

**TOWN OF SHAFTSBURY, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2021**

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AUDIT REPORT  
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JUNE 30, 2021

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## Independent Auditor's Report

Selectboard  
Town of Shaftsbury, Vermont  
P.O. Box 409  
61 Buck Hill Road  
Shaftsbury, Vermont 05262-0409

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Town of Shaftsbury, Vermont as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise a portion of the Town of Shaftsbury, 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.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town of Shaftsbury, Vermont'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 Town of Shaftsbury, Vermont's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Basis for Adverse Opinion on the Financial Statements as a Whole***

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental and business-type activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements of the Town of Shaftsbury, Vermont's governmental activities have not been determined.

In addition, we did not audit the transfer station revenues because of inadequacies in the Town's controls over transfer station revenues. We were unable to obtain sufficient appropriate audit evidence about the completeness of the transfer station revenues in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund (stated at \$36,237) by other auditing procedures.

### ***Adverse Opinion***

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on the Financial Statements as a Whole" paragraphs, the financial statements referred to previously do not present fairly the financial position of the Town of Shaftsbury, Vermont, as of June 30, 2021, or the changes in its financial position or, 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***

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability on Schedule 2 and the Schedule of Contributions on Schedule 3 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 Shaftsbury, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by "Government Auditing Standards"***

In accordance with "Government Auditing Standards", we have also issued our report dated (DATE) on our consideration of the Town of Shaftsbury, 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 Shaftsbury, Vermont's internal control over financial reporting and compliance.

(DATE)  
Montpelier, Vermont  
VT Lic. #92-000180

TOWN OF SHAFTSBURY, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

	General Fund	Listers' Reappraisal Fund	Fire Equipment Replacement Fund	Cemetery Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 861,104	\$ 0	\$ 0	\$ 13,986	\$ 1,022	\$ 876,112
Investments	149,999	228,301	0	339,969	48,328	766,597
Receivables	101,750	0	0	0	449	102,199
Due from Other Funds	0	84,214	6,980	8,413	269,447	369,054
Prepaid Items	<u>52,226</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>52,226</u>
Total Assets	<u>\$ 1,165,079</u>	<u>\$ 312,515</u>	<u>\$ 6,980</u>	<u>\$ 362,368</u>	<u>\$ 319,246</u>	<u>\$ 2,166,188</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 75,449	\$ 0	\$ 7,373	\$ 0	\$ 0	\$ 82,822
Accrued Payroll and Benefits Payable	11,750	0	0	0	0	11,750
Due to Other Funds	540,030	0	0	0	0	540,030
Due to Delinquent Tax Collector	<u>7,536</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,536</u>
Total Liabilities	<u>634,765</u>	<u>0</u>	<u>7,373</u>	<u>0</u>	<u>0</u>	<u>642,138</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable Property Taxes and Interest	83,000	0	0	0	0	83,000
Unavailable Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>449</u>	<u>449</u>
Total Deferred Inflows of Resources	<u>83,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>449</u>	<u>83,449</u>
<u>FUND BALANCES</u>						
Nonspendable	52,226	0	0	78,093	0	130,319
Restricted	0	0	0	284,275	211,581	495,856
Committed	0	0	0	0	107,216	107,216
Assigned	214,136	312,515	0	0	0	526,651
Unassigned/(Deficit)	<u>180,952</u>	<u>0</u>	<u>(393)</u>	<u>0</u>	<u>0</u>	<u>180,559</u>
Total Fund Balances	<u>447,314</u>	<u>312,515</u>	<u>(393)</u>	<u>362,368</u>	<u>318,797</u>	<u>1,440,601</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,165,079</u>	<u>\$ 312,515</u>	<u>\$ 6,980</u>	<u>\$ 362,368</u>	<u>\$ 319,246</u>	<u>\$ 2,166,188</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Listers' Reappraisal Fund	Fire Equipment Replacement Fund	Cemetery Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property Taxes	\$ 1,813,379	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,813,379
Penalties and Interest on Delinquent Taxes	40,415	0	0	0	0	40,415
Intergovernmental	289,679	17,271	0	0	151,435	458,385
Charges for Services	52,163	0	5,553	5,025	0	62,741
Permits, Licenses and Fees	63,770	0	0	0	14,636	78,406
Fines and Forfeits	3,797	0	0	0	0	3,797
Investment Income	31,733	753	53	69,452	9,881	111,872
Donations	7,288	0	0	0	5,000	12,288
Other	996	0	0	0	0	996
<b>Total Revenues</b>	<u>2,303,220</u>	<u>18,024</u>	<u>5,606</u>	<u>74,477</u>	<u>180,952</u>	<u>2,582,279</u>
<b>Expenditures:</b>						
General Government	530,002	0	0	0	26,008	556,010
Public Safety	111,819	0	0	0	0	111,819
Public Works	933,926	0	0	0	340	934,266
Culture and Recreation	55,380	0	0	0	4,633	60,013
Cemetery	38,667	0	0	1,496	1,408	41,571
Solid Waste	143,533	0	0	0	0	143,533
Capital Outlay:						
Public Safety	20,606	0	320,250	0	0	340,856
Public Works	0	0	0	0	277,854	277,854
Debt Service:						
Principal	50,000	0	0	0	0	50,000
Interest	32,314	0	0	0	0	32,314
<b>Total Expenditures</b>	<u>1,916,247</u>	<u>0</u>	<u>320,250</u>	<u>1,496</u>	<u>310,243</u>	<u>2,548,236</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>386,973</u>	<u>18,024</u>	<u>(314,644)</u>	<u>72,981</u>	<u>(129,291)</u>	<u>34,043</u>
<b>Other Financing Sources/(Uses):</b>						
Insurance Proceeds	831	0	0	0	0	831
Proceeds from Sale of Equipment	135,639	0	0	0	0	135,639
Transfers In	10,901	0	61,000	0	285,000	356,901
Transfers Out	(346,000)	0	0	(10,901)	0	(356,901)
<b>Total Other Financing Sources/(Uses)</b>	<u>(198,629)</u>	<u>0</u>	<u>61,000</u>	<u>(10,901)</u>	<u>285,000</u>	<u>136,470</u>
<b>Net Change in Fund Balances</b>	<u>188,344</u>	<u>18,024</u>	<u>(253,644)</u>	<u>62,080</u>	<u>155,709</u>	<u>170,513</u>
Fund Balances - July 1, 2020	<u>258,970</u>	<u>294,491</u>	<u>253,251</u>	<u>300,288</u>	<u>163,088</u>	<u>1,270,088</u>
Fund Balances - June 30, 2021	<u>\$ 447,314</u>	<u>\$ 312,515</u>	<u>\$ (393)</u>	<u>\$ 362,368</u>	<u>\$ 318,797</u>	<u>\$ 1,440,601</u>

The accompanying notes are an integral part of this financial statement.



TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2021

	<u>Water Fund</u>
<u>ASSETS</u>	
Current Assets:	
Investments	\$ 25,478
Receivables	43,619
Due from Other Funds	<u>170,239</u>
Total Current Assets	<u>239,336</u>
Noncurrent Assets:	
Construction in Progress	62,118
Pumping Station	30,000
Meters & Meter Upgrades	40,000
Distribution System	443,000
Less: Accumulated Depreciation	<u>(89,700)</u>
Total Noncurrent Assets	<u>485,418</u>
Total Assets	<u>\$ 724,754</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 90,023
General Obligation Bonds Payable - Current Portion	<u>10,463</u>
Total Current Liabilities	<u>100,486</u>
Noncurrent Liabilities:	
General Obligation Bonds Payable - Noncurrent Portion	<u>150,949</u>
Total Noncurrent Liabilities	<u>150,949</u>
Total Liabilities	<u>251,435</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	324,006
Unrestricted	<u>149,313</u>
Total Net Position	<u>473,319</u>
Total Liabilities and Net Position	<u>\$ 724,754</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Water Fund</u>
Operating Revenues:	
Charges for Services	\$ <u>130,116</u>
Total Operating Revenues	<u>130,116</u>
Operating Expenses:	
Salary and Wages	15,673
Outside Services	5,833
Repairs and Maintenance	868
North Bennington Water Charges	72,454
North Bennington Bond Assessment	17,108
Water Testing	1,480
Legal, Dues & Postage	4,325
Training and Travel	159
Operating Supplies	942
Utilities	1,594
Depreciation	<u>7,900</u>
Total Operating Expenses	<u>128,336</u>
Operating Income	<u>1,780</u>
Non-Operating Revenues/(Expenses):	
Investment Income	<u>292</u>
Total Non-Operating Revenues/(Expenses)	<u>292</u>
Change in Net Position	2,072
Net Position - July 1, 2020	<u>471,247</u>
Net Position - June 30, 2021	<u>\$ <u>473,319</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Water Fund</u>
Cash Flows From Operating Activities:	
Receipts from Customers and Users	\$ 123,591
Payments for Goods and Services	(16,222)
Payments for Wages and Benefits	<u>(15,986)</u>
Net Cash Provided by Operating Activities	<u>91,383</u>
Cash Flows from Noncapital Financing Activities:	
(Increase)/Decrease in Due from Other Funds	<u>(79,035)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(79,035)</u>
Cash Flows From Capital and Related Financing Activities:	
Proceeds from Long-term Debt	41,472
Acquisition and Construction of Capital Assets	(43,752)
Principal Paid on General Obligation Bonds Payable	<u>(10,157)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(12,437)</u>
Cash Flows From Investing Activities:	
Receipt of Interest and Dividends	292
Net (Increase)/Decrease in Investments	<u>(203)</u>
Net Cash Provided by Investing Activities	<u>89</u>
Net Increase in Cash	0
Cash - July 1, 2020	<u>0</u>
Cash - June 30, 2021	<u><u>\$ 0</u></u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 1,780
Depreciation	7,900
(Increase)/Decrease in Receivables	(6,525)
Increase/(Decrease) in Accounts Payable	88,541
Increase/(Decrease) in Accrued Payroll and Benefits Payable	<u>(313)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 91,383</u></u>

There was \$1,456 of capital acquisitions in the Water Fund included in accounts payable at June 30, 2021.

The accompanying notes are an integral part of this financial statement.

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2021

	Private-Purpose Trust Funds	Custodial Fund Education Tax Fund
<u>ASSETS</u>		
Cash	\$ 12,646	\$ 0
Investments	251,736	0
Due from Other Funds	737	0
Total Assets	\$ 265,119	\$ 0
<u>LIABILITIES AND NET POSITION</u>		
Liabilities:	\$ 0	\$ 0
Net Position:		
Restricted:		
Held in Trust for Other Purposes	265,119	0
Total Net Position	265,119	0
Total Liabilities and Net Position	\$ 265,119	\$ 0

The accompanying notes are an integral part of this financial statement.

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	Private-Purpose Trust Funds	Custodial Fund Education Tax Fund
Additions:		
Investment Income	\$ 51,953	\$ 0
Education Taxes Collected for Other Governments	0	4,028,905
Total Additions	51,953	4,028,905
Deductions:		
Mary Monroe Hawkins Memorial Library Expenses	1,232	0
Recreation Project Expenses	5,288	0
School Expenses	1,599	0
Investment Fees	1,527	0
Education Taxes Distributed to Other Governments	0	4,028,905
Total Deductions	9,646	4,028,905
Change in Net Position	42,307	0
Net Position - July 1, 2020	222,812	0
Net Position - June 30, 2021	\$ 265,119	\$ 0

The accompanying notes are an integral part of this financial statement.

The Town of Shaftsbury, Vermont, (herein the "Town") operates under a Selectboard form of government and provides the following services: public safety, highways and streets, culture and recreation, cemetery, solid waste, water, health and social services, public improvements, planning and zoning, and general administrative services.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except as noted as follows, the accounting policies adopted by the Town of Shaftsbury, Vermont conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental and business-type activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Town's governmental activities are not reasonably determinable.

### **A. The Financial Reporting Entity**

This report includes all of the activity of the Town of Shaftsbury, Vermont. The financial reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other entities that should be combined with the financial statements of the Town.

### **B. Basis of Presentation**

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

The basic financial statements of the Town include fund financial statements. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town and present a shorter-term view of how operations were financed and what remains available for future spending.

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

The Town reports on the following major governmental funds:

General Fund – This is the Town's main operating fund. It accounts for all financial resources of the Town except those accounted for in another fund.

Listers' Reappraisal Fund – This fund accounts for the financial resources to be used for the Town's reappraisal.

Fire Equipment Replacement Fund – This fund accounts for financial resources to be used for the acquisition of fire equipment.

Cemetery Fund – This fund accounts for the fees paid to the Town for future costs associated with the cemeteries.

The Town reports on the following major enterprise fund:

Water Fund – This fund accounts for the operations of the Water Department.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Additionally, the Town reports the following fund types:

Private-Purpose Trust Funds – These funds are used to report trust arrangements under which resources are to be used for the benefit of individuals or other organizations. All investment earnings, and in some cases, the principal of these funds may be used to support these activities.

Custodial Fund – This fund is used to report resources held by the Town in a purely custodial capacity for other governments, private organizations or individuals.

### **C. Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., total net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

### **D. 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.

The proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under capital leases and sales of capital assets are reported as other financing sources.



Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

Recognition of revenues on funds received in connection with loan programs are recognized when loans are awarded and expenses incurred in excess of current grants and program income. An offsetting deferred inflows of resources is recognized for all loans receivable. Loan repayment revenue is recognized as the loans are repaid.

### **E. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows and inflows of resources 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.

### **F. New Pronouncement – Fiduciary Activities**

Effective June 30, 2021, the Town implemented GASB Statement No. 84, "Fiduciary Activities". GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This required moving certain items previously recorded through a General Fund liability account to the newly established custodial fund that reports additions and deductions for these activities. No restatement of beginning net position/fund balance was required in either fund. As a result, the collection and remittance of education taxes on behalf of other governments are now presented in a Custodial Fund.

### **G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity**

#### **1. Cash**

Cash balances of most Town funds are deposited with and invested by the Town Treasurer. The Town considers all short-term investments of ninety (90) days or less to be cash equivalents.

Excess cash of individual funds are shown as due from other funds and excess cash withdrawals are shown as due to other funds. Interest income is allocated based on the due from/to other funds balances.

#### **2. Investments**

The Town invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

### **3. Receivables**

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

### **4. Internal Balances**

Activity between funds that are representative of lending/borrowing arrangement that are outstanding at the end of the fiscal year are referred to as “advances to/from other funds.” All other outstanding balances between funds are reported as “due from/to other funds.”

### **5. Inventories and Prepaid Expenses/Items**

Inventory quantities are determined by physical count and are valued at the lower of cost or market.

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

Reported inventories and prepaid items of governmental funds in the fund financial statements are offset by a nonspendable fund balance as they are not in spendable form.

### **6. Pensions**

For purposes of measuring the proportionate share of the net pension liability and the related deferred outflows/inflows of resources 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’ fiduciary net position have been determined on the same basis as they are reported by VMERS. 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.

### **7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements 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/expenditures) until then. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

**8. Capital Assets**

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated acquisition value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets’ lives are not capitalized.

Capital assets reported in the proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Estimated Service Life
Pumping Station	\$ 10,000	50 Years
Meters & Meter Upgrades	\$ 10,000	30 Years
Distribution System	\$ 10,000	50-75 Years

**9. Compensated Absences**

It is the Town’s policy to permit employees to accumulate earned but unused leave time. The accrual for unused compensated absences time, based on current pay rates, is recorded in the proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental fund financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

**10. Long-term Liabilities**

Long-term liabilities include bonds and notes payable, capital leases and other obligations such as the Town’s net pension liability. Long-term liabilities are reported in the proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current liabilities on their balance sheets.

**11. Fund Equity**

Fund equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in the proprietary fund financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances of governmental funds are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard’s intended use of the resources); and unassigned.

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. Budgetary Information

Budgets are approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget changes during the year. The budget presented herein is for the Town's "General Fund" only and does not include the Economic Development Fund, the Landfill Fund, the Professional Audit Reserve Fund and the G.W. Hawkins Fund activity that is included with the General Fund.

### B. Budgeted Deficit

The Town budgeted a current year's deficiency of revenues over expenditures in the General Fund in the amounts of \$22,251. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 1.

## III. DETAILED NOTES ON ALL FUNDS

### A. Cash and Investments

The Town's cash and investments as of June 30, 2021 consisted of the following:

#### Cash:

Deposits with Financial Institutions	\$ 849,777
Deposits held by Investment Company	38,376
Cash on Hand	<u>605</u>
Total Cash	<u>888,758</u>

#### Investments:

Certificates of Deposit	253,779
Mutual Funds – Mixed Holdings	<u>790,032</u>
Total Investments	<u>1,043,811</u>
Total Cash and Investments	<u>\$1,932,569</u>

The Town has three (3) certificates of deposit at People's United Bank ranging from \$10,508 to \$228,301 with interest rates ranging from 0.15% to 0.55%. All certificates of deposit will mature during fiscal year 2022.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit the exposure to custodial credit risk. The mutual funds are in the name of the Town and are not exposed to custodial credit risk. The following table shows the custodial credit risk of the Town's cash and certificates of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$ 538,376	\$ 538,376
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	<u>603,556</u>	<u>675,747</u>
Total	<u>\$1,141,932</u>	<u>\$1,214,123</u>

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

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$ 849,777
Cash – Deposits held by Investment Company	38,376
Investments – Certificates of Deposit	<u>253,779</u>
Total	<u>\$1,141,932</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. The Town's certificates of deposit are exempt from interest rate risk disclosure. The Town's mutual funds are open-ended and, therefore, are also exempt from interest rate risk disclosure.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. These organizations look at a number of factors in order to evaluate the risk of an obligation and rate the risk. The rating allows the investor to make informed buying and selling decisions. The Town does not have any policy to limit the exposure to credit risk. The Town’s certificates of deposit are exempt from credit risk analysis. The Town’s mutual funds are open-ended and are, therefore, also exempt from credit risk analysis.

**Concentration of Credit Risk**

Concentration of credit risk is the risk that a large percentage of the Town’s investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town has no investments subject to concentration of credit risk.

**Fair Value**

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application.” The hierarchy is based on the valuation inputs used to measure fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The Town’s certificates of deposit are not subject to fair value disclosures.

Level 1 – Unadjusted quoted prices for identical instruments in active markets

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

The Town has the following fair value measurements as of June 30, 2021:

Description	Total	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual Funds - Mixed Holdings	\$ 790,032	\$ 790,032	\$ 0	\$ 0
Total	\$ 790,032	\$ 790,032	\$ 0	\$ 0

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**B. Receivables**

Receivables as of June 30, 2021 are as follows:

	General Fund	Non-Major Governmental Funds	Water Fund	Total
Delinquent Taxes Receivable	\$ 85,974	\$ 0	\$ 0	\$ 85,974
Penalties and Interest Receivable	15,776	0	0	15,776
Grants Receivable	0	449	0	449
Billed Services	0	0	23,619	23,619
Unbilled Services	0	0	20,000	20,000
<b>Total</b>	<b>\$ 101,750</b>	<b>\$ 449</b>	<b>\$ 43,619</b>	<b>\$ 145,818</b>

**C. Capital Assets – Water Fund**

Capital asset activity in the Water Fund for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital Assets, Not Being Depreciated:</b>				
Construction in Progress	\$ 16,910	\$ 45,208	\$ 0	\$ 62,118
<b>Total Capital Assets, Not Being Depreciated</b>	<b>16,910</b>	<b>45,208</b>	<b>0</b>	<b>62,118</b>
<b>Capital Assets, Being Depreciated:</b>				
Pumping Station	30,000	0	0	30,000
Meters & Meter Upgrades	40,000	0	0	40,000
Distribution System	443,000	0	0	443,000
<b>Totals</b>	<b>513,000</b>	<b>0</b>	<b>0</b>	<b>513,000</b>
<b>Less Accumulated Depreciation for:</b>				
Pumping Station	4,200	600	0	4,800
Meters & Meter Upgrades	17,331	1,333	0	18,664
Distribution System	60,269	5,967	0	66,236
<b>Totals</b>	<b>81,800</b>	<b>7,900</b>	<b>0</b>	<b>89,700</b>
<b>Total Capital Assets, Being Depreciated</b>	<b>431,200</b>	<b>(7,900)</b>	<b>0</b>	<b>423,300</b>
<b>Water Fund Capital Assets, Net</b>	<b>\$ 448,110</b>	<b>\$ 37,308</b>	<b>\$ 0</b>	<b>\$ 485,418</b>

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**D. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2021 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 540,030
Listers' Reappraisal Fund	84,214	0
Fire Equipment Replacement Fund	6,980	0
Cemetery Fund	8,413	0
Non-Major Governmental Funds	269,447	0
Water Fund	170,239	0
Private-Purpose Trust Fund - Florence Beebe Memorial Fund	<u>737</u>	<u>0</u>
Total	<u>\$ 540,030</u>	<u>\$ 540,030</u>

Interfund transfers during the year ended June 30, 2021 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Professional Audit Reserve Fund	\$ 15,000 *	Appropriation
General Fund	Fire Equipment Replacement Fund	61,000	Appropriation
General Fund	Equipment Replacement Fund	110,000	Appropriation
General Fund	Paving Fund	45,000	Appropriation
General Fund	Park Fund	3,000	Appropriation
General Fund	Hooke Memorial Fund	3,000	Appropriation
General Fund	Culvert Fund	10,000	Appropriation
General Fund	Cemetery Capital Fund	4,000	Appropriation
General Fund	Class 3 Road Improvement Fund	100,000	Appropriation
General Fund	Cole Hall Renovation and Garage Fund	10,000	Appropriation
Cemetery Fund	General Fund	<u>10,901</u>	Transfer Interest Earnings
Total		<u>\$ 371,901</u>	

\* The transfer from the General Fund to the Professional Audit Reserve Fund was netted within the General Fund as this fund is consolidated within the General Fund to comply with GASB Statement No. 54.

**E. Deferred Inflows of Resources**

Deferred inflows of resources in the General Fund consists of \$83,000 of delinquent property taxes and interest on those taxes not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$449 of grant revenues not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities



**F. Long-term Liabilities - Water Fund**

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for the Water Fund.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 20 year bonds.

The State of Vermont offers a number of low and no interest revolving loan programs to utilize for predetermined purposes. The Town has borrowed money from the Vermont Special Environmental Revolving Fund for water projects.

The long-term liabilities outstanding as of June 30, 2021 for the Water Fund was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal and Interest Payments of \$3,117 Payable on December 1 Annually, Interest at 1%, 2% Administration Fee, Due December, 2030	\$ 28,844	\$ 0	\$ 2,252	\$ 26,592
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal and Interest Payments of \$10,943 Payable on December 1 Annually, Interest at 1%, 2% Administration Fee, Due December, 2030	101,253	0	7,905	93,348
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Authorized to \$65,000, Principal Payments of \$13,000 Payable on January 1 Annually Beginning January 1, 2026, 0% Interest, Due January, 2030	<u>0</u>	<u>41,472</u>	<u>0</u>	<u>41,472</u>
Total	<u>\$130,097</u>	<u>\$41,472</u>	<u>\$10,157</u>	<u>\$161,412</u>

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Debt service requirements to maturity in the Water Fund are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 10,463	\$ 1,199	\$ 11,662
2023	10,776	1,095	11,871
2024	11,100	987	12,087
2025	11,433	876	12,309
2026	24,776	762	25,538
2027-2031	92,864	1,970	94,834
Total	<u>\$ 161,412</u>	<u>\$ 6,889</u>	<u>\$ 168,301</u>

**G. Fund Balances**

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard’s intended use of the resources); and unassigned.

Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Town does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Town does not have any minimum fund balance policies.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town’s policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

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The fund balances in the following funds are nonspendable as follows:

Major Funds

General Fund:	
Nonspendable Prepaid Items	\$ 52,226
Cemetery Fund:	
Nonspendable Cemetery Fund Principal	<u>78,093</u>
Total Nonspendable Fund Balances	<u>\$130,319</u>

The fund balances in the following funds are restricted as follows:

Major Funds

Cemetery Fund:	
Restricted for Cemetery Expenses by Sale of Lots and Donations (Source of Revenue is Sale of Lots and Donations)	<u>\$284,275</u>

Non-Major Funds

Special Revenue Funds:	
Restricted for Municipal Grants Expenses by Grant Agreements (Source of Revenue is Grant Revenue)	90
Restricted for Record Restoration Expenses by Statute (Source of Revenue is Restoration Fees)	<u>16,349</u>
Total Special Revenue Funds	<u>16,439</u>

Capital Projects Funds:

Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes) – Designated for Equipment Expenditures	2,040
Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes) – Designated for Paving Expenditures	25,138
Restricted for Dog Park Expenditures by Donations (Source of Revenue is Donations)	5,000
Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes) – Designated for Culvert Expenditures	22,038

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Capital Projects Funds/(Cont'd):	
Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes) – Designated for Class 3 Road Improvement Expenditures	\$ 91,576
Restricted for Howard Park Expenditures by Bequest (Source of Revenue is Donations)	<u>49,350</u>
Total Capital Projects Funds	<u>195,142</u>
Total Non-Major Funds	<u>211,581</u>
Total Restricted Fund Balances	<u>\$495,856</u>

The fund balances in the following funds are committed as follows:

Non-Major Funds

Capital Projects Funds:	
Committed for Park Expenditures by the Voters	\$ 17,287
Committed for Hooke Memorial Expenditures by the Voters	45,316
Committed for Cemetery Capital Expenditures by the Voters	36,198
Committed for Cole Hall Renovation and Garage Expenditures by the Voters	<u>8,415</u>
Total Committed Fund Balances	<u>\$107,216</u>

The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:	
Assigned for Economic Development Study Expenses	\$ 2,749
Assigned for Landfill Expenses	50,446
Assigned for Community Improvement Expenses – G.W. Hawkins Fund	<u>160,941</u>
Total General Fund	<u>214,136</u>
Listers' Reappraisal Fund:	
Assigned for Reappraisal Expenses	<u>312,515</u>
Total Assigned Fund Balances	<u>\$526,651</u>

The unassigned deficit of \$393 in the Fire Equipment Replacement Fund will be funded with a transfer from the General Fund.

**H. Net Position Held in Trust for Various Purposes**

The net position held in Trust for various purposes in the Town’s Private-Purpose Trust Funds as of June 30, 2021 consisted of the following:

Restricted for School Expenses by Bequests	\$ 35,224
Restricted for Recreation Project Expenses by Donations	116,230
Restricted for Health Expenses by Agreements	40,925
Restricted for Elderly Citizens by Bequest	44,537
Restricted for Mary Monroe Hawkins Memorial	
Library Expenses by Bequests	27,466
Restricted for Florence Beebe Memorial Expenses by Bequests	<u>737</u>
Total Private-Purpose Trust Funds	<u>\$265,119</u>

**IV. OTHER INFORMATION**

**A. Pension Plans**

**Defined Benefit Plan**

**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. It is designed for municipal and school district 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. As of June 30, 2020, the measurement date selected by the State of Vermont, the retirement system consisted of 353 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

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 Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

As of June 30, 2020, the measurement date selected by the State of Vermont, VMERS was funded at 74.52% and had a plan fiduciary net position of \$740,052,895 and a total pension liability of \$993,026,959 resulting in a net position liability of \$252,974,064. As of June 30, 2021, the Town's proportionate share of this was 0.1104% resulting in a net pension liability of \$279,177. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Town's proportion of 0.1104% was an increase of 0.0029 from its proportion measured as of the prior year.

### **Summary of System Provisions**

Membership – Full time employees of participating municipalities. Municipalities can elect coverage under Groups A, B, C or D provisions. The Town elected coverage under Group B.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Group A – Average annual compensation during highest five (5) consecutive years. Groups B and C – Average annual compensation during highest three (3) consecutive years. Group D – Average annual compensation during highest two (2) consecutive years.

#### Service Retirement Allowance:

Eligibility – Group A – The earlier of age 65 with five (5) years of service or age 55 with thirty-five (35) years of service. Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service. Groups C and D – Age 55 with five (5) years of service.

Amount – Group A – 1.4% of AFC times service. Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC. Group D – 2.5% of AFC times service as a Group D member plus percentage earned as a Group A, B or C member times AFC.

Maximum benefit is 60% of AFC for Groups A and B and 50% of AFC for Groups C and D. The previous amounts include the portion of the allowance provided by member contributions.

#### Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Groups A and B. Age 50 with twenty (20) years of service for Group D.

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Groups A and B members, and payable without reduction to Group D members.

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

Amount – Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

Disability Retirement Allowance:

Eligibility – Five (5) years of service and disability as determined by Retirement Board.

Amount – Immediate allowance based on AFC and service to date of disability; children’s benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

Death Benefit:

Eligibility – Death after five (5) years of service.

Amount – For Groups A, B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus children’s benefit.

Optional Benefit and Death after Retirement – For Groups A, B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.

Refund of Contribution – Upon termination, if the member so elects or if no other benefit is payable, the member’s accumulated contributions are refunded.

Post-Retirement Adjustments – Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 2% for Group A and 3% for Groups B, C and D.

Member Contributions – Group A – 3.00%. Group B – 5.375%. Group C – 10.50%. Group D – 11.85%.

Employer Contributions – Group A – 4.50%. Group B – 6.00%. Group C – 7.75%. Group D – 10.35%.

Retirement Stipend – \$25 per month payable at the option of the Board of Trustees.

### Significant Actuarial Assumptions and Methods

Investment Rate of Return: 7.00%, net of pension plan investment expenses, including inflation, a decrease from 7.50% in the prior year.

Salary increases: Varying service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.

Mortality:

Pre-Retirement: Groups A, B and C – 40% PubG-2010 General Employee below-median and 60% of PubG-2010 General Employee, with generational projection using scale MP-2019. Group D – PubG-2010 General Employee above-median, with generational projection using scale MP-2019.

Healthy Post-retirement – Retirees: Groups A, B and C – 104% of 40% PubG-2010 General Healthy Retiree below-median and 60% of PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019. Group D – PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019.

Healthy Post-retirement – Beneficiaries: Groups A, B and C – 70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor, with generational projection using scale MP-2019. Group D – Pub-2010 Contingent Survivor, with generational projection using scale MP-2019.

Disabled Post-retirement: All Groups – PubNS-2010 Non-Safety Disabled Retiree Mortality Table with generational projection using scale MP-2019.

Spouse's Age: Females three years younger than males.

Cost-of-Living Adjustments: 1.10% for Group A members and 1.20% for Groups B, C and D members. The January 1, 2020 and January 1, 2021 COLAs are 0.80% and 0.40%, respectively, for all groups.

Actuarial Cost Method: Entry age actuarial cost method. Entry age is the age at date of employment or, if date is unknown, current age minus years of service. Normal cost and actuarial accrued 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.

Assets: The valuation is based on the market value of assets as of the valuation date, as provided by the System. The System uses an "actuarial value of assets" that differs from market value to gradually reflect year-to-year changes in the market value of assets in determine the contribution requirements.

Inflation: 2.30%



Long-term Expected Rate of Return:

The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	29%	7.07%
US Equity – Large Cap	4%	6.19%
US Equity – Small/Mid Cap	3%	6.93%
Non-US Equity – Large Cap	5%	7.01%
Non-US Equity – Small Cap	2%	7.66%
Emerging Markets Debt	4%	3.66%
Core Bond	20%	0.39%
Private & Alternate Credit	10%	6.03%
US TIPS	3%	(0.20)%
Core Real Estate	5%	4.06%
Non-Core Real Estate	3%	6.43%
Private Equity	10%	11.27%
Infrastructure/Farmland	2%	5.44%

Discount Rate – The discount rate used to measure the total pension liability was 7.00%, a decrease from 7.50% in the prior year. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members) with scheduled increases through July 1, 2021. Further, based upon Board resolution, projected contributions beginning July 1, 2022, and each subsequent July 1, through 2025 include additional total contribution increases of 0.50% per year. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.00%) or one percent higher (8.00%):

<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$426,526	\$279,177	\$157,940

**Additional Information**

Additional information regarding the State of Vermont Municipal Employees’ Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

**Deferred Compensation Plan**

The Town also offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The Town is the administrator of the plan. The plan permits employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Town has no liability for losses under this plan, but does have the duty of due care that would be required of an ordinary prudent investor. All of the investments are self-directed by each employee.

**B. Property Taxes**

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes were levied in October and were due November 6, 2020. The penalty is eight percent (8%). Interest is charged at one percent (1%) per month for the first three months and one and one-half percent (1-1/2%) per month for each month thereafter. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale. The tax rates for 2021 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Town	.4449	.4449
Local Agreement	.0047	.0047
Education	<u>1.3535</u>	<u>1.5177</u>
Total	<u>1.8031</u>	<u>1.9673</u>

**C. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through a local broker. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years.

TOWN OF SHAFTSBURY, VERMONT  
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The Town is a member of the Vermont League of Cities and Towns Employment Resource and Benefits Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employment benefits for Vermont municipalities and is owned by the participating members. The agreement does not permit the Trust to make additional assessments to its members. The Town has only elected unemployment coverage with the Trust.

**D. Compensated Absences**

It is the policy of the Town to permit employees to accumulate earned but unused vacation benefits, personal leave and sick time. Amounts not expected to be liquidated with expendable available financial resources are not reported in the governmental funds. No expenditure is reported for these amounts until paid. The total accrued leave time as of June 30, 2021 was \$5,688. As of June 30, 2021, there was no accrued leave time liability for the Water Fund.

**E. Long-term Debt – Governmental Funds**

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 20 year bonds.

The long-term debt outstanding as of June 30, 2021 for the Governmental Funds was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Town Garage, Principal Payments of \$50,000 Payable on November 1 Annually, Interest Ranging from 1.78% to 3.87% Payable on May 1 and November 1, Due November, 2039	\$ <u>1,000,000</u>	\$ <u>    0</u>	\$ <u>50,000</u>	\$ <u>950,000</u>
Total Governmental Funds	\$ <u>1,000,000</u>	\$ <u>    0</u>	\$ <u>50,000</u>	\$ <u>950,000</u>

Debt service requirements to maturity in the Governmental Funds are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 50,000	\$ 29,890
2023	50,000	28,770
2024	50,000	27,578
2025	50,000	26,310
2026	50,000	24,968
2027-2031	250,000	102,276
2032-2036	250,000	60,242
2037-2040	<u>200,000</u>	<u>15,306</u>
Total	\$ <u>950,000</u>	\$ <u>315,340</u>

**F. Short-term Debt**

Annually, the Town borrows monies in anticipation of taxes. The activity during 2021 was as follows:

Short-term Debt - July 1, 2020	\$	0
Proceeds of Tax Anticipation Note		200,000
Repayment of Tax Anticipation Note		<u>(200,000)</u>
Short-term Debt - June 30, 2021	\$	<u>0</u>

**G. Landfill Post-Closure Costs**

State and Federal laws and regulations required the Town to close its landfill in 2006. These laws and regulations required the Town to perform certain maintenance and monitoring at the site. The Town has estimated that they will continue for another five (5) years. The Town’s estimated liability is \$87,000. This amount is based on what it would cost to perform all post closure care now. Actual costs may vary due to changes in the cost of living, changes in technology, changes in regulations or variances between estimated and actual amounts.

**H. Commitments and Contingencies**

There is an ongoing dispute with the North Bennington Water Department over water rates. The Town is seeking to enter into formal mediation with the North Bennington Water Department to resolve cost-related disputes over water that the Village supplies to customers in part of Shaftsbury. The dispute is in the early stages, so therefore, the likelihood of or the amount of a negative outcome is unknown at this time.

**I. Related Party Transactions**

A Selectboard member is an owner of a trucking company which performed services for the Town during the year. The amount paid to his trucking company for the fiscal year ending June 30, 2021 was \$24,936.

**J. Subsequent Events**

On July 21, 2021, the Town approved a loan agreement with the State of Vermont Municipal Equipment Loan Fund for a tractor in the amount of \$110,000 with an interest rate of 2% and a maturity date of June 30, 2026.

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Current Tax Revenue	\$ 1,803,050	\$ 1,813,379	\$ 10,329
Late Homestead Penalty	2,051	3,016	965
Delinquent Tax Interest	10,000	18,285	8,285
Education Billing Fee Retained	9,000	9,401	401
Railroad Tax	900	992	92
State Land Use	39,000	44,897	5,897
State PILOT Program	14,500	11,103	(3,397)
Federal Land PILOT Program	3,600	3,656	56
Vermont State Highway Aid	158,800	208,251	49,451
Miscellaneous Grant Income	0	20,780	20,780
Water Charge for Labor	2,500	0	(2,500)
Brush Fees	125	0	(125)
Access Permits	9,000	660	(8,340)
Pay-As-You-Throw Revenues	62,000	36,237	(25,763)
Zoning Permits	6,000	9,980	3,980
Dog Licenses	3,750	3,076	(674)
Beer and Liquor Licenses	130	0	(130)
Marriage Licenses	100	920	820
Dog Fines	400	0	(400)
Civil Fines	2,000	781	(1,219)
Interest Income	2,700	1,533	(1,167)
Trustees of Public Funds	3,000	5,288	2,288
Park Fees	100	50	(50)
Administrative Burial Fees & Permits	1,500	2,010	510
Lots Fees	3,600	5,925	2,325
Cemetery Perpetual Trusts	3,000	10,901	7,901
Corner Markers	1,800	600	(1,200)
Cemetery Miscellaneous Income	0	2,000	2,000
Town Clerk Fees	42,000	46,555	4,555
Miscellaneous Clerk Fees	300	519	219
Insurance Proceeds	0	831	831
Proceeds from Sale of Equipment	30,000	135,639	105,639
Miscellaneous Income	0	996	996
Total Revenues	<u>2,214,906</u>	<u>2,398,261</u>	<u>183,355</u>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures:			
Administration:			
Select Board Stipend	\$ 3,250	\$ 3,250	\$ 0
Town Administrator Salary	76,000	76,000	0
Health Plan Administration	1,000	733	267
Aflac Administration	900	669	231
FICA & Medicare	5,354	6,038	(684)
Liability Insurance & Bonds	58,536	61,367	(2,831)
Retirement Contribution	4,246	4,560	(314)
Unemployment Insurance	333	836	(503)
Professional Services	15,000	26,193	(11,193)
Postage	1,200	1,947	(747)
Meetings/Training	500	203	297
IT and Website Support	4,800	5,700	(900)
Advertising & Legal Notices	2,500	835	1,665
Dues & Subscriptions	12,750	13,548	(798)
Office Supplies	2,000	3,793	(1,793)
Office Equipment/Leases	2,500	5,085	(2,585)
Miscellaneous Expenses	1,200	3,742	(2,542)
Total Administration	<u>192,069</u>	<u>214,499</u>	<u>(22,430)</u>
Cole Hall - Town Offices:			
Custodial Wages	5,000	215	4,785
Contract Services	0	3,890	(3,890)
FICA	362	22	340
Repairs and Maintenance	3,000	1,442	1,558
Operating Supplies	2,300	1,687	613
Utilities	5,100	8,316	(3,216)
Heating Fuel	5,000	1,592	3,408
Total Cole Hall - Town Offices	<u>20,762</u>	<u>17,164</u>	<u>3,598</u>
Elections & Vital Statistics:			
Assistant Town Clerk	10,672	18,172	(7,500)
Town Clerk Salary	41,544	43,544	(2,000)
Poll Worker Wages	4,000	3,395	605
Town Clerk Health Insurance Premium	7,213	8,101	(888)
Town Clerk Health Insurance Deductible	2,000	2,148	(148)
Short-term Disability	600	365	235
FICA & Medicare	3,640	4,700	(1,060)
Retirement Contribution	2,389	2,703	(314)
Professional Services	0	55	(55)
Travel and Meetings - Clerk	500	279	221
Travel and Meetings - Elections	500	175	325
Machine Equipment/Supplies - Elections	5,500	6,579	(1,079)
Operating Equipment/Supplies - Clerk	4,000	2,513	1,487
Total Elections & Vital Statistics	<u>82,558</u>	<u>92,729</u>	<u>(10,171)</u>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Accounting/Payroll:			
Bookkeeping Wages	\$ 8,406	\$ 5,855	\$ 2,551
FICA & Medicare	801	442	359
Payroll Services	3,000	2,562	438
Total Accounting/Payroll	<u>12,207</u>	<u>8,859</u>	<u>3,348</u>
Auditing:			
Auditor Wages	1,700	354	1,346
FICA & Medicare	130	27	103
Travel and Meetings	200	0	200
Town Report	3,500	1,177	2,323
Total Auditing	<u>5,530</u>	<u>1,558</u>	<u>3,972</u>
Delinquent Tax Collection:			
FICA & Medicare	1,300	1,642	(342)
Supplies	800	355	445
Total Delinquent Tax Collection	<u>2,100</u>	<u>1,997</u>	<u>103</u>
Treasurer Services:			
Treasurer's Salary	24,000	24,000	0
Other Services	250	104	146
Bank Service Charge	660	660	0
Billing Supplies	3,000	1,495	1,505
FICA & Medicare	1,740	1,836	(96)
Total Treasurer Services	<u>29,650</u>	<u>28,095</u>	<u>1,555</u>
Listers:			
Lister Wages	13,498	14,172	(674)
FICA & Medicare	979	1,085	(106)
Professional Services	15,000	15,759	(759)
Tax Maps	2,500	3,200	(700)
IT Support and Computer Maintenance	500	1,469	(969)
Travel and Meetings	250	0	250
Dues and Subscriptions	300	0	300
Operating Supplies	400	147	253
Total Listers	<u>33,427</u>	<u>35,832</u>	<u>(2,405)</u>
Animal Control:			
ACO Wages	600	0	600
Contracted Services/Monthly Stipends	6,494	5,250	1,244
FICA & Medicare	46	0	46
Veterinary Expense	750	0	750
Tags/Miscellaneous	450	0	450
Total Animal Control	<u>8,340</u>	<u>5,250</u>	<u>3,090</u>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Emergency Management:			
Travel and Meetings	\$ 200	\$ 0	\$ 200
Operating Supplies	400	0	400
Equipment Maintenance	800	876	(76)
Total Emergency Management	1,400	876	524
Fire Department:			
Chief's Stipends	2,600	2,600	0
FICA & Medicare	189	0	189
Insurance & Bonds	2,550	2,130	420
Firehouse Maintenance	5,000	3,788	1,212
Fire Truck Maintenance	8,000	6,195	1,805
Communications	3,000	3,711	(711)
Training	2,000	395	1,605
Operating Supplies	750	616	134
Utilities	10,000	11,518	(1,518)
Firehouse Heating Fuel (Fuel Oil)	11,016	5,534	5,482
Gas, Oil and Diesel (Trucks)	4,000	1,855	2,145
Extrication Equipment	2,000	0	2,000
Equipment Replacement	20,000	20,606	(606)
Total Fire Department	71,105	58,948	12,157
Fire Warden:			
Operating Supplies	250	0	250
Vehicle & Equipment	1,500	0	1,500
Total Fire Warden	1,750	0	1,750
Law Enforcement:			
Constable Wages	200	0	200
Sheriff Services	33,743	33,851	(108)
Total Law Enforcement	33,943	33,851	92
Bennington Rescue:	25,000	25,000	0
Highway Administration:			
Highway Wages - Regular	289,400	289,142	258
Highway Wages - Overtime	37,496	19,345	18,151
Employee Health Insurance - Premium	65,171	77,661	(12,490)
Employee Health Insurance - Deductible	16,000	7,982	8,018
Short-term Disability	4,500	2,412	2,088
FICA & Medicare	23,706	23,024	682
Retirement Contribution	17,162	17,931	(769)
Uniform Cleaning	10,000	9,456	544
Travel and Meetings	300	0	300
Steel Toe Footwear	600	697	(97)
CDL Physicals and Drug Testing	800	179	621
Total Highway Administration	465,135	447,829	17,306

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	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Highway Construction &amp; Maintenance:</b>			
Subcontract Costs	\$ 12,000	\$ 20,094	\$ (8,094)
Signs	4,000	3,178	822
Tree Removal	17,500	8,599	8,901
Paving	0	195	(195)
Operating Supplies	3,000	5,368	(2,368)
Gravel	90,000	92,041	(2,041)
Chloride (Dust Control)	60,000	53,912	6,088
Winter Salt	48,800	40,567	8,233
Winter Sand	52,000	65,303	(13,303)
Level & Sealing	5,000	4,250	750
Rentals	15,000	21,953	(6,953)
Culverts	5,000	6,087	(1,087)
State MRGP Fees	2,043	1,350	693
	<u>314,343</u>	<u>322,897</u>	<u>(8,554)</u>
<b>Highway Equipment Maintenance:</b>			
Truck #1 International	2,050	9,187	(7,137)
Truck #2-2012 International	2,050	12,131	(10,081)
Truck #3-15 International	2,050	8,898	(6,848)
Truck #4-13 International Tandem Axle	2,050	19,177	(17,127)
Truck #5-06 One Ton	2,050	13,260	(11,210)
Truck #6-95 International/Chloride	2,050	551	1,499
Truck #7-02 One Ton	2,050	754	1,296
Truck #8-IH 4300	2,050	0	2,050
Truck #9A.M. General Military Surplus	2,050	302	1,748
Truck #10 17 Dodge 3500	2,050	1,156	894
John Deere Backhoe 2011	2,050	1,106	944
John Deere Surplus Loader	2,050	271	1,779
Volvo Excavator 1988	2,050	1,214	836
Cat Grader 1987	2,050	4,838	(2,788)
John Deere Tractor/Mower 1988	2,050	922	1,128
Plows & Sanders	2,050	5,499	(3,449)
Sidewalk Machine 2002	2,050	2,039	11
John Deere Grader 2010	2,050	4,771	(2,721)
Cat Traxcavator	2,050	0	2,050
Deere Surplus Loader	0	160	(160)
Communications	500	0	500
Gas, Diesel and Oil	58,650	46,514	12,136
Small Machinery and Equipment	10,000	13,546	(3,546)
	<u>108,100</u>	<u>146,296</u>	<u>(38,196)</u>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway Garage:			
Professional Services	\$ 1,500	\$ 3,496	\$ (1,996)
Repairs and Maintenance	1,000	1,050	(50)
Operating Supplies	4,000	1,232	2,768
Utilities	4,000	7,402	(3,402)
Heating Fuel	6,500	0	6,500
Small Machinery and Equipment	2,000	3,724	(1,724)
	<u>19,000</u>	<u>16,904</u>	<u>2,096</u>
Total Highway Garage			
Solid Waste Facility:			
Attendant Wages	16,807	16,642	165
FICA & Medicare	1,219	1,247	(28)
Professional Services	2,000	1,520	480
Management Contract	72,368	68,088	4,280
Methane Well Monitoring	400	0	400
Solid Waste Implementation Plan	19,000	7,402	11,598
Groundwater Monitoring	26,000	21,827	4,173
Solid Waste Removal	25,000	26,254	(1,254)
Repairs & Maintenance	1,000	100	900
Operating Supplies	1,000	149	851
Sticker Cost	2,000	0	2,000
Transfer Station Utilities	500	304	196
Landfill Utilities	300	0	300
	<u>167,594</u>	<u>143,533</u>	<u>24,061</u>
Total Solid Waste Facility			
Street Lights:			
Hawks Avenue	500	338	162
S. Shaftsbury Village	9,000	10,895	(1,895)
	<u>9,500</u>	<u>11,233</u>	<u>(1,733)</u>
Total Street Lights			
Parks and Recreation:			
Professional Services	2,000	3,388	(1,388)
Building Construction, Maintenance and Repairs	2,000	4,223	(2,223)
Equipment Maintenance	0	141	(141)
Operating Supplies	500	386	114
Utilities	500	442	58
	<u>5,000</u>	<u>8,580</u>	<u>(3,580)</u>
Total Parks and Recreation			
Cemetery Expenditures:			
Superintendent Salary	7,500	7,365	135
Cemetery Assistant	3,120	0	3,120
FICA & Medicare	770	580	190
Contract Services	26,000	25,172	828
Repairs and Maintenance	5,000	4,735	265
Travel and Meetings	400	315	85
Corner Marker Installation	200	0	200
(New) Corner Marker Purchases	1,300	500	800
Transfer to Perpetual Care Fund	5,400	0	5,400
	<u>49,690</u>	<u>38,667</u>	<u>11,023</u>
Total Cemetery Expenditures			

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Development Review Board:			
Board Member Stipends	\$ 500	\$ 500	\$ 0
Professional Services	1,900	0	1,900
Travel and Meetings	500	0	500
Advertising and Legal	1,000	1,617	(617)
Operating Supplies	100	0	100
Total Development Review Board	<u>4,000</u>	<u>2,117</u>	<u>1,883</u>
Planning:			
Board Member Stipends	500	1,015	(515)
Zoning Administrator Wages	11,330	10,664	666
FICA & Medicare	822	840	(18)
Professional Services	500	84	416
Travel and Meetings	250	0	250
Advertising and Legal	500	0	500
Operating Supplies	200	0	200
Total Planning	<u>14,102</u>	<u>12,603</u>	<u>1,499</u>
County Tax:	<u>30,200</u>	<u>30,768</u>	<u>(568)</u>
Debt Service Expenditures:			
Tax Anticipation Note - Interest	1,000	1,372	(372)
Garage Bond Payment	80,942	80,942	0
Total Debt Service Expenditures	<u>81,942</u>	<u>82,314</u>	<u>(372)</u>
Transfer to Reserves:			
Cole Hall Reserve Fund	10,000	10,000	0
Equipment Reserve Fund	110,000	110,000	0
Fire Warden Truck Reserve Fund	1,000	1,000	0
Fire Truck Reserve Fund	60,000	60,000	0
Paving Reserve Fund	45,000	45,000	0
Cemetery Reserve Fund	4,000	4,000	0
Park Reserve Fund	3,000	3,000	0
Culvert Reserve Fund	10,000	10,000	0
Audit Reserve Fund	15,000	15,000	0
Veterans Memorial (Hooke) Fund	3,000	3,000	0
Class 3 Road Capital Improvement Reserve Fund	100,000	100,000	0
Total Transfer to Reserves	<u>361,000</u>	<u>361,000</u>	<u>0</u>

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TOWN OF SHAFTSBURY, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Community Appropriations:			
Bennington Free Library	\$ 18,000	\$ 18,000	\$ 0
John G. McCullough Library	24,000	24,000	0
Arlington Rescue Squad	8,500	8,500	0
VNA & Hospice of S.V.H.C.	5,225	5,225	0
Bennington Project Independence	4,560	4,560	0
Martha Canfield Library	2,000	2,000	0
Paran Recreation, Inc.	2,800	2,800	0
Shaftsbury History Society	2,500	2,500	0
Habitat for Humanity	1,850	1,850	0
BROC	1,700	1,700	0
SWVT Council on Aging	1,100	1,100	0
Bennington Coalition Homeless	1,000	1,000	0
Bennington County Child Advocacy Center	500	500	0
Little League	600	600	0
Sunrise Family Resource	1,000	1,000	0
Bennington Free Clinic	1,000	1,000	0
Park McCullough House	1,500	1,500	0
Vermont Center for Independent Living	1,000	1,000	0
RSVP	950	950	0
Tutorial Center, Inc.	900	900	0
Center for Restorative Justice	600	600	0
Bennington County Conservation District	475	475	0
PAVE	450	450	0
Vermont Association Blind & Visually Impaired	300	300	0
Green Up Vermont	200	200	0
Shires Media Partnership - WBTN	5,000	5,000	0
	<u>87,710</u>	<u>87,710</u>	<u>0</u>
Total Community Appropriations			
	<u>2,237,157</u>	<u>2,237,109</u>	<u>48</u>
Total Expenditures			
Excess/(Deficiency) of Revenues Over Expenditures	\$ <u>(22,251)</u>	161,152	\$ <u>183,403</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Economic Development Fund Income		5	
Economic Development Fund Expenses		(3,500)	
Landfill Fund Income		44	
Professional Audit Reserve Fund Expenses		(13,632)	
Professional Audit Reserve Fund Transfer In		15,000	
G.W. Hawkins Fund Income		30,151	
G.W. Hawkins Fund Expenses		<u>(876)</u>	
Net Change in Fund Balance		188,344	
Fund Balance - July 1, 2020		<u>258,970</u>	
Fund Balance - June 30, 2021		\$ <u>447,314</u>	

The reconciling items are due to combining four (4) funds, the Economic Development Fund, the Landfill Fund, the Professional Audit Reserve Fund and the G.W. Hawkins Fund with the General Fund in order to comply with GASB Statement No. 54.

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TOWN OF SHAFTSBURY, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
VMERS DEFINED BENEFIT PLAN  
JUNE 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 252,974,064	\$ 173,491,807	\$ 140,675,892	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.1104%	0.1075%	0.1071%	0.1046%	0.0965%	0.1163%	0.1120%
Town's Proportionate Share of the Net Pension Liability	\$ 279,177	\$ 186,447	\$ 150,711	\$ 126,727	\$ 124,141	\$ 89,672	\$ 10,218
Town's Covered Employee Payroll	\$ 419,892	\$ 397,777	\$ 367,078	\$ 341,190	\$ 310,577	\$ 266,557	\$ 302,481
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	66.4878%	46.8722%	41.0569%	37.1426%	39.9711%	33.6408%	3.3781%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.52%	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

**Notes to Schedule**

Benefit Changes: None.

Changes in Assumptions and Methods: The following changes were effective for the June 30, 2020 valuation date:

- The investment return assumption was lowered from 7.50% to 7.00%.
- The inflation assumption was lowered from 2.50% to 2.30%.
- The COLA assumption was lowered from 1.15% to 1.10% for Group A members and from 1.30% to 1.20% for Groups B, C and D members.
- The mortality assumptions were updated as follows:
  - Pre-Retirement:
    - Groups A/B/C - 40% PubG-2010 General Employee below-median and 60% of PubG-2010 General Employee, with generational projection using scale MP-2019.
    - Group D - PubG-2010 General Employee above-median, with generational projection using scale MP-2019.
  - Healthy Post-Retirement - Retirees:
    - Groups A/B/C - 104% of 40% PubG-2010 General Healthy Retiree below-median and 60% of PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019.
    - Group D - PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019.
  - Healthy Post-Retirement - Beneficiaries:
    - Groups A/B/C - 70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor, with generational projection using scale MP-2019.
    - Group D - Pub-2010 Contingent Survivor, with generational projection using scale MP-2019.
  - Disabled Retirees:
    - All Groups - PubNS-2010 Non-Safety Disabled Retiree Mortality Table with generational projection using scale MP-2019.
- The salary scale assumption was revised for varying service based rates from 0-10 years of service, then a single rate of 2.20% for all subsequent years, plus revised inflation of 2.30%.
- The active retirement rates were updated as follows:
  - Group A: Decreased the rates throughout all ages.
  - Group B: For females, slightly decreased the rates at younger ages and then increased the rates at later ages. For males, slightly decreased the rates at most ages.
  - Group C: Simplified the assumption to a unisex table that more accurately aligns with the actual experience for both males and females.
  - Group D: For members with less than 20 years of service, increased the rates for ages 55-59.
- The inactive retirement assumption was updated to add a rate of 10% from early retirement age for each year until normal retirement age, then 100% at normal retirement age.
- The liability loan of accumulated contributions for Inactive Members was removed. Liabilities for Inactive Members are now based on 100% of the accumulated contributions. Inactive Members who are vested immediately become Deferred Members, and the liabilities for all Deferred Members are based on the accrued benefit.
- The termination rates were updated as follows:
  - Simplified female rates to one set of slightly reduced rates for all females.

Fiscal year 2015 was the first year of implementation, therefore, only seven years are shown.

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TOWN OF SHAFTSBURY, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 VMERS DEFINED BENEFIT PLAN  
 FOR THE YEAR ENDED JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 25,194	\$ 22,873	\$ 20,648	\$ 18,765	\$ 17,082	\$ 14,661	\$ 16,258
Contributions in Relation to the Actuarially Determined Contributions	<u>25,194</u>	<u>22,873</u>	<u>20,648</u>	<u>18,765</u>	<u>17,082</u>	<u>14,661</u>	<u>16,258</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 419,892	\$ 397,777	\$ 367,078	\$ 341,190	\$ 310,577	\$ 266,557	\$ 302,481
Contributions as a Percentage of Town's Covered Employee Payroll	6.000%	5.750%	5.625%	5.500%	5.500%	5.500%	5.375%

**Notes to Schedule**

Valuation Date: June 30, 2020

Fiscal year 2015 was the first year of implementation, therefore, only seven years are shown.

TOWN OF SHAFTSBURY, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2021

	Special Revenue Funds	Capital Project Funds	Total
<u>ASSETS</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash	\$ 0	\$ 1,022	\$ 1,022
Investments	0	48,328	48,328
Receivables	0	449	449
Due from Other Funds	<u>16,439</u>	<u>253,008</u>	<u>269,447</u>
Total Assets	<u>\$ 16,439</u>	<u>\$ 302,807</u>	<u>\$ 319,246</u>
 <u>LIABILITIES</u>			
Liabilities:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Grants	<u>0</u>	<u>449</u>	<u>449</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>449</u>	<u>449</u>
 <u>FUND BALANCES</u>			
Restricted	16,439	195,142	211,581
Committed	<u>0</u>	<u>107,216</u>	<u>107,216</u>
Total Fund Balances	<u>16,439</u>	<u>302,358</u>	<u>318,797</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,439</u>	<u>\$ 302,807</u>	<u>\$ 319,246</u>

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TOWN OF SHAFTSBURY, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds	Capital Project Funds	Total
Revenues:			
Intergovernmental	\$ 25,892	\$ 125,543	\$ 151,435
Permits, Licenses and Fees	14,636	0	14,636
Investment Income	4	9,877	9,881
Donations	<u>0</u>	<u>5,000</u>	<u>5,000</u>
Total Revenues	<u>40,532</u>	<u>140,420</u>	<u>180,952</u>
Expenditures:			
General Government	26,000	8	26,008
Public Works	0	340	340
Culture and Recreation	0	4,633	4,633
Cemetery	0	1,408	1,408
Capital Outlay:			
Public Works	<u>0</u>	<u>277,854</u>	<u>277,854</u>
Total Expenditures	<u>26,000</u>	<u>284,243</u>	<u>310,243</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>14,532</u>	<u>(143,823)</u>	<u>(129,291)</u>
Other Financing Sources:			
Transfers In	<u>0</u>	<u>285,000</u>	<u>285,000</u>
Total Other Financing Sources	<u>0</u>	<u>285,000</u>	<u>285,000</u>
Net Changes in Fund Balances	14,532	141,177	155,709
Fund Balances - July 1, 2020	<u>1,907</u>	<u>161,181</u>	<u>163,088</u>
Fund Balances - June 30, 2021	<u>\$ 16,439</u>	<u>\$ 302,358</u>	<u>\$ 318,797</u>

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TOWN OF SHAFTSBURY, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2021

	Municipal Grants Fund	Restoration Fund	Total
<u>ASSETS</u>			
Due from Other Funds	\$ <u>90</u>	\$ <u>16,349</u>	\$ <u>16,439</u>
Total Assets	\$ <u><u>90</u></u>	\$ <u><u>16,349</u></u>	\$ <u><u>16,439</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balances:			
Restricted	<u>90</u>	<u>16,349</u>	<u>16,439</u>
Total Fund Balances	<u>90</u>	<u>16,349</u>	<u>16,439</u>
Total Liabilities and Fund Balances	\$ <u><u>90</u></u>	\$ <u><u>16,349</u></u>	\$ <u><u>16,439</u></u>

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TOWN OF SHAFTSBURY, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

	Municipal Grants Fund	Restoration Fund	Total
Revenues:			
Intergovernmental	\$ 0	\$ 25,892	\$ 25,892
Permits, Licenses and Fees	0	14,636	14,636
Investment Income	0	4	4
Total Revenues	<u>0</u>	<u>40,532</u>	<u>40,532</u>
Expenditures:			
General Government	<u>0</u>	<u>26,000</u>	<u>26,000</u>
Total Expenditures	<u>0</u>	<u>26,000</u>	<u>26,000</u>
Net Changes in Fund Balances	0	14,532	14,532
Fund Balances - July 1, 2020	<u>90</u>	<u>1,817</u>	<u>1,907</u>
Fund Balances - June 30, 2021	<u>\$ 90</u>	<u>\$ 16,349</u>	<u>\$ 16,439</u>

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TOWN OF SHAFTSBURY, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2021

	Equipment Replacement Fund	Paving Fund	Park Fund	Hooke Memorial Fund	Culvert Fund	Cemetery Capital Fund	Class 3 Road Improvement Fund	Howard Park Fund	Cole Hall Renovation and Garage Fund	Total
<u>ASSETS</u>										
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,022	\$ 0	\$ 1,022
Investments	0	0	0	0	0	0	0	48,328	0	48,328
Receivables	0	0	0	0	0	0	449	0	0	449
Due from Other Funds	2,040	25,138	22,287	45,316	22,038	36,198	91,576	0	8,415	253,008
Total Assets	\$ 2,040	\$ 25,138	\$ 22,287	\$ 45,316	\$ 22,038	\$ 36,198	\$ 92,025	\$ 49,350	\$ 8,415	\$ 302,807
<u>LIABILITIES</u>										
Liabilities:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>DEFERRED INFLOWS OF RESOURCES</u>										
Unavailable Grants	0	0	0	0	0	0	449	0	0	449
Total Deferred Inflows of Resources	0	0	0	0	0	0	449	0	0	449
<u>FUND BALANCES</u>										
Restricted	2,040	25,138	5,000	0	22,038	0	91,576	49,350	0	195,142
Committed	0	0	17,287	45,316	0	36,198	0	0	8,415	107,216
Total Fund Balances	2,040	25,138	22,287	45,316	22,038	36,198	91,576	49,350	8,415	302,358
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,040	\$ 25,138	\$ 22,287	\$ 45,316	\$ 22,038	\$ 36,198	\$ 92,025	\$ 49,350	\$ 8,415	\$ 302,807

TOWN OF SHAFTSBURY, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

	Equipment Replacement Fund	Paving Fund	Park Fund	Hooke Memorial Fund	Culvert Fund	Cemetery Capital Fund	Class 3 Road Improvement Fund	Howard Park Fund	Cole Hall Renovation and Garage Fund	Total
<b>Revenues:</b>										
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 125,543	\$ 0	\$ 0	\$ 125,543
Investment Income	50	0	19	38	15	31	13	9,711	0	9,877
Donations	0	0	5,000	0	0	0	0	0	0	5,000
<b>Total Revenues</b>	<b>50</b>	<b>0</b>	<b>5,019</b>	<b>38</b>	<b>15</b>	<b>31</b>	<b>125,556</b>	<b>9,711</b>	<b>0</b>	<b>140,420</b>
<b>Expenditures:</b>										
General Government	0	0	0	0	0	0	0	0	8	8
Public Works	0	340	0	0	0	0	0	0	0	340
Culture and Recreation	0	0	4,352	0	0	0	0	281	0	4,633
Cemetery	0	0	0	0	0	1,408	0	0	0	1,408
Capital Outlay: Public Works	146,055	0	0	0	0	0	131,799	0	0	277,854
<b>Total Expenditures</b>	<b>146,055</b>	<b>340</b>	<b>4,352</b>	<b>0</b>	<b>0</b>	<b>1,408</b>	<b>131,799</b>	<b>281</b>	<b>8</b>	<b>284,243</b>
Excess/(Deficiency) of Revenues Over Expenditures	(146,005)	(340)	667	38	15	(1,377)	(6,243)	9,430	(8)	(143,823)
<b>Other Financing Sources:</b>										
Transfers In	110,000	45,000	3,000	3,000	10,000	4,000	100,000	0	10,000	285,000
<b>Total Other Financing Sources</b>	<b>110,000</b>	<b>45,000</b>	<b>3,000</b>	<b>3,000</b>	<b>10,000</b>	<b>4,000</b>	<b>100,000</b>	<b>0</b>	<b>10,000</b>	<b>285,000</b>
Net Changes in Fund Balances	(36,005)	44,660	3,667	3,038	10,015	2,623	93,757	9,430	9,992	141,177
Fund Balances/(Deficit) - July 1, 2020	38,045	(19,522)	18,620	42,278	12,023	33,575	(2,181)	39,920	(1,577)	161,181
Fund Balances - June 30, 2021	\$ 2,040	\$ 25,138	\$ 22,287	\$ 45,316	\$ 22,038	\$ 36,198	\$ 91,576	\$ 49,350	\$ 8,415	\$ 302,358

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TOWN OF SHAFTSBURY, VERMONT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 PRIVATE-PURPOSE TRUST FUNDS  
 JUNE 30, 2021

	Trustees of Public Funds Fund	Florence Beebe Memorial Fund	Total
<u>ASSETS</u>			
Cash	\$ 12,646	\$ 0	\$ 12,646
Investments	251,736	0	251,736
Due from Other Funds	0	737	737
Total Assets	\$ 264,382	\$ 737	\$ 265,119
<u>LIABILITIES AND NET POSITION</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
Net Position:			
Restricted	264,382	737	265,119
Total Net Position	264,382	737	265,119
Total Liabilities and Net Position	\$ 264,382	\$ 737	\$ 265,119

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TOWN OF SHAFTSBURY, VERMONT  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE-PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2021

	Trustees of Public Funds Fund	Florence Beebe Memorial Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Additions:			
Investment Income	\$ 51,952	\$ 1	\$ 51,953
Total Additions	<u>51,952</u>	<u>1</u>	<u>51,953</u>
Deductions:			
Mary Monroe Hawkins Memorial			
Library Expenses	1,232	0	1,232
Recreation Project Expenses	5,288	0	5,288
School Expenses	1,599	0	1,599
Investment Fees	1,527	0	1,527
Total Deductions	<u>9,646</u>	<u>0</u>	<u>9,646</u>
Change in Net Position	42,306	1	42,307
Net Position - July 1, 2020	<u>222,076</u>	<u>736</u>	<u>222,812</u>
Net Position - June 30, 2021	<u>\$ 264,382</u>	<u>\$ 737</u>	<u>\$ 265,119</u>

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Independent Auditor’s Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with  
“Government Auditing Standards”

Selectboard  
Town of Shaftsbury, Vermont  
P.O. Box 409  
61 Buck Hill Road  
Shaftsbury, Vermont 05262-0409

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 each major fund and the aggregate remaining fund information of the Town of Shaftsbury, Vermont as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Shaftsbury, Vermont’s basic financial statements and have issued our report thereon dated (DATE). The report on the financial statements is adverse because of the omission of the government-wide financial statements and the inadequacies in the Town’s controls over transfer station revenues.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of Shaftsbury, 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 Shaftsbury, Vermont’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Shaftsbury, Vermont’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified certain deficiencies that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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 Town of Shaftsbury, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2021-01 through 2021-04 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2021-05 to be a significant deficiency.

### ***Compliance and Other Matters***

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

We also noted certain other matters that we reported to the management of the Town of Shaftsbury, Vermont in a separate letter dated (DATE).

### ***Town of Shaftsbury, Vermont's Response to Deficiencies in Internal Control***

The Town of Shaftsbury, Vermont's response to the deficiencies in internal control identified in our audit is included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Town of Shaftsbury, Vermont's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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 Town of Shaftsbury, Vermont'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 Town of Shaftsbury, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

(DATE)  
Montpelier, Vermont  
VT Lic. #92-000180



TOWN OF SHAFTSBURY, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2021

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Deficiencies in Internal Control:

Material Weaknesses:

2021-01 Governmental Fixed Assets Accounting and Reporting

*Criteria:*

Internal controls should be in place to provide for complete and accurate recording of the Town's governmental fixed assets. Complete and accurate records are vital to the effective safeguarding of fixed assets owned by a government. They are needed to maintain individual accountability for resources, to develop the insurable value of government-owned property and equipment, and to document proof of loss for claims. In addition, fixed asset records are essential for effective long-range management planning for replacement of existing property and equipment.

Fixed asset and depreciation accounting are also necessary for the setting of the cost of individual services provided by governments. Finally, the proper reporting of fixed assets is essential for the fair presentation of a government's financial position and the results of its operations in conformity with generally accepted accounting principles (GAAP).

*Condition:*

The Town has not maintained a complete schedule of its governmental fixed assets at historical cost.

*Cause:*

Unknown

*Effect:*

The Town is not in compliance with Governmental Accounting Standards Board (GASB) requirements. In addition, the Town is not safeguarding its fixed assets from potential loss.

*Recommendation:*

We recommend that the Town implement controls to account for and record fixed assets at historical cost in accordance with generally accepted accounting principles. A property management system is accomplished by preparing a list of assets, date acquired, location, and cost. If historical cost is not available, alternative methods can be used (i.e. estimated historical cost). Once a list is established, only additions and deletions need to be entered each year.

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There are a number of ways to initiate this process. The Town needs to determine a dollar threshold individually and in the aggregate above which assets will be tracked. A complete inventory then needs to be taken. The assets then need to be valued at cost. This can be done through a review of original invoices and contracts, if available. If purchase price cannot be established, then fair market value needs to be determined and discounted using price indexes to the year of acquisition. This is an acceptable method of estimating cost and will self-correct over time as assets are replaced. Once established, periodic inventories need to be taken to verify the accuracy of the records.

2021-02 Transfer Station Revenue

*Criteria:*

Internal controls should be in place at the transfer station over revenue to ensure that all customers have paid, that all the cash that is received is recorded and deposited and that the Town maintains supporting documentation for the cash collected.

*Condition:*

The Town does not have adequate internal controls over transfer station revenues. The transfer station does not require that a receipt be given for all cash collected nor is there a sign that indicates that customers must take a receipt nor is there any procedure in place to ensure that every person has paid. Therefore, the Town cannot be sure that all of the cash collected is being handed over to them by the transfer station employees.

*Cause:*

Unknown.

*Effect:*

The Town has left itself open to the threat of misappropriation of its assets.

*Recommendation:*

Our primary recommendation is that the Town consider selling transfer station coupons off-site at the Town Treasurer's office and/or at local businesses. If sales take place at the transfer station, we recommend that the Town require prenumbered cash receipts to be issued to all customers. We also recommend that a sign requiring customers to take a receipt be placed where they can see it.

In addition, management should implement procedures to reconcile the receipts to the actual cash collected and to account for the sequence of the prenumbered receipts if they are used. Furthermore, the transfer station staff should periodically verify that the deposits turned over to the Town were deposited in full.

2021-03 Reconciliation of Balance Sheet Accounts

*Criteria:*

Internal controls should be in place to provide for the reconciliation of all balance sheet accounts to supporting documentation on an annual basis in order to detect and correct errors in account balances.

*Condition:*

A number of balance sheet accounts such as accounts receivable, prepaid expenses/items, capital assets, accumulated depreciation, accounts payable, accrued payroll and benefits payable, bonds payable and deferred inflows of resources were not reconciled prior to the audit to the actual balances at year end which resulted in various adjustments to revenue and expenses.

*Cause:*

Unknown.

*Effect:*

The Town's account balances were not completely reconciled which resulted in various adjustments to revenue and expenses.

*Recommendation:*

We recommend that all balance sheet accounts be reconciled to supporting documentation at least monthly in order to detect and correct errors.

2021-04 Property Tax Reconciliation

*Criteria:*

Internal controls should be in place to ensure property taxes have been reconciled to the general ledger at year-end.

*Condition:*

The Town did not have controls in place to ensure property taxes were reconciled to the general ledger at year-end.

*Cause:*

Unknown.

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*Effect:*

The Town's property tax account balances were not completely reconciled which resulted in various adjustments to correct account balances.

*Recommendation:*

We recommend that the Town implement controls to ensure property taxes are reconciled to the general ledger at year-end.

Significant Deficiencies:

2021-05 Signed Board Warrants

*Criteria:*

Internal controls should be in place to ensure that the Town retains signed Board warrants for all expenditures.

*Condition:*

The Town has a policy in place to approve warrants at the virtual Selectboard meetings and have the Selectboard Chair review and sign the warrants. However, the Town could not locate the signed Board warrants for several payments during the year.

*Cause:*

Unknown.

*Effect:*

The Town could be paying for items that were not approved by the Town.

*Recommendation:*

We recommend that the Town retain signed Board warrants for all expenditures.