

TOWN OF CABOT, VERMONT

AUDIT REPORT

JUNE 30, 2021

TOWN OF CABOT, VERMONT
AUDIT REPORT
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Independent Auditor's Report

Selectboard
Town of Cabot, Vermont
P.O. Box 36
Cabot, Vermont 05647

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Cabot, 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 Cabot, 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 the modified cash basis of accounting as described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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'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 Qualified Opinions

The modified cash basis of accounting requires the Town to record its investments at historical cost. Currently, the Town's investments in the governmental activities, the business-type activities, the Cabot Community Investment Fund, the Wastewater Fund and the aggregate remaining fund information are recorded at current market value. The difference between the historical cost and current market value is not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the Cabot Community Investment Fund, the Wastewater Fund and the aggregate remaining fund information of the Town of Cabot, Vermont, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity with the modified cash basis of accounting, as described in Note I.D.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund and the Water Fund of the Town of Cabot, Vermont as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity with the modified cash basis of accounting, as described in Note I.D.

Change in Accounting Principles

As described in Note I.E. to the financial statements, effective June 30, 2021, the Town implemented GASB Statement No. 84, "Fiduciary Activities".

Other Matters***Basis of Accounting***

We draw attention to Note I.D. to the financial statements, which describes the basis of accounting. The financial statements are prepared primarily on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cabot, Vermont's basic financial statements. The budgetary comparison information on Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

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 Cabot, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Cabot, Vermont's internal control over financial reporting and compliance.

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

TOWN OF CABOT, VERMONT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 488,774	\$ 181,796	\$ 670,570
Investments	858,975	365,190	1,224,165
Internal Balances	<u>477,643</u>	<u>(477,643)</u>	<u>0</u>
Total Assets	<u>1,825,392</u>	<u>69,343</u>	<u>1,894,735</u>
<u>LIABILITIES</u>			
Due to Delinquent Tax Collector	1,995	0	1,995
Prepaid User Fees	0	241	241
Due to Others	300	0	300
Short-term Debt Payable	<u>300,000</u>	<u>0</u>	<u>300,000</u>
Total Liabilities	<u>302,295</u>	<u>241</u>	<u>302,536</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	<u>8,763</u>	<u>0</u>	<u>8,763</u>
Total Deferred Inflows of Resources	<u>8,763</u>	<u>0</u>	<u>8,763</u>
<u>NET POSITION</u>			
Restricted:			
Non-Expendable:			
Cemetery	12,100	0	12,100
Expendable:			
Community Development	1,316,844	0	1,316,844
Cemetery	172,777	0	172,777
Other Purposes	20,771	0	20,771
Unrestricted/(Deficit)	<u>(8,158)</u>	<u>69,102</u>	<u>60,944</u>
Total Net Position	<u>\$ 1,514,334</u>	<u>\$ 69,102</u>	<u>\$ 1,583,436</u>

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

TOWN OF CABOT, VERMONT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2021

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 394,161	\$ 54,322	\$ 23,954	\$ 0	\$ (315,885)	\$ 0	\$ (315,885)
Public Safety	85,844	1,713	9,262	0	(74,869)	0	(74,869)
Highways and Streets	700,709	1,181	213,244	290,449	(195,835)	0	(195,835)
Culture and Recreation	112,825	1,025	6,732	0	(105,068)	0	(105,068)
Community Development	85,288	6,748	0	0	(78,540)	0	(78,540)
Cemetery	22,120	7,750	0	0	(14,370)	0	(14,370)
Debt Service	279,875	0	0	0	(279,875)	0	(279,875)
Total Governmental Activities	<u>1,680,822</u>	<u>72,739</u>	<u>253,192</u>	<u>290,449</u>	<u>(1,064,442)</u>	<u>0</u>	<u>(1,064,442)</u>
Business-type Activities:							
Water	52,991	62,492	0	0	0	9,501	9,501
Wastewater	212,622	165,189	42,915	0	0	(4,518)	(4,518)
Total Business-type Activities	<u>265,613</u>	<u>227,681</u>	<u>42,915</u>	<u>0</u>	<u>0</u>	<u>4,983</u>	<u>4,983</u>
Total Primary Government	<u>\$ 1,946,435</u>	<u>\$ 300,420</u>	<u>\$ 296,107</u>	<u>\$ 290,449</u>	<u>(1,064,442)</u>	<u>4,983</u>	<u>(1,059,459)</u>
General Receipts:							
Property Taxes					1,162,184	0	1,162,184
Penalties and Interest on Delinquent Taxes					29,364	0	29,364
General State Grants					126,182	0	126,182
Unrestricted Investment Earnings					24,817	83,973	108,790
Insurance Proceeds					12,283	0	12,283
Proceeds from Sale of Property					9,600	0	9,600
Proceeds from Sale of Equipment					57,500	0	57,500
Other Revenues					316	83	399
Total General Receipts					<u>1,422,246</u>	<u>84,056</u>	<u>1,506,302</u>
Change in Net Position					357,804	89,039	446,843
Net Position/(Deficit) - July 1, 2020					<u>1,156,530</u>	<u>(19,937)</u>	<u>1,136,593</u>
Net Position - June 30, 2021					<u>\$ 1,514,334</u>	<u>\$ 69,102</u>	<u>\$ 1,583,436</u>

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

TOWN OF CABOT, VERMONT
STATEMENT OF MODIFIED CASH BASIS ASSETS, LIABILITIES AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Cabot Community Investment Fund	Non-Major Governmental Fund Cemetery Fund	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 336,135	\$ 134,599	\$ 18,040	\$ 488,774
Investments	15,008	677,212	166,755	858,975
Due from Other Funds	0	0	82	82
Advances to Other Funds	0	505,033	0	505,033
Total Assets	<u>\$ 351,143</u>	<u>\$ 1,316,844</u>	<u>\$ 184,877</u>	<u>\$ 1,852,864</u>
<u>LIABILITIES</u>				
Due to Other Funds	\$ 2,939	\$ 0	\$ 0	\$ 2,939
Advances from Other Funds	24,533	0	0	24,533
Due to Delinquent Tax Collector	1,995	0	0	1,995
Due to Others	300	0	0	300
Short-term Debt Payable	300,000	0	0	300,000
Total Liabilities	<u>329,767</u>	<u>0</u>	<u>0</u>	<u>329,767</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Prepaid Property Taxes	8,763	0	0	8,763
Total Deferred Inflows of Resources	<u>8,763</u>	<u>0</u>	<u>0</u>	<u>8,763</u>
<u>FUND BALANCES</u>				
Nonspendable	0	0	12,100	12,100
Restricted	20,771	1,316,844	172,777	1,510,392
Unassigned/(Deficit)	(8,158)	0	0	(8,158)
Total Fund Balances	<u>12,613</u>	<u>1,316,844</u>	<u>184,877</u>	<u>1,514,334</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 351,143</u>	<u>\$ 1,316,844</u>	<u>\$ 184,877</u>	<u>\$ 1,852,864</u>

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

TOWN OF CABOT, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Cabot Community Investment Fund	Non-Major Governmental Fund Cemetery Fund	Total Governmental Funds
Cash Receipts:				
Property Taxes	\$ 1,162,184	\$ 0	\$ 0	\$ 1,162,184
Penalties and Interest on Delinquent Taxes	29,364	0	0	29,364
Intergovernmental	665,761	0	0	665,761
Charges for Services	18,682	0	7,750	26,432
Permits, Licenses and Fees	38,208	0	0	38,208
Loan Repayments	0	6,748	0	6,748
Investment Income/(Loss)	7,142	(12,525)	30,200	24,817
Donations	4,062	0	0	4,062
Other	1,667	0	0	1,667
Total Cash Receipts	1,927,070	(5,777)	37,950	1,959,243
Cash Disbursements:				
General Government	393,386	775	0	394,161
Public Safety	85,844	0	0	85,844
Highways and Streets	463,263	0	0	463,263
Culture and Recreation	112,825	0	0	112,825
Community Development	0	85,288	0	85,288
Cemetery	0	0	22,120	22,120
Capital Outlay:				
Highways and Streets	237,446	0	0	237,446
Debt Service:				
Principal	225,926	21,374	0	247,300
Interest	29,160	3,415	0	32,575
Total Cash Disbursements	1,547,850	110,852	22,120	1,680,822
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	379,220	(116,629)	15,830	278,421
Other Financing Sources/(Uses):				
Insurance Proceeds	12,283	0	0	12,283
Proceeds from Sale of Property	9,600	0	0	9,600
Proceeds from Sale of Equipment	57,500	0	0	57,500
Transfers In	0	0	20,000	20,000
Transfers Out	(20,000)	0	0	(20,000)
Total Other Financing Sources/(Uses)	59,383	0	20,000	79,383
Net Change in Fund Balances	438,603	(116,629)	35,830	357,804
Fund Balances/(Deficit) - July 1, 2020	(425,990)	1,433,473	149,047	1,156,530
Fund Balances - June 30, 2021	\$ 12,613	\$ 1,316,844	\$ 184,877	\$ 1,514,334

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

TOWN OF CABOT, VERMONT
STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
JUNE 30, 2021

	Water Fund	Wastewater Fund	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 78,838	\$ 102,958	\$ 181,796
Investments	0	365,190	365,190
Due from Other Funds	<u>260</u>	<u>2,597</u>	<u>2,857</u>
Total Assets	<u>\$ 79,098</u>	<u>\$ 470,745</u>	<u>\$ 549,843</u>
<u>LIABILITIES AND NET POSITION</u>			
Liabilities:			
Advances from Other Funds	\$ 0	\$ 480,500	\$ 480,500
Prepaid User Fees	<u>140</u>	<u>101</u>	<u>241</u>
Total Liabilities	<u>140</u>	<u>480,601</u>	<u>480,741</u>
Net Position:			
Unrestricted/(Deficit)	<u>78,958</u>	<u>(9,856)</u>	<u>69,102</u>
Total Net Position	<u>78,958</u>	<u>(9,856)</u>	<u>69,102</u>
Total Liabilities and Net Position	<u>\$ 79,098</u>	<u>\$ 470,745</u>	<u>\$ 549,843</u>

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

TOWN OF CABOT, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Water Fund	Wastewater Fund	Total
Operating Receipts:			
Charges for Services	\$ 62,492	\$ 165,189	\$ 227,681
Total Operating Receipts	<u>62,492</u>	<u>165,189</u>	<u>227,681</u>
Operating Disbursements:			
Administrative Fees	1,000	1,000	2,000
Utilities	4,108	29,518	33,626
Supplies	363	1,246	1,609
Insurances	434	2,783	3,217
Telephone	644	2,909	3,553
Professional Services	775	4,520	5,295
Miscellaneous Expenses	161	69	230
Dues and Fees	633	705	1,338
Contract Services	6,300	50,062	56,362
Repairs and Maintenance	4,440	15,172	19,612
Chemicals	0	7,908	7,908
Sludge Disposal	0	29,232	29,232
Total Operating Disbursements	<u>18,858</u>	<u>145,124</u>	<u>163,982</u>
Operating Income	<u>43,634</u>	<u>20,065</u>	<u>63,699</u>
Non-Operating Receipts/(Disbursements):			
Principal Payments on Long-term Debt	(34,133)	(25,011)	(59,144)
Miscellaneous Income	83	0	83
FEMA Reimbursement	0	42,915	42,915
Capital Improvement Expenses	0	(30,021)	(30,021)
Investment Income	14	83,959	83,973
Interest Expense	0	(12,466)	(12,466)
Total Non-Operating Receipts/(Disbursements)	<u>(34,036)</u>	<u>59,376</u>	<u>25,340</u>
Change in Net Position	9,598	79,441	89,039
Net Position/(Deficit) - July 1, 2020	<u>69,360</u>	<u>(89,297)</u>	<u>(19,937)</u>
Net Position/(Deficit) - June 30, 2021	<u>\$ 78,958</u>	<u>\$ (9,856)</u>	<u>\$ 69,102</u>

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

TOWN OF CABOT, VERMONT
STATEMENT OF FIDUCIARY MODIFIED CASH BASIS NET POSITION
FIDUCIARY FUND
JUNE 30, 2021

	<u>Custodial Fund</u> <u>Education Tax</u> <u>Fund</u>
<u>ASSETS</u>	
Assets:	\$ <u>0</u>
<u>LIABILITIES</u>	
Liabilities:	<u>0</u>
<u>NET POSITION</u>	
Net Position:	\$ <u><u>0</u></u>

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

TOWN OF CABOT, VERMONT
 STATEMENT OF CHANGES IN FIDUCIARY MODIFIED CASH BASIS NET POSITION
 FIDUCIARY FUND
 FOR THE YEAR ENDED JUNE 30, 2021

	Custodial Fund Education Tax Fund
<u>ADDITIONS</u>	
Education Taxes Collected for Other Governments	\$ <u>2,142,668</u>
Total Additions	<u>2,142,668</u>
<u>DEDUCTIONS</u>	
Education Taxes Distributed to Other Governments	<u>2,142,668</u>
Total Deductions	<u>2,142,668</u>
Change in Net Position	0
Net Position - July 1, 2020	<u>0</u>
Net Position - June 30, 2021	\$ <u><u>0</u></u>

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

The Town of Cabot, Vermont, (herein the "Town") operates under a Selectboard form of government and provides the following services as authorized by its charter: public safety, highways and streets, health and social services, culture and recreation, community/economic development, cemetery, public improvements, planning and zoning, water, wastewater and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note I.D., these financial statements are presented primarily on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. 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.

A. The Financial Reporting Entity

This report includes all of the activity of the Town of Cabot, 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, receipts, and disbursements. 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 both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole. 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.

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. Governmental activities generally are financed through property taxes, intergovernmental receipts, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct disbursements and program receipts for each function of the Town's governmental activities and for each segment of the Town's business-type activities. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program receipts, including all property taxes, are presented as general receipts.

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.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary 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 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.

Cabot Community Investment Fund – This fund provides financial resources to local individuals and groups for activities and projects that serve to strengthen the economic, cultural, educational, environmental and social well-being of the Cabot community.

The Town reports on the following major enterprise funds:

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

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

Proprietary fund operating receipts, 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 receipts, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Additionally, the Town reports the following fund type:

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. Government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. Equity (i.e., modified cash basis net position) is segregated into restricted and unrestricted net position. Operating statements present increases (i.e., receipts) and decreases (i.e., disbursements) in modified cash basis net position.

Governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Their reported fund balances (modified cash basis fund balances) 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., receipts and other financing sources) and decreases (i.e., disbursements and other financing uses) in modified cash basis fund balances.

D. Basis of Accounting

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

The Town's policy is to prepare its financial statements generally on the basis of cash receipts and disbursements; consequently, certain revenue and related assets are recognized when received rather than when earned and certain expenditures and related liabilities are recognized when paid rather than when the obligation is incurred. The exceptions to this are that the Town records investments at market value as assets, short-term debt payable, amounts due to the Delinquent Tax Collector for penalties collected but not remitted, amounts due to others for refundable deposits and prepaid user fees as liabilities and prepaid property taxes as deferred inflows of resources. The recording of investments at market value is not in accordance with the modified cash basis of accounting which requires investments to be carried at cost.

General capital asset acquisitions are reported as expenditures. Proceeds of general long-term debt, acquisitions under capital leases and insurance proceeds are reported as other financing sources.

E. 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.

F. Assets, Liabilities, Deferred 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.

2. Investments

The Town invests in investments as allowed by State Statute. The Town’s investments are reported at current market value.

3. 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 government-wide 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 in governmental fund financial statements 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.

4. Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements 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. Deferred Inflows of Resources

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.

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.

B. Budgeted Surplus

The Town elected to budget cash receipts in excess of cash disbursements by \$51,000 in the General Fund in order to fund a portion of prior year's deficits. This is reflected as a current year's budgeted excess of cash receipts over cash disbursements on Schedule 1.

III. DETAILED NOTES ON ALL FUNDS

A. Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments as of June 30, 2021 consist of the following:

Cash and Cash Equivalents:

Deposits with Financial Institutions	\$ 505,932
Money Market Mutual Funds – U.S. Government Securities	164,538
Cash on Hand	<u>100</u>

Total Cash and Cash Equivalents 670,570

Investments:

Certificate of Deposit	15,008
Common Stock	613,140
Exchange-Traded Funds	129,100
Corporate Bonds	382,888
Mutual Funds – Equities	<u>84,029</u>

Total Investments 1,224,165

Total Cash, Cash Equivalents and Investments \$1,894,735

The Town has one (1) certificate of deposit in the amount of \$15,008 with an interest rate of 0.35% that matures in 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 its 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 money market mutual funds, common stock, exchange-traded funds, corporate bonds and 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 certificate of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$520,940	\$585,229
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution’s Agent	<u>0</u>	<u>28,708</u>
Total	<u>\$520,940</u>	<u>\$613,937</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	\$505,932
Investments – Certificate of Deposit	<u>15,008</u>
Total	<u>\$520,940</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 certificate of deposit, common stock and exchange-traded funds are not subject to interest rate disclosure. The money market mutual funds and mutual funds are open-ended and, therefore, also exempt from interest rate disclosure.

Information about the sensitivity of the fair values of the Town’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Town’s investments by maturity. The corporate bonds are shown at their actual maturity.

<u>Investment Type</u>	<u>Remaining Maturity</u>		<u>Total</u>
	<u>1 to 5 Years</u>	<u>5 to 10 Years</u>	
Corporate Bonds	\$ 234,943	\$ 147,945	\$ 382,888

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. The Town does not have any policy to limit the exposure to credit risk. The Town’s certificate of deposit, common stock and exchange-traded funds are not subject to credit risk disclosure. The money market mutual funds and mutual funds are open-ended and are, therefore, also excluded from the credit risk analysis. The credit ratings for the corporate bonds are as follows:

<u>Investment Type</u>	<u>Standard and Poor's Rating as of June 30, 2021</u>				
	<u>A+</u>	<u>A-</u>	<u>BBB+</u>	<u>BBB</u>	<u>Total</u>
Corporate Bonds	\$ 31,907	\$ 151,900	\$ 91,449	\$ 107,632	\$ 382,888

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 money market mutual funds and mutual funds are open ended and are, therefore, excluded from the concentration of credit risk analysis. There are no other investments in any one issuer that represent more than 5% of total investments.

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). Town’s certificate of deposit is 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.

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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)
Common Stock	\$ 613,140	\$ 613,140	\$ 0	\$ 0
Exchange-Traded Funds	129,100	129,100	0	0
Corporate Bonds	382,888	382,888	0	0
Mutual Funds - Equities	<u>84,029</u>	<u>84,029</u>	<u>0</u>	<u>0</u>
Total	\$ <u>1,209,157</u>	\$ <u>1,209,157</u>	\$ <u>0</u>	\$ <u>0</u>

B. Interfund Balances and Activity

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

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$2,939
Non-Major Governmental Fund – Cemetery Fund	82	0
Water Fund	260	0
Wastewater Fund	<u>2,597</u>	<u>0</u>
Totals	<u>\$2,939</u>	<u>\$2,939</u>

The composition of advances to/from other funds as of June 30, 2021 are as follows

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$ 0	\$ 24,533
Cabot Community Investment Fund	505,033	0
Wastewater Fund	<u>0</u>	<u>480,500</u>
Totals	<u>\$505,033</u>	<u>\$505,033</u>

The advances to/from other funds will be repaid as follows:

Advance to the General Fund from the Cabot Community Investment Fund for Willey Building Improvements, Interest at 0%, The Town Makes Annual Principal Payments of \$8,300 and Anticipates Payoff in 2024	\$ 24,533
Advance to the Wastewater Fund from the Cabot Community Investment Fund for Investment (\$405,500) and Water System Improvements (\$75,000), Interest at 0%, Repayment Deferred Until November, 2031 at Which Time all Principal is Due	<u>480,500</u>
Total Advances to/from Other Funds	<u>\$505,033</u>

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Cemetery Fund	<u>\$20,000</u>	Appropriation
Total		<u>\$20,000</u>	

C. Deferred Inflows of Resources

Deferred inflows of resources in the Governmental Activities and the General Fund consist of \$8,763 of property taxes paid in advance.

D. 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.

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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.

The fund balances in the following fund is nonspendable as follows:

Non-Major Funds

Permanent Fund:

Nonspendable Cemetery Fund Principal	\$ <u>12,100</u>
Total Nonspendable Fund Balances	\$ <u>12,100</u>

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

Major Funds

General Fund:

Restricted for Records Restoration Expenses by Statute (Source of Revenue is Restoration Fees)	\$ 20,771
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Cabot Community Investment Fund:

Restricted for Community Development by Grant Agreement (Source of Revenue is Grant Revenue)	1,316,844
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Non-Major Fund

Permanent Fund:

Restricted for Cemetery Expenses by Sale of Lots	<u>172,777</u>
Total Restricted Fund Balances	\$ <u>1,510,392</u>

The unassigned deficit in the General Fund of \$8,158 will be funded with grant revenues and future tax revenues.

E. Net Position

The restricted net position in the Governmental Activities includes the nonspendable fund balances of \$12,100 and the restricted fund balances of \$1,510,392 for a total of \$1,522,492.

The unrestricted deficit in the Wastewater Fund of \$9,856 will be funded in future years with additional revenues.

IV. OTHER INFORMATION

A. Pension Plan

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 0.0616% resulting in a net pension liability of \$155,878. 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 0.0616% was a decrease of 0.0125 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 A.

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>
\$238,151	\$155,878	\$88,186

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.

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 are due in two installments on August 20, 2020 and November 19, 2020. The penalty rate is eight percent (8%). Interest is charged at one percent (1%) per month for the first three months and one and a 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>
Education	1.6814	1.6127
Local Agreement	0.0037	0.0037
Historical Landmarks	0.0007	0.0007
Town	0.2654	0.2654
Highway	<u>0.3837</u>	<u>0.3837</u>
 Total	 <u>2.3349</u>	 <u>2.2662</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 the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. 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. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

The Town is also 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. Contingent Liabilities

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

E. Short-term Debt

The Town has short-term notes payable as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Tax Anticipation Note, Passumpsic Savings Bank, Interest at 2.19%, Due and Paid December, 2020	\$500,000	\$ 0	\$500,000	\$ 0
Tax Anticipation Note, Community National Bank, Interest at 1.54%, Due June 30, 2021 at Which Time it was Renewed until June 30, 2022	<u>0</u>	<u>300,000</u>	<u>0</u>	<u>300,000</u>
Total	<u>\$500,000</u>	<u>\$300,000</u>	<u>\$500,000</u>	<u>\$300,000</u>

On May 1, 2021 the Town obtained a \$500,000 line of credit with Passumpsic Savings Bank for current expenses. Interest is at 1.29% and expires December 31, 2021. The Town has not drawn on this line of credit.

F. Long-term Debt

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital assets and to refund prior issues. General obligation bonds have been issued for both governmental and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

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. Refunding bonds are issued for various terms based on the debt service of the debt refunded.

The Town has notes payable to finance various capital projects and equipment purchases through local banks.

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

Long-term debt outstanding as of June 30, 2021 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Highway Improvements, Principal Payments Ranging from \$40,000 to \$55,000 Payable on November 15 Annually, Interest Ranging from 0.913% to 3.223% Payable on May 15 and November 15, Due November, 2024	\$ 230,000	\$ 0	\$ 50,000	\$180,000
Bond Payable, Vermont Municipal Bond Bank, Pumper Truck, Principal Payments Ranging from \$10,000 to \$15,000 Payable on November 1 Annually, Interest Ranging from 1.49% to 1.76% Payable on May 1 and November 1, Due November, 2021	20,000	0	10,000	10,000
Note Payable, Union Bank, Highway Garage Improvements, Principal and Interest Payments of \$24,789 Payable on September 25 Annually, Interest at 2.5%, Due September, 2025	136,531	0	21,374	115,157
Note Payable, Union Bank, Willey Building Improvements, Principal and Interest Payments of \$19,178 Payable on July 3 Annually, Interest at 2.15%, Due July, 2022	55,202	0	18,035	37,167
Note Payable, Union Bank, Paving, Principal and Interest Payments of \$28,454 Payable on November 15 Annually, Interest at 2.89%, Due November, 2027	200,791	0	22,665	178,126
Note Payable, Union Bank, Fire Department Property, Principal and Interest Payments of \$26,256 Payable on July 1 Annually, Interest at 1.99%, Due July, 2022	75,761	0	24,751	51,010

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Union Bank, Main Street Paving, Principal and Interest Payments of \$24,497 Payable on November 1 Annually, Interest at 2.21%, Due November, 2024	\$ 114,882	\$ 0	\$ 21,922	\$ 92,960
Note Payable, Union Bank, Highway Equipment, Principal and Interest Payments of \$43,308 Payable Semi-Annually on June 30 and December 30, Interest at 1.87%, Due June, 2025	<u>410,000</u>	<u>0</u>	<u>78,553</u>	<u>331,447</u>
Total Governmental Activities	<u>\$1,243,167</u>	<u>\$ 0</u>	<u>\$247,300</u>	<u>\$995,867</u>
Business-type Activities:				
	<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 Payments of \$27,734 Payable on January 1 Annually, 0% Interest, Due January, 2031	\$303,154	\$ 0	\$27,734	\$275,420
Bond Payable, State of Vermont Special Environmental Revolving Fund, Danville Hill Water Project, Principal Payments of \$6,399 Payable on July 1 Annually, 0% Interest, Due July, 2048	185,590	0	6,399	179,191
Bond Payable, Vermont Municipal Bond Bank, Wastewater System Improvements, Principal Payments Ranging from \$19,532 to \$33,505 Payable on November 1 Annually, Interest Ranging from 3.93% to 4.09% Payable on May 1 and November 1, Due November, 2031	328,141	0	21,926	306,215
Bond Payable, State of Vermont Special Environmental Revolving Fund, Wastewater System Improvements, Principal Payments of \$3,085 Payable on June 1 Annually, 0% Interest, Due June, 2023	<u>9,255</u>	<u>0</u>	<u>3,085</u>	<u>6,170</u>
Total Business-type Activities	<u>\$826,140</u>	<u>\$ 0</u>	<u>\$59,144</u>	<u>\$766,996</u>

TOWN OF CABOT, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

DRAFT

Maturities are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 252,080	\$ 23,209	\$ 59,814	\$ 12,034
2023	246,239	17,543	60,710	11,139
2024	194,996	11,890	58,555	10,208
2025	197,616	8,029	59,523	9,241
2026	50,299	2,944	60,528	8,235
2027-2031	54,637	2,270	319,161	24,657
2032-2036	0	0	65,505	677
2037-2041	0	0	32,000	0
2042-2046	0	0	32,000	0
2047-2049	0	0	19,200	0
Total	<u>\$ 995,867</u>	<u>\$ 65,885</u>	<u>\$ 766,996</u>	<u>\$ 76,191</u>

TOWN OF CABOT, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 1,153,790	\$ 1,162,184	\$ 8,394
Hold Harmless	113,662	117,707	4,045
Education Billing Fee	5,000	4,982	(18)
PILOT	9,000	8,475	(525)
Clerk Fees	23,000	27,426	4,426
Library Income	500	6,734	6,234
Records Restoration Fees	0	6,367	6,367
Penalties on Delinquent Taxes	0	15,565	15,565
Tax Sale Fees	0	2,872	2,872
Proceeds from Sale of Property	0	9,600	9,600
Interest	15,000	20,939	5,939
Election Grant Income	0	5,292	5,292
Planning Grant Income	0	5,850	5,850
LGER Grant Income	0	4,347	4,347
Miscellaneous Income	12,000	316	(11,684)
Water/Wastewater Administration Charges	2,000	2,000	0
Masonic Hall Fees	9,600	10,200	600
Reappraisal Income	0	7,574	7,574
Equalization Grant Income	0	891	891
Recreation Committee	3,500	1,025	(2,475)
Recycle Center	200	150	(50)
Sheriff Fines	3,000	1,543	(1,457)
Willey Building Rental Income	1,500	325	(1,175)
Fire Department Income	0	10,932	10,932
Highway Miscellaneous Income	5,000	1,181	(3,819)
Highway Grant Income	12,000	0	(12,000)
Better Back Roads Grant Income	30,000	40,007	10,007
State Highway Aid	132,600	173,237	40,637
Highway Equipment Bond/Loan	450,000	0	(450,000)
Highway Grants	300,000	160,000	(140,000)
Porter Road Grant	115,991	130,449	14,458
Porter Road Bond/Loan	38,664	0	(38,664)
Proceeds from Sale of Grader Shed	0	56,000	56,000
Highway Insurance Proceeds	0	12,283	12,283
	<u>2,436,007</u>	<u>2,006,453</u>	<u>(429,554)</u>
Total Revenues			
Expenditures:			
General:			
Payroll	143,000	190,483	(47,483)
Payroll Taxes	14,000	21,941	(7,941)
Cabot Appropriations	73,100	73,100	0
Special Service Appropriations	10,085	10,585	(500)
Audit	16,000	13,243	2,757
Legal	15,000	4,152	10,848
Computer	2,000	737	1,263
Conservation Commission	1,000	3,300	(2,300)

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF CABOT, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
General/(Cont'd):			
Constable	\$ 900	\$ 1,058	\$ (158)
County Tax	14,000	13,949	51
Debt Collector Expense	0	16,218	(16,218)
Dues & Subscriptions	10,900	11,998	(1,098)
Emergency Management	500	0	500
Fire Department Bond Interest	518	440	78
Fire Department Bond Principal	10,342	10,000	342
Fire Department Operations	50,000	53,395	(3,395)
General Expense	2,000	1,718	282
Health Insurance	12,000	12,041	(41)
Insurance	12,500	13,351	(851)
Interest Expense	1,000	3,727	(2,727)
Library Expense	80,000	46,931	33,069
Lister Expense	7,760	6,423	1,337
Appraisers	0	7,750	(7,750)
2466 Main Street Property	28,596	27,695	901
Masonic Hall Expense	5,000	3,523	1,477
Meetings/Elections	5,000	14,887	(9,887)
Office Expenses	6,000	11,257	(5,257)
Office Supplies	2,000	3,168	(1,168)
Planning Commission	1,500	1,360	140
Pound Keeper	500	0	500
Recreation Committee Operations	10,000	5,442	4,558
Records Restoration	0	115	(115)
Selectboard Miscellaneous	3,000	3,666	(666)
Sheriff	7,000	6,010	990
Solid Waste/Recycle Center	10,500	9,576	924
Tax Sale Expenses	0	446	(446)
Trails Committee	500	15,853	(15,353)
Village Expenses	20,000	14,452	5,548
Willey Building Expenses	75,000	36,883	38,117
Zoning Administration	500	783	(283)
Total General	651,701	671,656	(19,955)
Highway:			
Payroll	216,006	163,339	52,667
Payroll Taxes	24,000	21,223	2,777
Legal	500	225	275
Bridges	5,000	657	4,343
Building Maintenance	2,000	707	1,293
Chloride	9,000	9,644	(644)
Clothing Allowance	3,700	2,606	1,094
Cold Patch/Paving	2,000	1,126	874
Culverts	18,000	4,044	13,956
Equipment Bond/Loan & Interest	86,403	86,615	(212)
Equipment Repair	25,000	33,414	(8,414)

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF CABOT, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway/(Cont'd):			
Fuel Expense for Equipment	\$ 40,000	\$ 35,815	\$ 4,185
Garage Supplies	4,000	2,913	1,087
Gravel	65,000	47,325	17,675
Health Insurance	24,000	18,073	5,927
Oil/Propane	6,000	6,737	(737)
Hired/Rented Equipment	5,000	250	4,750
Insurance	25,000	23,814	1,186
Loan Interest	937	0	937
Miscellaneous	2,500	1,835	665
New Equipment	15,000	42,081	(27,081)
Paving Bond Interest	5,268	4,735	533
Paving Bond Principal	40,000	40,000	0
Paving Loan/Interest	52,953	52,951	2
Permits Stormwater	1,000	2,940	(1,940)
Salt	55,000	37,404	17,596
Sand	28,000	28,000	0
Storage Units	25,000	3,625	21,375
Signs & Guardrails	1,500	4,907	(3,407)
Tires	5,000	3,982	1,018
Town Garage Bond Interest	1,184	1,184	0
Town Garage Bond Principal	10,000	10,000	0
Transportation Planning	5,000	3,885	1,115
Utilities	4,700	4,682	18
Consolodated Loan	750,000	0	750,000
Paving Loan Payment	154,655	0	154,655
Paving Projects	15,000	23,385	(8,385)
Highway Grant Expenses	0	172,071	(172,071)
	<u>1,733,306</u>	<u>896,194</u>	<u>837,112</u>
Total Highway			
	<u>2,385,007</u>	<u>1,567,850</u>	<u>817,157</u>
Total Expenditures			
Excess of Cash Receipts Over Cash Disbursements	\$ <u>51,000</u>	438,603	\$ <u>387,603</u>
Fund Balance/(Deficit) - July 1, 2020		<u>(425,990)</u>	
Fund Balance - June 30, 2021		<u>\$ 12,613</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

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

Selectboard
Town of Cabot, Vermont
P.O. Box 36
Cabot, Vermont 05647

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in “Government Auditing Standards”, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Cabot, 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 Cabot, Vermont’s basic financial statements, and have issued our report thereon dated (DATE). Our opinion on the governmental activities, the business-type activities, the Cabot Community Investment Fund, the Wastewater Fund and the aggregate remaining fund information was qualified because of the recording of investments at market value rather than cost.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Cabot, 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".

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

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 Cabot, 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 Cabot, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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