

Audited Financial Statements
and Other Financial Information

Town of Brandon, Vermont

June 30, 2019



Proven Expertise & Integrity

TOWN OF BRANDON, VERMONT

CONTENTS

JUNE 30, 2019

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 4
MANAGEMENT DISCUSSION AND ANALYSIS	5 - 11
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	12
STATEMENT B - STATEMENT OF ACTIVITIES	13 - 14
FUND FINANCIAL STATEMENTS	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	15
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	16
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	17
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	18
STATEMENT G - STATEMENT OF NET POSITION - PROPRIETARY FUNDS	19
STATEMENT H - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS	20
STATEMENT I - STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	21
NOTES TO FINANCIAL STATEMENTS	22 - 51

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	52
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND	53
SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	54
SCHEDULE 3 - SCHEDULE OF CONTRIBUTIONS	55

OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	56
SCHEDULE A - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND REVENUES	57
SCHEDULE B - SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND	58 - 59
SCHEDULE C - COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS	60
SCHEDULE D - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS	61
SPECIAL REVENUE FUNDS DESCRIPTION	62
SCHEDULE E - COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS	63
SCHEDULE F - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS	64
CAPITAL PROJECTS FUNDS DESCRIPTION	65
SCHEDULE G - COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS	66
SCHEDULE H - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS	67

GENERAL CAPITAL ASSET DESCRIPTION	68
SCHEDULE I - SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION	69
SCHEDULE J - SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION	70
<u>FEDERAL COMPLIANCE</u>	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	71
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	72
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 <i>GOVERNMENT AUDITING STANDARDS</i>	73 - 74
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	75 - 77
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	78



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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, 2019, 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, 2019, 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 5 through 11 and 52 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of 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 February 7, 2020 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
February 7, 2020

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

(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, 2019. 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 \$10,451,651 from \$20,925,601 to \$31,377,252. For business-type activities, the Town's total net position increased by \$906,442 from \$2,699,471 to \$3,605,913.

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 \$994,780 at the end of the fiscal year. The business-type activities do not have unrestricted net position.

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

	Governmental Activities		Business-type Activities	
	2019	2018 (Restated)	2019	2018 (Restated)
Assets:				
Current Assets	\$ 4,656,683	\$ 4,832,448	\$ 1,026,120	\$ 902,228
Noncurrent Assets	31,199,744	20,574,022	3,612,582	2,811,466
Total Assets	35,856,427	25,406,470	4,638,702	3,713,694
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	240,929	260,541	-	-
Total Deferred Outflows of Resources	240,929	260,541	-	-
Liabilities:				
Current Liabilities	1,789,821	1,654,529	63,919	83,087
Noncurrent Liabilities	2,907,172	3,070,608	968,870	931,136
Total Liabilities	4,696,993	4,725,137	1,032,789	1,014,223
Deferred Inflows of Resources:				
Deferred Inflows Related to Pensions	23,111	16,273	-	-
Total Deferred Inflows of Resources	23,111	16,273	-	-
Net Position:				
Net Investment in Capital Assets	28,628,187	17,766,741	2,614,501	1,854,548
Restricted:				
General Fund	125,581	30,913	-	-
Transportation Grant Funds	158,192	598,683	-	-
Trustees of Public Funds	742,148	748,369	-	-
Special Revenue Funds	728,364	672,928	-	-
Wastewater Fund	-	-	991,412	844,923
Unrestricted	994,780	1,107,967	-	-
Total Net Position	\$ 31,377,252	\$ 20,925,601	\$ 3,605,913	\$ 2,699,471

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

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 302,595	\$ 259,137	\$ 664,997	\$ 696,469
Operating grants and contributions	152,319	151,869	868,241	140,444
<i>General Revenues:</i>				
Taxes	6,594,608	6,751,065	-	-
Grants and contributions not restricted to specific programs	11,950,918	7,402,494	-	-
Bond proceeds	-	-	-	499,000
Miscellaneous	989,400	547,731	30,398	22,201
Total Revenues	19,989,840	15,112,296	1,563,636	1,358,114
Expenses				
General government	1,224,834	1,123,577	-	-
Public safety	713,716	992,078	-	-
Public works	3,048,215	2,162,268	-	-
Recreation	205,987	187,265	-	-
Education	3,749,008	3,776,655	-	-
County tax	25,861	26,011	-	-
Appropriations	259,759	203,259	-	-
Interest on long-term debt	14,418	25,063	26,954	26,094
Wastewater fund	-	-	526,610	520,191
Depreciation	-	-	103,630	77,007
Unclassified	296,391	128,504	-	-
Total Expenses	9,538,189	8,624,680	657,194	623,292
Transfers	-	(17,291)	-	17,291
Change in Net Position	10,451,651	6,470,325	906,442	752,113
Net Position - July 1, Restated	20,925,601	14,455,276	2,699,471	1,947,358
Net Position - June 30	\$ 31,377,252	\$ 20,925,601	\$ 3,605,913	\$ 2,699,471

Revenues and Expenses

Revenues for the Town of Brandon's governmental activities increased by 32.28%, while total expenses increased by 10.59%. The increase in revenues was primarily due to grants and contributions not restricted to specific programs and the increase in expenses was primarily due to public works.

Revenues for the business-type activities increased by 15.13% while total expenses increased by 5.44%.

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,

	2019	2018 (Restated)
General Fund:		
Nonspendable	\$ 18,333	\$ 12,931
Restricted	125,581	30,913
Unassigned	473,054	560,700
Total General Fund	\$ 616,968	\$ 604,544
Transportation Grant Funds:		
Restricted	\$ 158,192	\$ 598,683
Total Transportation Grant Funds	\$ 158,192	\$ 598,683
Trustees of Public Funds:		
Restricted	\$ 742,148	\$ 748,369
Total Trustees of Public Funds	\$ 742,148	\$ 748,369
Nonmajor Funds:		
Special Revenue Funds:		
Restricted	\$ 688,353	\$ 672,928
Capital Projects Funds:		
Nonspendable	780	-
Unassigned	-	(68,477)
Total Nonmajor Funds	\$ 729,144	\$ 604,451

The general fund total fund balance increased by \$12,425 from the prior fiscal year primarily due to revenues exceeding expenditures. The transportation grants fund decreased by \$440,491 from the prior fiscal year due to expenditures that exceeded revenues and transfers in. The trustees of public funds total fund balance decreased by \$6,221 from the prior fiscal year primarily due to investment income offset by expenditures. The nonmajor funds total fund balance increased by \$124,692 from the prior fiscal year primarily due to revenues and transfers in exceeding expenditures.

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 \$906,442 versus last year of \$752,113.

Budgetary Highlights

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

The general fund actual revenues exceeded budget by \$63,450. All revenue categories were receipted in excess of budgeted amounts with the exception of property taxes.

The general fund actual expenditures exceeded budget by \$51,025. All expenditure categories were within or under budgeted amounts with the exception of public works, recreation and transfers to other funds.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the net book value of capital assets recorded by the Town increased by \$11,426,838 from the prior year. The increase is the result of capital additions of \$12,023,994, less current year depreciation of \$597,156.

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

	2019	2018 (Restated)
Land	\$ 746,750	\$ 592,930
Construction in progress	22,835,613	12,720,160
Buildings, building improvements and land improvements	2,812,546	2,825,243
Machinery, equipment and vehicles	1,642,585	1,075,268
Infrastructure	6,774,832	6,171,887
Total	\$ 34,812,326	\$ 23,385,488

Debt

At June 30, 2019, the Town had \$3,569,638 in bonds payable and notes from direct borrowings versus \$3,656,373 last year, a decrease of 2.37%. Refer to Note 7 of the Notes to the Financial Statements for detailed information.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

The Town's unassigned fund balance has fallen below 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.

TOWN OF BRANDON, VERMONT

STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 910,774	\$ -	\$ 910,774
Investments	729,737	-	729,737
Accounts receivable (net of allowance for uncollectibles):			
Taxes	306,042	-	306,042
Other	2,505,972	549,663	3,055,635
Loans receivable (net of allowance for uncollectibles)	661,502	-	661,502
Prepaid items	19,113	-	19,113
Internal balances	(476,457)	476,457	-
Total current assets	4,656,683	1,026,120	5,682,803
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	22,240,746	1,341,617	23,582,363
Depreciable assets, net of accumulated depreciation	8,958,998	2,270,965	11,229,963
Total noncurrent assets	31,199,744	3,612,582	34,812,326
TOTAL ASSETS	35,856,427	4,638,702	40,495,129
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	240,929	-	240,929
TOTAL DEFERRED OUTFLOWS OF RESOURCES	240,929	-	240,929
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 36,097,356	\$ 4,638,702	\$ 40,736,058
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 750,663	\$ 17,211	\$ 767,874
Accrued expenses	3,869	5,974	9,843
Accrued interest payable	7,655	5,867	13,522
Grant anticipation note	750,000	-	750,000
Current portion of long-term obligations	277,634	34,867	312,501
Total current liabilities	1,789,821	63,919	1,853,740
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	1,953,430	882,091	2,835,521
Notes from direct borrowings	345,669	81,406	427,075
Accrued compensated absences	98,347	5,373	103,720
Net pension liability	509,726	-	509,726
Total noncurrent liabilities	2,907,172	968,870	3,876,042
TOTAL LIABILITIES	4,696,993	1,032,789	5,729,782
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	23,111	-	23,111
TOTAL DEFERRED INFLOWS OF RESOURCES	23,111	-	23,111
NET POSITION			
Net investment in capital assets	28,628,187	2,614,501	31,242,688
Restricted: General fund	125,581	-	125,581
Transportation grant funds	158,192	-	158,192
Trustees of public funds	742,148	-	742,148
Special revenue funds	728,364	-	728,364
Sewer fund	-	991,412	991,412
Unrestricted	994,780	-	994,780
TOTAL NET POSITION	31,377,252	3,605,913	34,983,165
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 36,097,356	\$ 4,638,702	\$ 40,736,058

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

TOWN OF BRANDON, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

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	\$ 1,224,834	\$ 302,595	\$ -	\$ -	\$ (922,239)	\$ -	\$ (922,239)
Public safety	713,716	-	-	-	(713,716)	-	(713,716)
Public works	3,048,215	-	152,319	-	(2,895,896)	-	(2,895,896)
Recreation	205,987	-	-	-	(205,987)	-	(205,987)
Education	3,749,008	-	-	-	(3,749,008)	-	(3,749,008)
County tax	25,861	-	-	-	(25,861)	-	(25,861)
Appropriations	259,759	-	-	-	(259,759)	-	(259,759)
Interest on long-term debt	14,418	-	-	-	(14,418)	-	(14,418)
Unclassified	296,391	-	-	-	(296,391)	-	(296,391)
Total governmental activities	<u>9,538,189</u>	<u>302,595</u>	<u>152,319</u>	<u>-</u>	<u>(9,083,275)</u>	<u>-</u>	<u>(9,083,275)</u>
Business-type activities:							
Wastewater fund	657,194	664,997	9,675	858,566	-	876,044	876,044
Total business-type activities	<u>657,194</u>	<u>664,997</u>	<u>9,675</u>	<u>858,566</u>	<u>-</u>	<u>876,044</u>	<u>876,044</u>
Total government	<u>\$ 10,195,383</u>	<u>\$ 967,592</u>	<u>\$ 161,994</u>	<u>\$ 858,566</u>	<u>(9,083,275)</u>	<u>876,044</u>	<u>(8,207,231)</u>

STATEMENT B (CONTINUED)

TOWN OF BRANDON, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities	Business- type Activities	Total
Changes in net position:			
Net (expense) revenue	(9,083,275)	876,044	(8,207,231)
General revenues:			
Taxes, levied for general purposes	6,594,608	-	6,594,608
Grants and contributions not restricted to specific programs	11,950,918	-	11,950,918
Miscellaneous	989,400	30,398	1,019,798
Total general revenues and transfers	19,534,926	30,398	19,565,324
Change in net position	10,451,651	906,442	11,358,093
NET POSITION - JULY 1, RESTATED	20,925,601	2,699,471	23,625,072
NET POSITION - JUNE 30	\$ 31,377,252	\$ 3,605,913	\$ 34,983,165

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

TOWN OF BRANDON, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Transportation Grant Funds	Trustees of Public Funds	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 873,880	\$ -	\$ 36,894	\$ -	\$ 910,774
Investments	-	-	705,254	24,483	729,737
Accounts receivable (net of allowance for uncollectibles):					
Taxes	306,042	-	-	-	306,042
Other	16,806	2,405,640	-	83,526	2,505,972
Loans receivable (net of allowance for uncollectibles)	-	-	-	661,502	661,502
Prepaid items	18,333	-	-	780	19,113
Due from other funds	868,678	-	-	671,870	1,540,548
TOTAL ASSETS	\$ 2,083,739	\$ 2,405,640	\$ 742,148	\$ 1,442,161	\$ 6,673,688
LIABILITIES					
Accounts payable	\$ 70,378	\$ 668,526	\$ -	\$ 11,759	\$ 750,663
Accrued expenses	3,869	-	-	-	3,869
Grant anticipation note	-	750,000	-	-	750,000
Due to other funds	1,148,327	828,922	-	39,756	2,017,005
TOTAL LIABILITIES	1,222,574	2,247,448	-	51,515	3,521,537
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues	244,197	-	-	661,502	905,699
TOTAL DEFERRED INFLOWS OF RESOURCES	244,197	-	-	661,502	905,699
FUND BALANCES					
Nonspendable - prepaid items	18,333	-	-	780	19,113
Restricted	125,581	158,192	742,148	728,364	1,754,285
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	473,054	-	-	-	473,054
TOTAL FUND BALANCES	616,968	158,192	742,148	729,144	2,246,452
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,083,739	\$ 2,405,640	\$ 742,148	\$ 1,442,161	\$ 6,673,688

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, 2019

	Total Governmental Funds
	Funds
Total Fund Balances	\$ 2,246,452
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	31,199,744
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	244,197
Loans receivable	661,502
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	240,929
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(2,149,940)
Notes from direct borrowings	(421,617)
Accrued compensated absences	(103,523)
Net pension liability	(509,726)
Accrued interest payable	(7,655)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(23,111)
Net position of governmental activities	\$ 31,377,252

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

TOWN OF BRANDON, VERMONT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Transportation Grant Funds	Trustees of Public Funds	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 6,599,256	\$ -	\$ -	\$ -	\$ 6,599,256
Intergovernmental	203,894	11,554,721	-	344,622	12,103,237
Charges for services	302,375	-	-	220	302,595
Investment income, net of realized/unrealized gains/(losses)	-	-	39,708	11,974	51,682
Miscellaneous revenues	104,877	537,804	-	216,246	858,927
TOTAL REVENUES	7,210,402	12,092,525	39,708	573,062	19,915,697
EXPENDITURES					
Current:					
General government	970,734	-	-	-	970,734
Public safety	684,388	-	-	-	684,388
Public works	808,626	6,263,726	-	-	7,072,352
Recreation	200,966	-	-	-	200,966
Education	3,749,008	-	-	-	3,749,008
County tax	25,861	-	-	-	25,861
Appropriations	259,759	-	-	-	259,759
Unclassified	32,918	-	45,929	217,544	296,391
Debt service:					
Principal	276,299	-	-	-	276,299
Interest	14,418	-	-	-	14,418
Capital outlay	-	6,424,290	-	250,826	6,675,116
TOTAL EXPENDITURES	7,022,977	12,688,016	45,929	468,370	20,225,292
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	187,425	(595,491)	(6,221)	104,692	(309,595)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	155,000	-	20,000	175,000
Transfers (out)	(175,000)	-	-	-	(175,000)
TOTAL OTHER FINANCING SOURCES (USES)	(175,000)	155,000	-	20,000	-
NET CHANGE IN FUND BALANCES	12,425	(440,491)	(6,221)	124,692	(309,595)
FUND BALANCES - JULY 1, RESTATED	604,543	598,683	748,369	604,452	2,556,047
FUND BALANCES - JUNE 30	\$ 616,968	\$ 158,192	\$ 742,148	\$ 729,144	\$ 2,246,452

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, 2019

Net change in fund balances - total governmental funds (Statement E)	<u>\$ (309,595)</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	11,119,248
Depreciation expense	<u>(493,526)</u>
	<u>10,625,722</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported	
Taxes and liens receivable	(4,648)
Loans receivable	78,791
	<u>74,143</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>(19,612)</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	
	<u>276,299</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	
	<u>(148,401)</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>(6,838)</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	128
Accrued compensated absences	4,303
Net pension liability	<u>(44,498)</u>
	<u>(40,067)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 10,451,651</u></u>

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

TOWN OF BRANDON, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2019

	<u>Enterprise Funds</u>
	<u>Wastewater Fund</u>
ASSETS	
Current assets:	
Accounts receivable (net of allowance for uncollectibles)	\$ 549,663
Due from other funds	476,457
Total current assets	<u>1,026,120</u>
Noncurrent assets:	
Capital assets:	
Construction in progress	1,341,617
Buildings and improvements	2,117,883
Equipment	1,578,398
Sewer lines	493,364
Less: accumulated depreciation	<u>(1,918,680)</u>
Total noncurrent assets	<u>3,612,582</u>
TOTAL ASSETS	<u><u>\$ 4,638,702</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 17,211
Accrued expenses	5,974
Accrued interest payable	5,867
Current portion of long-term obligations	<u>34,867</u>
Total current liabilities	<u>63,919</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	
Bonds payable	882,091
Notes from direct borrowings	81,406
Accrued compensated absences	<u>5,373</u>
Total noncurrent liabilities	<u>968,870</u>
TOTAL LIABILITIES	<u>1,032,789</u>
NET POSITION	
Net investment in capital assets	2,614,501
Restricted	<u>991,412</u>
TOTAL NET POSITION	<u>3,605,913</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 4,638,702</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, 2019

	Enterprise Funds
	Wastewater Fund
OPERATING REVENUES	
Intergovernmental	\$ 9,675
Charges for services	664,997
TOTAL OPERATING REVENUES	674,672
OPERATING EXPENSES	
Wages and benefits	174,007
Professional services	28,547
Supplies	1,897
Equipment	3,157
Maintenance and repairs	77,866
Chemicals	39,715
Operations	166,485
Administration	10,000
Insurance	24,936
Depreciation	103,630
TOTAL OPERATING EXPENSES	630,240
OPERATING INCOME (LOSS)	44,432
NONOPERATING REVENUES (EXPENSES)	
Capital contributions	858,566
Interest income	30,398
Interest expense	(26,954)
TOTAL NONOPERATING REVENUES (EXPENSES)	862,010
CHANGE IN NET POSITION	906,442
NET POSITION - JULY 1, RESTATED	2,699,471
NET POSITION - JUNE 30	\$ 3,605,913

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, 2019

	<u>Enterprise Funds</u> Wastewater
	<u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 643,563
Other receipts	9,675
Internal activity - receipts (payments) from/to other funds	(102,458)
Payments to employees	(174,007)
Payments to suppliers	(375,200)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,573</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Interest income	30,398
NET CASH PROVIDED (USED) FROM NONCAPITAL FINANCING ACTIVITIES	<u>30,398</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest paid on long-term debt	(26,954)
Debt proceeds	72,772
Capital contributions	858,566
Capital asset additions	(1,646,373)
Capital asset disposals	741,627
Principal payments on long-term debt	(31,609)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(31,971)</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)	\$ 44,432
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	103,630
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(21,434)
(Increase) decrease in due from other funds	(102,458)
Increase (decrease) in accounts payable	(19,097)
Increase (decrease) in accrued liabilities	1,561
Increase (decrease) in accrued interest	(5,061)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,573</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	<u>\$ 26,954</u>

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

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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.

Implementation of New Accounting Standards

During the year ended June 30, 2019, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 83 "Certain Asset Retirement Obligations." This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 88 "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

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

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

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

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

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

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, 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.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

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, 2019

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, 2019

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. Allowances for uncollectible accounts netted with accounts receivable were \$3,055,635 for the year ended June 30, 2019. The allowance for uncollectible accounts in the wastewater fund is estimated to be \$5,286 as of June 30, 2019.

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 government-wide financial statements as "internal balances".

Transactions Between Funds

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

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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 fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals, and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

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

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

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 is reported as liabilities in government-wide statements. The long-term debt consists primarily of bonds payable, notes from direct borrowings, accrued compensated absences and net pension liability.

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018 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).

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.

TOWN OF BRANDON, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

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, 2019, the Town’s cash and cash equivalents balance of \$910,774 was comprised of deposits amounting to \$968,672. Of these deposits, \$293,851 was insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$674,821 were collateralized with securities held by the financial institution in the Town’s name and therefore were not exposed to custodial credit risk.

Account Type	Bank Balance
Checking accounts	\$ 95,201
Repurchase agreements	829,620
Money market accounts	9,453
Cash equivalents	34,398
	\$ 968,672

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.

At June 30, 2019, the Town’s investments of \$729,737 were comprised of certificates of deposit, exchange-traded funds, closed end funds and open-end mutual funds. Of this amount, \$24,483 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 \$205,254 were uncollateralized and uninsured.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Type	Fair			
	Value	N/A	< 1 Year	1 - 5 Years
Certificates of deposit	\$ 24,483	\$ -	\$ 24,483	\$ -
Exchange-traded and closed-end funds	237,702	237,702	-	-
Mutual funds	467,552	467,552	-	-
	<u>\$ 729,737</u>	<u>\$ 705,254</u>	<u>\$ 24,483</u>	<u>\$ -</u>

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, 2019:

	June 30, 2019 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	\$ 237,702	\$ 237,702	\$ -	\$ -
Mutual funds - domestic and foreign	467,552	467,552	-	-
Total equity securities	<u>705,254</u>	<u>705,254</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>705,254</u>	<u>\$ 705,254</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	34,398			
Total cash equivalents measured at the NAV	<u>34,398</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 739,652</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 2 or 3 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, 2019 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 \$24,483 are

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 868,678	\$ 1,148,327
Transportation Grant Funds	-	828,922
Nonmajor Capital Projects Funds	-	39,756
Nonmajor Special Revenue Funds	671,870	-
Wastewater Fund	476,457	-
	<u>\$ 2,017,005</u>	<u>\$ 2,017,005</u>

NOTE 4 - 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, 2019

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

The following is a description of the notes receivable for the year ended June 30, 2019:

Borrower	Principal	Interest Rate	Terms
11 Center Street Ventures, LLC	\$ 10,551	1.50%	\$562 received monthly through February of 2021.
Swan & Stone, LLC	18,498	1.25%	\$355 received monthly through June of 2019 with a balloon payment of \$17,846 due in July
Neshobe River Company, LLC	16,542	1.25%	\$340 received monthly through May of 2023.
Olivia's Crouton, LLC	60,280	1.75%	\$442 received monthly through January of 2027 with a balloon payment of \$25,843 in February of 2027.
Park Village Partners, LLC	22,153	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	39,080	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	24,094	2.75%	\$170 received monthly through September of 2025 with a balloon payment of \$14,775 due
Junction Store, LLC	29,304	3.00%	\$248 received monthly through January of 2026 with a balloon payment of \$14,069 due
Isaiah 6:8. LLC	50,000	3.50%	\$357 paid monthly through May of 2023 with a balloon payment of \$39,471 due June 1, 2023.
Total	<u>\$ 661,502</u>		

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance, 7/1/18 (Restated)	Additions	Disposals	Balance, 6/30/19
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$592,930	\$ 153,820	\$ -	\$ 746,750
Construction in progress	11,542,775	9,951,221	-	21,493,996
	<u>\$12,135,705</u>	<u>10,105,041</u>	<u>-</u>	<u>22,240,746</u>
Depreciated assets:				
Buildings and building improvements	2,279,805	44,906	-	2,324,711
Vehicles	1,019,520	31,782	(19,724)	1,031,578
Machinery and equipment	662,361	163,376	(595)	825,142
Infrastructure	7,554,011	774,143	-	8,328,154
	<u>11,515,697</u>	<u>1,014,207</u>	<u>(20,319)</u>	<u>12,509,585</u>
Less: accumulated depreciation	<u>(3,077,380)</u>	<u>(493,526)</u>	<u>20,319</u>	<u>(3,550,587)</u>
	<u>8,438,317</u>	<u>520,681</u>	<u>-</u>	<u>8,958,998</u>
Net governmental capital assets	<u><u>20,574,022</u></u>	<u><u>\$ 10,625,722</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 31,199,744</u></u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Construction in progress	\$1,203,513	\$ 879,731	\$ (741,627)	\$ 1,341,617
	<u>1,203,513</u>	<u>879,731</u>	<u>(741,627)</u>	<u>1,341,617</u>
Depreciated assets:				
Buildings and improvements	\$ 2,110,196	\$ 7,687	\$ -	\$ 2,117,883
Equipment	819,443	758,955	-	1,578,398
Sewer lines	493,364	-	-	493,364
	<u>3,423,003</u>	<u>766,642</u>	<u>-</u>	<u>4,189,645</u>
Less: accumulated depreciation	<u>(1,815,050)</u>	<u>(103,630)</u>	<u>-</u>	<u>(1,918,680)</u>
	<u>1,607,953</u>	<u>663,012</u>	<u>-</u>	<u>2,270,965</u>
Net business-type capital assets	<u><u>\$2,811,466</u></u>	<u><u>\$ 1,542,743</u></u>	<u><u>\$ (741,627)</u></u>	<u><u>\$ 3,612,582</u></u>
Current year depreciation:				
<u>Governmental activities</u>				
General government				\$ 39,182
Public safety				29,328
Public works				419,995
Recreation				5,021
Total governmental activities depreciation expense				<u><u>\$ 493,526</u></u>
<u>Business-type activities</u>				
Wastewater fund				\$ 103,630
Total business-type activities depreciation expense				<u><u>\$ 103,630</u></u>

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6 - SHORT-TERM DEBT

The following is a description of short-term debt for the year ended June 30, 2019:

\$28,375 Note payable, to Vermont Municipal Bond Bank in annual principal installments of \$5,675 beginning January of 2024 due through January of 2028. Interest is charged at a rate of 0%.

Short-term debt activity for the year ended June 30, 2019 was as follows:

	Balance, 7/1/18	Additions	Repayments	Balance, 6/30/19
Grant anticipation note	\$ 962,784	\$ 750,000	\$ (962,784)	\$ 750,000

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2019:

	Balance, 7/1/18	Additions	Deletions	Balance, 6/30/19	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 2,346,450	\$ -	\$ (196,510)	\$ 2,149,940	\$ 196,510
Notes from direct borrowings	353,005	148,401	(79,789)	421,617	75,948
Totals	<u>\$ 2,699,455</u>	<u>\$ 148,401</u>	<u>\$ (276,299)</u>	<u>\$ 2,571,557</u>	<u>\$ 272,458</u>
<u>Business-type activities:</u>					
Bonds payable	\$ 946,126	\$ -	\$ (31,609)	\$ 914,517	\$ 32,426
Notes from direct borrowings	10,792	72,772	-	83,564	2,158
Totals	<u>\$ 956,918</u>	<u>\$ 72,772</u>	<u>\$ (31,609)</u>	<u>\$ 998,081</u>	<u>\$ 34,584</u>

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - 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.	\$ 276,500
\$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.	1,080,000
\$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>793,440</u>
Total governmental activities bonds payable	<u><u>\$ 2,149,940</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 rate is 3.616% per annum.	\$ 124,373
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 rate is 2.75% per annum.	177,026
The Town leases a Mack dump truck with KS StateBank under a non-cancelable lease agreement dated July 19, 2016. The term of the lease is for a five year period expiring August of 2021. Annual principal and interests payments are \$32,518. Interest rate is 2.372% per annum.	<u>120,218</u>
Total governmental activities notes from direct borrowings	<u><u>\$ 421,617</u></u>

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.	\$ 487,026
\$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.	398,856
\$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>28,635</u>
Total business-type activities bonds payable	<u><u>\$ 914,517</u></u>

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Business-type activities notes from direct borrowings:

\$29,500, Note payable to Vermont Municipal Bond Bank for sewer system improvements, due in annual principal installments of \$2,950 beginning August of 2023 due through August of 2027. Interest is charged at a rate of 0%.	\$ 21,165
\$11,000, 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 rate of 0%.	10,792
\$28,375, Note payable to Vermont Municipal Bond Bank in annual principal installments of \$5,675 beginning January of 2024 due through January of 2028. Interest is charged at a rate of 0%.	27,610
\$25,925, Note payable to Vermont Municipal Bond Bank, paid in five annual principal installments of \$2,592 beginning December of 2023 due through December of 2027. Interest is charged at a rate of 0%.	<u>23,997</u>
Total business type activities notes from direct borrowings	<u><u>\$ 83,564</u></u>

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
2020	\$ 196,510	\$ 80,509	\$ 75,948	\$ 13,036
2021	196,510	73,071	78,377	6,857
2022	196,510	59,984	80,898	8,055
2023	196,510	57,530	79,090	5,438
2024	196,510	50,134	52,746	3,690
2025-2029	712,550	141,173	54,558	2,078
2030-2034	287,800	63,866	-	-
2035-2039	167,040	19,145	-	-
	<u>\$ 2,149,940</u>	<u>\$ 545,412</u>	<u>\$ 421,617</u>	<u>\$ 39,154</u>

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - LONG-TERM DEBT (CONTINUED)

	Business-type Activities			
	Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2020	\$ 32,426	\$ 26,123	\$ 2,158	\$ -
2021	33,442	25,093	2,158	-
2022	34,490	24,030	2,158	-
2023	35,575	22,931	11,191	-
2024	36,694	21,797	16,713	-
2025-2029	186,944	91,404	49,186	-
2030-2034	207,458	61,249	-	-
2035-2039	161,611	29,988	-	-
2040-2044	98,808	16,012	-	-
2045-2049	87,069	4,452	-	-
	\$ 914,517	\$ 323,079	\$ 83,564	\$ -

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, 2019 was \$26,954.

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.

NOTE 8 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2019 is as follows:

	Balance, 7/1/18 (Restated)	Additions	Deletions	Balance, 6/30/19	Current Portion
<u>Governmental activities:</u>					
Accrued compensated absences	\$ 107,826	\$ -	\$ (4,303)	\$ 103,523	\$ 5,176
Net pension liability	465,228	140,089	(95,591)	509,726	-
	\$ 573,054	\$ 140,089	\$ (99,894)	\$ 613,249	\$ 5,176
<u>Business-type activities:</u>					
Accrued compensated absences	\$ 4,114	\$ 1,542	\$ -	\$ 5,656	\$ 283

Please see Notes 12 and 15 for detailed information on the other long-term obligations.

TOWN OF BRANDON, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 9 - NONSPENDABLE FUND BALANCES

At June 30, 2019, the Town had the following nonspendable fund balances:

General fund:	
Prepaid items	\$ 18,333
Nonmajor capital projects funds	780
	<u>\$ 19,113</u>

NOTE 10 - RESTRICTED FUND BALANCES

At June 30, 2019, the Town had the following restricted fund balances:

General fund:	
Record preservation	\$ 10,316
Recreation	17,776
Selectboard	85,000
Highway	12,489
Transportation grant funds	158,192
Trustee of public funds	742,148
Nonmajor special revenue funds (Schedule E)	688,353
Nonmajor capital projects funds (Schedule G)	40,011
	<u>\$ 1,754,285</u>

NOTE 11 - OVERSPENT APPROPRIATIONS

The Town was noncompliant with the legally adopted budget overspending the entire allowed appropriation of \$7,146,952 by \$51,025 for the year ended June 30, 2019. This was addressed by the utilization of additional revenues of \$63,450. Please see Schedule 1 on page 53 for more information.

NOTE 12 - 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 debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2019, the Town's liability for compensated absences is \$109,179.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - RISK MANAGEMENT

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

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - CONTINGENCIES

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

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

NOTE 15 - DEFINED BENEFIT PENSION PLAN

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by *Title 24, V.S.A. Chapter 125*. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. Employees of the School other than Teachers are eligible to participate in the VMERS providing they work on a regular basis for not less than 30 hours a week and for not less than 1,040 hours for the school year. For the year ended June 30, 2018 (the most recent data available), the retirement system consisted of 13,262 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

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

(AFC) and years of creditable service. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR may be viewed on the State's Department of Finance & Management website at:

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

Benefits Provided

The pension plan is divided into four membership groups:

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

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

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

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

VMERS	Group A	Group B	Group C	Group D
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.

Contributions

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

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	2.5% of gross salary	4.875% of gross salary	10.0% of gross salary	11.35% of gross salary
Employer Contributions	4.0% of gross salary	5.5% of gross salary	7.25% of gross salary	9.85% 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, 2019 totaled \$75,064. The Town also contributes up to 3% of the employees' contributions. This amounted to \$23,406 for the year ended June 30, 2019. The Town contributed \$69,141 for the year ended June 30, 2019. The Town's total payroll for the year ended June 30, 2019 for all employees covered under this plan was \$1,183,593.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities

At June 30, 2019, the Town reported a liability of \$509,726 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2018, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2018, the Town's proportion was 0.36234098% for VMERS, which was a decrease of 0.021651% from its proportion measured as of June 30, 2017 for VMERS.

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

For the year ended June 30, 2019, the Town recognized pension expense of \$70,948 for the VMERS plan. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>VMERS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 44,275	\$ 8,151
Changes of assumptions	56,446	-
Net difference between projected and actual earnings on pension plan investments	59,075	-
Changes in proportion and differences between contributions and proportionate share of contributions	11,992	14,960
Contributions subsequent to the measurement date	<u>69,141</u>	<u>-</u>
Total	<u>\$ 240,929</u>	<u>\$ 23,111</u>

TOWN OF BRANDON, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$69,141 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, 2020. 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:		
2019	\$	95,823
2020		35,007
2021		8,919
2022		8,929
2023		-
Thereafter		-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2018 measurement date was determined by rolling forward the total pension liability as of June 30, 2017 to June 30, 2018. The total pension liability was calculated using the following actuarial assumptions:

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

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2019 COLA is 1.30% for all groups.

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.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	16.00%	6.07%
Non-US Equity	16.00%	7.42%
Global Equity	9.00%	6.85%
Fixed Income	24.00%	2.41%
Real Estate	8.00%	4.62%
Private Markets	15.00%	7.80%
Hedge Funds	8.00%	3.95%

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:

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	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	\$ 863,362	\$ 509,726	\$ 222,123

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 & Management website at: http://finance.vermont.gov/reports_and_publications/cafr

NOTE 16 - 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 17 - RESTATEMENTS

In 2019, the Town determined that certain transactions in prior years had been recorded incorrectly. Therefore, a restatement to the 2018 government-wide financial statements was required. The general fund balance was restated in the amount of \$142 from \$604,686 to \$604,544 for the 2018 fiscal year. The transportation grant funds balance was restated by \$61,034 from \$659,717 to \$598,683 for the 2018 fiscal year. The loan receivable balance was restated in the amount of \$223,733 from \$358,978 to \$582,711 for the 2018 fiscal year. The capital asset balance was restated by a decrease of \$630,673 and accumulated depreciation was restated by a decrease of \$605,143. The net decrease to capital assets was \$25,530 from \$20,599,552 to \$20,574,022.

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17 - RESTATEMENTS (CONTINUED)

The resulting restatements increased net position for governmental activities by \$137,027 from \$20,788,574 to \$20,925,601.

The business-type activities net position was restated by \$5,656 from \$2,705,127 to 2,699,471 for accrued compensated absences.

Required Supplementary Information

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

- Budgetary Comparison Schedule - 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, 2019

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, Restated	\$ 604,543	\$ 604,543	\$ 604,543	\$ -
Resources (Inflows):				
Property taxes	6,631,812	6,631,812	6,599,256	(32,556)
Intergovernmental	159,715	159,715	203,894	44,179
Charges for services	316,705	316,705	302,375	(14,330)
Miscellaneous revenues	38,720	38,720	104,877	66,157
Amounts Available for Appropriation	<u>7,751,495</u>	<u>7,751,495</u>	<u>7,814,945</u>	<u>63,450</u>
Charges to Appropriations (Outflows):				
General government	1,030,585	1,030,585	970,734	59,851
Public safety	792,950	792,950	684,388	108,562
Public works	797,510	797,510	808,626	(11,116)
Recreation	144,515	144,515	200,966	(56,451)
Education	3,749,008	3,749,008	3,749,008	-
County tax	28,000	28,000	25,861	2,139
Appropriations	259,759	259,759	259,759	-
Debt service:				
Principal	285,500	285,500	276,299	9,201
Interest	20,000	20,000	14,418	5,582
Unclassified	39,125	39,125	32,918	6,207
Transfers to other funds	-	-	175,000	(175,000)
Total Charges to Appropriations	<u>7,146,952</u>	<u>7,146,952</u>	<u>7,197,977</u>	<u>(51,025)</u>
Budgetary Fund Balance, June 30	<u>\$ 604,543</u>	<u>\$ 604,543</u>	<u>\$ 616,968</u>	<u>\$ 12,425</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*

	2019	2018	2017	2016	2015
<u>VMERS:</u>					
Proportion of the net pension liability	0.36%	0.38%	0.36%	0.34%	0.00%
Proportionate share of the net pension liability	\$ 509,726	\$ 465,228	\$ 459,489	\$ 263,484	\$ 33,210
Covered-employee payroll	\$ 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-employee payroll	45.58%	40.95%	46.57%	30.44%	5.59%
Plan fiduciary net position as a percentage of the total pension liability	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.

TOWN OF BRANDON, VERMONT

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>VMERS:</u>					
Contractually required contribution	\$ 69,141	\$ 63,467	\$ 62,709	\$ 54,264	\$ 47,773
Contributions in relation to the contractually required contribution	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,183,593	\$ 1,118,217	\$ 1,136,033	\$ 986,618	\$ 865,453
Contributions as a percentage of covered-employee payroll	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 Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- 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, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property taxes	\$ 6,631,812	\$ 6,631,812	\$ 6,599,256	\$ (32,556)
Intergovernmental revenues:				
State aid - highways	148,715	148,715	152,319	3,604
PILOT	-	-	51,575	51,575
Other	11,000	11,000	-	(11,000)
Charges for services:				
Fees and fines	100	100	100	-
Licenses and permits	-	-	17,365	17,365
Clerk revenue	140,995	140,995	52,359	(88,636)
Zoning revenue	15,500	15,500	-	(15,500)
Police revenue	50,100	50,100	86,683	36,583
Recreation revenue	109,000	109,000	88,984	(20,016)
Solid waste revenue	-	-	33,146	33,146
Public works	1,010	1,010	23,738	22,728
Other income:				
Interest and penalties	-	-	60,905	60,905
Interest income	-	-	16,077	16,077
Other income	38,720	38,720	27,895	(10,825)
TOTAL REVENUES	<u>\$ 7,146,952</u>	<u>\$ 7,146,952</u>	<u>\$ 7,210,402</u>	<u>\$ 63,450</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, 2019

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES					
General government:					
Administration	\$ 358,480	\$ -	\$ 358,480	\$ 353,916	\$ 4,564
Assessor	40,670	-	40,670	848	39,822
Code enforcement	47,425	-	47,425	35,201	12,224
Town clerk	188,990	-	188,990	166,522	22,468
Insurance	196,850	-	196,850	178,879	17,971
Economic development	38,245	-	38,245	28,405	9,840
Town buildings and maintenance	159,925	-	159,925	206,963	(47,038)
	<u>1,030,585</u>	<u>-</u>	<u>1,030,585</u>	<u>970,734</u>	<u>59,851</u>
Public safety:					
Public safety	792,950	-	792,950	684,388	108,562
	<u>792,950</u>	<u>-</u>	<u>792,950</u>	<u>684,388</u>	<u>108,562</u>
Public works:					
Administration	434,500	-	434,500	354,185	80,315
Professional services	10,000	-	10,000	25,893	(15,893)
Supplies and equipment	9,000	-	9,000	13,649	(4,649)
Winter roads	100,000	-	100,000	122,986	(22,986)
Summer roads	121,500	-	121,500	122,232	(732)
Vehicle repairs and maintenance	56,500	-	56,500	80,728	(24,228)
Leased equipment	66,010	-	66,010	88,953	(22,943)
	<u>797,510</u>	<u>-</u>	<u>797,510</u>	<u>808,626</u>	<u>(11,116)</u>
Recreation	<u>144,515</u>	<u>-</u>	<u>144,515</u>	<u>200,966</u>	<u>(56,451)</u>
Education	<u>3,749,008</u>	<u>-</u>	<u>3,749,008</u>	<u>3,749,008</u>	<u>-</u>
County tax	<u>28,000</u>	<u>-</u>	<u>28,000</u>	<u>25,861</u>	<u>2,139</u>

TOWN OF BRANDON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Debt service:					
Principal	285,500	-	285,500	276,299	9,201
Interest	20,000	-	20,000	14,418	5,582
	<u>305,500</u>	<u>-</u>	<u>305,500</u>	<u>290,717</u>	<u>14,783</u>
Appropriations:					
BIDCC - 4th of July	6,000	-	6,000	6,000	-
Brandon rescue squad	20,735	-	20,735	20,735	-
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	-
Stephen A. Douglas Inc.	2,500	-	2,500	2,500	-
Brandon Library	92,000	-	92,000	92,000	-
Senior Citizen Center	13,500	-	13,500	13,500	-
Paving projects	100,000	-	100,000	100,000	-
Rutland Co Humane Society	750	-	750	750	-
	<u>259,759</u>	<u>-</u>	<u>259,759</u>	<u>259,759</u>	<u>-</u>
Unclassified:					
Rut. Regional Commission	925	-	925	975	(50)
Green-up Day	300	-	300	300	-
Public transit	3,500	-	3,500	3,500	-
REDC	500	-	500	500	-
Mosquito control	33,900	-	33,900	27,643	6,257
	<u>39,125</u>	<u>-</u>	<u>39,125</u>	<u>32,918</u>	<u>6,207</u>
Transfers to other funds	-	-	-	175,000	(175,000)
Total Departmental Operations	<u>\$ 7,146,952</u>	<u>\$ -</u>	<u>\$ 7,146,952</u>	<u>\$ 7,197,977</u>	<u>\$ (51,025)</u>

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

TOWN OF BRANDON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Investments	\$ 24,483	\$ -	\$ 24,483
Accounts receivable (net of allowance for uncollectibles)	-	83,526	83,526
Loans receivable (net of allowance for uncollectibles)	661,502	-	661,502
Prepaid items	-	780	780
Due from other funds	671,870	-	671,870
TOTAL ASSETS	<u>\$ 1,357,855</u>	<u>\$ 84,306</u>	<u>\$ 1,442,161</u>
LIABILITIES			
Accounts payable	\$ 8,000	\$ 3,759	\$ 11,759
Due to other funds	-	39,756	39,756
TOTAL LIABILITIES	<u>8,000</u>	<u>43,515</u>	<u>51,515</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	661,502	-	661,502
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>661,502</u>	<u>-</u>	<u>661,502</u>
FUND BALANCES (DEFICITS)			
Nonspendable - prepaid items	-	780	780
Restricted	688,353	40,011	728,364
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>688,353</u>	<u>40,791</u>	<u>729,144</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	<u>\$ 1,357,855</u>	<u>\$ 84,306</u>	<u>\$ 1,442,161</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, 2019

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Intergovernmental	\$ -	\$ 344,622	\$ 344,622
Charges for services	220		220
Investment income, net of realized/unrealized gains/(losses)	11,974	-	11,974
Other	215,775	471	216,246
TOTAL REVENUES	<u>227,969</u>	<u>345,093</u>	<u>573,062</u>
EXPENDITURES			
Capital outlay	-	250,826	250,826
Program expenses	217,544	-	217,544
TOTAL EXPENDITURES	<u>217,544</u>	<u>250,826</u>	<u>468,370</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>10,425</u>	<u>94,267</u>	<u>104,692</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	5,000	15,000	20,000
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,000</u>	<u>15,000</u>	<u>20,000</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	15,425	109,267	124,692
FUND BALANCES (DEFICITS) - JULY 1	<u>672,928</u>	<u>(68,476)</u>	<u>604,452</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 688,353</u>	<u>\$ 40,791</u>	<u>\$ 729,144</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.

TOWN OF BRANDON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	Reappraisal Reserve	Revolving Loan Funds	Town Farm Fund	Public Safety Funds	Other Grant Programs	Local Option Tax Fund	Total
ASSETS							
Investments	\$ -	\$ -	\$ 16,351	\$ -	\$ 8,132	\$ -	\$ 24,483
Loans receivable (net of allowance for uncollectibles)	-	661,502	-	-	-	-	661,502
Due from other funds	159,578	74,805	-	207	-	437,280	671,870
TOTAL ASSETS	\$ 159,578	\$ 736,307	\$ 16,351	\$ 207	\$ 8,132	\$ 437,280	\$ 1,357,855
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 8,000	\$ -	\$ 8,000
TOTAL LIABILITIES	-	-	-	-	8,000	-	8,000
DEFERRED INFLOWS OF RESOURCES							
Deferred revenue	-	661,502	-	-	-	-	661,502
TOTAL DEFERRED INFLOWS OF RESOURCES	-	661,502	-	-	-	-	661,502
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	159,578	74,805	16,351	207	132	437,280	688,353
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	159,578	74,805	16,351	207	132	437,280	688,353
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 159,578	\$ 736,307	\$ 16,351	\$ 207	\$ 8,132	\$ 437,280	\$ 1,357,855

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
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Reappraisal Reserve	Revolving Loan Funds	Town Farm Fund	Public Safety Funds	Other Grant Programs	Local Option Tax Fund	Total
REVENUES							
Interest income	\$ -	\$ 5,827	\$ 512	\$ -	\$ 122	\$ 5,513	\$ 11,974
Charges for services	-	220	-	-	-	-	220
Other income	19,914	26,210	-	15	-	169,636	215,775
TOTAL REVENUES	19,914	32,257	512	15	122	175,149	227,969
EXPENDITURES							
Other	95,746	112,591	-	1,207	8,000	-	217,544
TOTAL EXPENDITURES	95,746	112,591	-	1,207	8,000	-	217,544
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(75,832)	(80,334)	512	(1,192)	(7,878)	175,149	10,425
OTHER FINANCING SOURCES (USES)							
Transfers in	5,000	-	-	-	-	-	5,000
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	5,000	-	-	-	-	-	5,000
NET CHANGE IN FUND BALANCES	(70,832)	(80,334)	512	(1,192)	(7,878)	175,149	15,425
FUND BALANCES - JULY 1	230,410	155,139	15,839	1,399	8,010	262,131	672,928
FUND BALANCES - JUNE 30	\$ 159,578	\$ 74,805	\$ 16,351	\$ 207	\$ 132	\$ 437,280	\$ 688,353

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, 2019

	Equipment and Infrastructure Fund	Total
	<u>Fund</u>	<u>Total</u>
ASSETS		
Accounts receivable (net of allowance for uncollectibles)	\$ 83,526	\$ 83,526
Prepaid items	780	780
Due from other funds	-	-
TOTAL ASSETS	<u>\$ 84,306</u>	<u>\$ 84,306</u>
LIABILITIES		
Accounts payable	\$ 3,759	\$ 3,759
Due to other funds	39,756	39,756
TOTAL LIABILITIES	<u>43,515</u>	<u>43,515</u>
FUND BALANCES		
Nonspendable - prepaid items	780	780
Restricted	40,011	40,011
Committed	-	-
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>40,791</u>	<u>40,791</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 84,306</u>	<u>\$ 84,306</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, 2019

	Equipment and Infrastructure Fund	Total
	<u> </u>	<u> </u>
REVENUES		
Intergovernmental	\$ 344,622	\$ 344,622
Other income	471	471
TOTAL REVENUES	<u>345,093</u>	<u>345,093</u>
EXPENDITURES		
Capital outlay	<u>250,826</u>	<u>250,826</u>
TOTAL EXPENDITURES	<u>250,826</u>	<u>250,826</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>94,267</u>	<u>94,267</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	15,000	15,000
Transfers (out)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,000</u>	<u>15,000</u>
NET CHANGE IN FUND BALANCES	109,267	109,267
FUND BALANCES - JULY 1	<u>(68,476)</u>	<u>(68,476)</u>
FUND BALANCES - JUNE 30	<u>\$ 40,791</u>	<u>\$ 40,791</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, 2019

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
General government	\$ 741,603	\$ 1,535,973	\$ 123,773	\$ -	\$ 2,401,349
Public safety	26,128	588,449	279,737	-	894,314
Public works	21,470,615	30,571	1,398,686	8,328,154	31,228,026
Recreation	2,400	169,718	54,524	-	226,642
Wastewater fund	1,341,617	2,117,883	1,578,398	493,364	5,531,262
Total General Capital Assets	23,582,363	4,442,594	3,435,118	8,821,518	40,281,593
Less: Accumulated Depreciation	-	(1,630,048)	(1,792,533)	(2,046,686)	(5,469,267)
Net General Capital Assets	<u>\$ 23,582,363</u>	<u>\$ 2,812,546</u>	<u>\$ 1,642,585</u>	<u>\$ 6,774,832</u>	<u>\$ 34,812,326</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, 2019

	General Capital Assets 7/1/18	Additions	Deletions	General Capital Assets 6/30/19
General government	\$ 2,207,623	\$ 193,726	\$ -	\$ 2,401,349
Public safety	872,676	41,957	(20,319)	894,314
Public works	20,344,461	10,883,565	-	31,228,026
Recreation	226,642	-	-	226,642
Wastewater fund	4,626,516	1,646,373	(741,627)	5,531,262
	<u>28,277,918</u>	<u>12,765,621</u>	<u>(761,946)</u>	<u>40,281,593</u>
Total General Capital Assets				
Less: Accumulated Depreciation	<u>(4,892,430)</u>	<u>(597,156)</u>	<u>20,319</u>	<u>(5,469,267)</u>
Net General Capital Assets	<u>\$ 23,385,488</u>	<u>\$ 12,168,465</u>	<u>\$ (741,627)</u>	<u>\$ 34,812,326</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, 2019

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	\$ 115,365	\$ -
Total U.S. Department of Homeland Security			<u>115,365</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	31,918	-
Highway Planning and Construction	20.205	08126-CA0067	8,681,440	-
Highway Planning and Construction	20.205	08126-CA0290	912,698	-
Highway Planning and Construction	20.205	08126-CA0120	593,983	-
Highway Planning and Construction	20.205	08100-CA0439	15,761	-
Total Highway Planning and Construction Cluster			<u>10,235,800</u>	<u>-</u>
Highway Safety Cluster				
State and Community Highway Safety	20.600	08100-GR1230	3,848	-
Total Highway Safety Cluster			<u>3,848</u>	<u>-</u>
Total U.S. Department of Transportation Agency			<u>10,239,648</u>	<u>-</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	12,139	-
Capitalization Grants for Clean Water SRF	66.458	06140-RF1-214	20,561	-
Total Clean Water State Revolving Fund Cluster			<u>32,700</u>	<u>-</u>
Total U.S. Environmental Protection Agency			<u>32,700</u>	<u>-</u>
U.S. Department of Agriculture Direct award				
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	4,536	-
Total U.S. Department of Agriculture			<u>4,536</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 10,392,249</u>	<u>\$ -</u>

TOWN OF BRANDON, VERMONT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

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, 2019. 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.



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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, 2019, 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 February 7, 2020.

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*.

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
February 7, 2020



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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, Vermont
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, 2019. 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, 2019.

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
February 7, 2020

TOWN OF BRANDON, VERMONT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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

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