\$ 821,676	\$ 821,676
Charges for services	110	-	110
Investment income, net of realized/unrealized gains/(losses)	9,402	-	9,402
Other	246,695	235	246,930
TOTAL REVENUES	<u>256,207</u>	<u>821,911</u>	<u>1,078,118</u>
EXPENDITURES			
Capital outlay	-	864,774	864,774
Program expenses	201,465	780	202,245
TOTAL EXPENDITURES	<u>201,465</u>	<u>865,554</u>	<u>1,067,019</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>54,742</u>	<u>(43,643)</u>	<u>11,099</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	5,000	94,000	99,000
Transfers (out)	(150,000)	-	(150,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(145,000)</u>	<u>94,000</u>	<u>(51,000)</u>
NET CHANGE IN FUND BALANCES	(90,258)	50,357	(39,901)
FUND BALANCES - JULY 1	<u>688,353</u>	<u>40,791</u>	<u>729,144</u>
FUND BALANCES - JUNE 30	<u>\$ 598,095</u>	<u>\$ 91,148</u>	<u>\$ 689,243</u>

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

Special Revenue Funds

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

SCHEDULE E

TOWN OF BRANDON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

	Reappraisal Reserve	Revolving Loan Funds	Town Farm Fund	Public Safety Funds	Other Grant Programs	Local Option Tax Fund	Total
ASSETS							
Investments	\$ -	\$ -	\$ 16,640	\$ -	\$ -	\$ -	\$ 16,640
Loans receivable (net of allowance for uncollectibles)	-	728,312	-	-	-	-	728,312
Due from other funds	84,807	13,217	-	210	201	483,165	581,600
TOTAL ASSETS	<u>\$ 84,807</u>	<u>\$ 741,529</u>	<u>\$ 16,640</u>	<u>\$ 210</u>	<u>\$ 201</u>	<u>\$ 483,165</u>	<u>\$ 1,326,552</u>
LIABILITIES							
Accounts payable	\$ 145	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145
TOTAL LIABILITIES	<u>145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue	-	728,312	-	-	-	-	728,312
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>728,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>728,312</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	84,662	13,217	16,640	210	201	483,165	598,095
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>84,662</u>	<u>13,217</u>	<u>16,640</u>	<u>210</u>	<u>201</u>	<u>483,165</u>	<u>598,095</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 84,807</u>	<u>\$ 741,529</u>	<u>\$ 16,640</u>	<u>\$ 210</u>	<u>\$ 201</u>	<u>\$ 483,165</u>	<u>\$ 1,326,552</u>

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

SCHEDULE F

TOWN OF BRANDON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Reappraisal Reserve	Revolving Loan Funds	Town Farm Fund	Public Safety Funds	Other Grant Programs	Local Option Tax Fund	Total
REVENUES							
Interest income	\$ -	\$ 5,478	\$ 289	\$ -	\$ 69	\$ 3,566	\$ 9,402
Charges for services	-	110	-	-	-	-	110
Other income	17,934	36,439	-	3	-	192,319	246,695
TOTAL REVENUES	<u>17,934</u>	<u>42,027</u>	<u>289</u>	<u>3</u>	<u>69</u>	<u>195,885</u>	<u>256,207</u>
EXPENDITURES							
Other	97,850	103,615	-	-	-	-	201,465
TOTAL EXPENDITURES	<u>97,850</u>	<u>103,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,465</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(79,916)</u>	<u>(61,588)</u>	<u>289</u>	<u>3</u>	<u>69</u>	<u>195,885</u>	<u>54,742</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	5,000	-	-	-	-	-	5,000
Transfers (out)	-	-	-	-	-	(150,000)	(150,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,000)</u>	<u>(145,000)</u>
NET CHANGE IN FUND BALANCES	<u>(74,916)</u>	<u>(61,588)</u>	<u>289</u>	<u>3</u>	<u>69</u>	<u>45,885</u>	<u>(90,258)</u>
FUND BALANCES - JULY 1	<u>159,578</u>	<u>74,805</u>	<u>16,351</u>	<u>207</u>	<u>132</u>	<u>437,280</u>	<u>688,353</u>
FUND BALANCES - JUNE 30	<u>\$ 84,662</u>	<u>\$ 13,217</u>	<u>\$ 16,640</u>	<u>\$ 210</u>	<u>\$ 201</u>	<u>\$ 483,165</u>	<u>\$ 598,095</u>

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

Capital Projects Funds

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

TOWN OF BRANDON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2020

	Equipment and Infrastructure Fund	Total
	<u>Fund</u>	<u>Total</u>
ASSETS		
Accounts receivable (net of allowance for uncollectibles)	\$ 628,022	\$ 628,022
TOTAL ASSETS	<u>\$ 628,022</u>	<u>\$ 628,022</u>
LIABILITIES		
Accounts payable	\$ 352,615	\$ 352,615
Due to other funds	184,259	184,259
TOTAL LIABILITIES	<u>536,874</u>	<u>536,874</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	91,148	91,148
Committed	-	-
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>91,148</u>	<u>91,148</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 628,022</u>	<u>\$ 628,022</u>

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

TOWN OF BRANDON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	Equipment and Infrastructure Fund	Total
REVENUES		
Intergovernmental	\$ 821,676	\$ 821,676
Other income	235	235
TOTAL REVENUES	<u>821,911</u>	<u>821,911</u>
EXPENDITURES		
Capital outlay	864,774	864,774
Program expenses	780	780
TOTAL EXPENDITURES	<u>865,554</u>	<u>865,554</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(43,643)</u>	<u>(43,643)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	94,000	94,000
Transfers (out)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>94,000</u>	<u>94,000</u>
NET CHANGE IN FUND BALANCES	50,357	50,357
FUND BALANCES - JULY 1	<u>40,791</u>	<u>40,791</u>
FUND BALANCES - JUNE 30	<u>\$ 91,148</u>	<u>\$ 91,148</u>

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

General Capital Assets

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

TOWN OF BRANDON, VERMONT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2020

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
General government	\$ 1,097,528	\$ 1,535,973	\$ 132,098	\$ -	\$ 2,765,599
Public safety	26,128	588,449	295,185	-	909,762
Public works	27,264,797	30,571	1,503,734	10,675,318	39,474,420
Recreation	2,400	169,718	54,524	-	226,642
Wastewater fund	2,075,900	2,121,498	1,592,383	493,363	6,283,144
Total General Capital Assets	30,466,753	4,446,209	3,577,924	11,168,681	49,659,567
Less: Accumulated Depreciation	-	(1,722,868)	(1,797,528)	(2,582,789)	(6,103,185)
Net General Capital Assets	<u>\$ 30,466,753</u>	<u>\$ 2,723,341</u>	<u>\$ 1,780,396</u>	<u>\$ 8,585,892</u>	<u>\$ 43,556,382</u>

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

TOWN OF BRANDON, VERMONT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2020

	General Capital Assets 7/1/19	Additions	Deletions	General Capital Assets 6/30/20
General government	\$ 2,401,349	\$ 376,693	\$ (12,443)	\$ 2,765,599
Public safety	894,314	37,324	(21,876)	909,762
Public works	31,228,026	9,834,384	(1,587,990)	39,474,420
Recreation	226,642	-	-	226,642
Wastewater fund	5,531,261	751,883	-	6,283,144
Total General Capital Assets	40,281,592	11,000,284	(1,622,309)	49,659,567
Less: Accumulated Depreciation	(5,469,266)	(655,791)	21,872	(6,103,185)
Net General Capital Assets	<u>\$ 34,812,326</u>	<u>\$ 10,344,493</u>	<u>\$ (1,600,437)</u>	<u>\$ 43,556,382</u>

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

TOWN OF BRANDON, VERMONT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Homeland Security Passed through State of Vermont Agency of Public Safety Pre-Disaster Mitigation	97.047	02140-31233-017	\$ 264,007	\$ -
Total U.S. Department of Homeland Security			<u>264,007</u>	<u>-</u>
U.S. Department of Transportation Agency Passed through State of Vermont Agency of Transportation Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	08126-CA0513	35,870	-
Highway Planning and Construction	20.205	08126-CA0067	6,469,706	264,178
Highway Planning and Construction	20.205	08126-CA0290	25,941	-
Highway Planning and Construction	20.205	08126-CA0120	131,169	-
Highway Planning and Construction	20.205	08100-CA0439	316,948	-
Total Highway Planning and Construction Cluster			<u>6,979,634</u>	<u>264,178</u>
Total U.S. Department of Transportation Agency			<u>6,979,634</u>	<u>264,178</u>
U.S. Environmental Protection Agency Passed through State Vermont Environmental Protection Agency Clean Water State Revolving Fund Cluster				
Capitalization Grants for Clean Water SRF	66.458	06140-RF1-223	16,252	-
Capitalization Grants for Clean Water SRF	66.458	06140-RF1-214	176,506	-
Total Clean Water State Revolving Fund Cluster			<u>192,758</u>	<u>-</u>
U.S. Environmental Protection Agency Passed through State Vermont Environmental Protection Agency Drinking Water State Revolving Fund Cluster				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	RF3-372	154,911	154,911
Total Drinking Water State Revolving Fund Cluster			<u>154,911</u>	<u>154,911</u>
Total U.S. Environmental Protection Agency			<u>347,669</u>	<u>154,911</u>
United States Department of Justice Direct award				
Bulletproof Vest Partnership Program				
Bulletproof Vest Partnership Program	16.607	N/A	2,272	-
Total Bulletproof Vest Partnership Program			<u>2,272</u>	<u>-</u>
Total United States Department of Justice			<u>2,272</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 7,593,582</u>	<u>\$ 419,089</u>

TOWN OF BRANDON, VERMONT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Brandon, Vermont under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Brandon, Vermont, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Brandon, Vermont.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Town of Brandon, Vermont has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

3. Expenditures to Subrecipients

CFDA Number	Subrecipient	Total
20.205	Brandon Fire District	\$ 264,178
66.468	Brandon Fire District	154,911
		<u>\$ 419,089</u>



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

Selectboard
Town of Brandon
Brandon, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Brandon, Vermont as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Town of Brandon, Vermont's basic financial statements and have issued our report thereon dated March 9, 2021.

Internal Control Over Financial Reporting

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

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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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Brandon, Vermont'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the Town of Brandon, Vermont in a separate letter dated March 11, 2021.

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.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
March 9, 2021



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Selectboard
Town of Brandon
Brandon, Vermont

Report on Compliance for Each Major Federal Program

We have audited the Town of Brandon, Vermont's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Brandon, Vermont's major federal programs for the year ended June 30, 2020. The Town of Brandon, Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Brandon, Vermont's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Brandon, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Brandon, Vermont's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Brandon, Vermont complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Town of Brandon, Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Brandon, Vermont's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Brandon, Vermont's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Brandon, Vermont's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine

Vermont Registration No. 092.0000697

March 9, 2021

TOWN OF BRANDON, VERMONT

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? yes no
- Noncompliance material to financial statements noted? yes no

• *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with section OMB Compliance Supplement? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Cluster

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None