

**TOWN OF CHARLOTTE, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2020**

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AUDIT REPORT  
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Independent Auditor's Report

Selectboard  
Town of Charlotte, Vermont  
P.O. Box 119  
Charlotte, Vermont 05445

***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 Charlotte, Vermont, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Charlotte, 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'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.

### ***Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, 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.

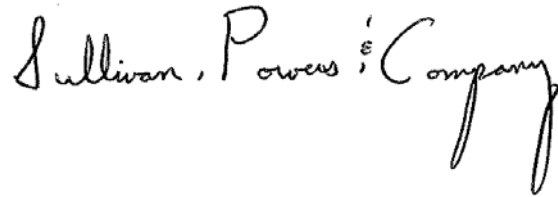
### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Charlotte, Vermont's basic financial statements. The combining fund financial statements and the schedule of taxes raised 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 December 17, 2020 on our consideration of the Town of Charlotte, 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 Charlotte, Vermont’s internal control over financial reporting and compliance.

December 17, 2020  
Montpelier, Vermont  
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized initial 'S' and a long, sweeping underline.

TOWN OF CHARLOTTE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020

The Town of Charlotte (the "Town") herein sets forth an overview and analysis of its financial operations for the fiscal years ending June 30, 2020 and 2019.

***Financial Highlights***

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources on June 30, 2020 by \$10,267,169 (*net position*). Of this amount, \$758,286 (*unrestricted net position*) may be used by the various funds of the Town to meet the Town's ongoing obligations.
- The Town's total governmental activities net position increased by \$922,863.
- Fund Balances of Governmental Funds increased by \$684,079 to a total of \$1,826,512 in fiscal year 2020. The General Fund had a total fund balance of \$394,826 of which \$361,851 was unassigned.

***Overview of the Town's Financial Statements:***

The annual financial report consists of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town of Charlotte's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town of Charlotte's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between them reported as net position.

The *statement of activities* presents information showing how the Town's net position changed during the past fiscal year. The *statement of activities* is on the full accrual basis (i.e. all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows) whereas the *statement of revenues, expenditures and changes in fund balances - governmental funds* is on the modified accrual basis (i.e. revenue is recognized when it becomes measurable and available as net current position and expenditures are recognized when the related liability is incurred). Thus in the *statement of activities*, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The major governmental activities of the Town of Charlotte include general government, highways and streets, public safety and culture and recreation. The government-wide financial statements can be found in Exhibits A and B of this report. The business-type activity of the Town is the wastewater operation on Thompson's Point, which is accounted for in the proprietary fund statements.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town has three types of funds: governmental funds, a proprietary fund and fiduciary funds. The proprietary fund of the Town is an enterprise fund (business activities). This covers our Thompson's Point wastewater department. Fund financial statements can be found in Exhibits C through J.



TOWN OF CHARLOTTE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020

**Notes to the financial statements.** The notes provide additional information that is necessary for an understanding of the information in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements in this report.

**Other Information.** This section of the report includes the budgetary comparison for the General Fund and information related to the Town's participation in the Vermont Municipal Employees' Retirement System (VMERS) as required by U.S. GAAP. It also includes the combining information for individual nonmajor governmental funds.

Table 1  
Net Position

	Governmental Activities		Business-type Activities		Total	
	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019
Current and Other Assets	\$ 2,452,374	\$ 1,419,787	\$ 298,954	\$ 274,526	\$ 2,751,328	\$ 1,694,313
Capital Assets	8,798,787	7,701,014	932,646	962,186	9,731,433	8,663,200
Total Assets	<u>11,251,161</u>	<u>9,120,801</u>	<u>1,231,600</u>	<u>1,236,712</u>	<u>12,482,761</u>	<u>10,357,513</u>
Deferred Outflows of Resources	82,320	87,930	0	0	82,320	87,930
Current Liabilities	475,875	142,492	0	0	475,875	142,492
Long-term Liabilities	1,797,806	942,331	0	0	1,797,806	942,331
Total Liabilities	<u>2,273,681</u>	<u>1,084,823</u>	<u>0</u>	<u>0</u>	<u>2,273,681</u>	<u>1,084,823</u>
Deferred Inflows of Resources	24,231	11,202	0	0	24,231	11,202
Net Investment in Capital Assets	8,199,210	7,701,014	932,646	962,186	9,131,856	8,663,200
Restricted	377,027	126,711	0	0	377,027	126,711
Unrestricted	459,332	284,981	298,954	274,526	758,286	559,507
Total Net Position	<u>\$ 9,035,569</u>	<u>\$ 8,112,706</u>	<u>\$ 1,231,600</u>	<u>\$ 1,236,712</u>	<u>\$ 10,267,169</u>	<u>\$ 9,349,418</u>

As indicated above, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,267,169 at the end of fiscal year 2020. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,349,418 at the end of fiscal year 2019.

The largest portion of the Town's net position is in its investment in capital assets (88.9% = \$9,131,856). These assets are used to provide services to its citizens (e.g. land, buildings, equipment, and infrastructure). Therefore these assets are not available for future spending. A portion (3.7% = \$377,027) of the Town's net position is subject to restrictions on how it may be used (e.g. highway maintenance, trails, etc.). The remaining balance is an unrestricted net position (7.4% = \$758,286) that may be used to meet the government's ongoing obligations to citizens and creditors. Some of the amounts included in the unrestricted net position have been assigned by management for particular purposes (e.g. capital projects).

**Governmental activities.** Governmental activities increased the Town's net position by \$922,863 in FY20.

**TOWN OF CHARLOTTE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**Table 2  
Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 1,120,435	\$ 1,085,263	\$ 139,043	\$ 149,178	\$ 1,259,478	\$ 1,234,441
Operating Grants and Contributions	237,023	234,475	0	0	237,023	234,475
Capital Grants and Contributions	701,979	48,995	0	0	701,979	48,995
<b>General Revenues:</b>						
Property Taxes	1,871,517	1,853,549	0	0	1,871,517	1,853,549
Penalties and Interest on Delinquent Taxes	60,938	26,472	0	0	60,938	26,472
General State Grants	88,155	87,461	0	0	88,155	87,461
Unrestricted Investment Earnings	35,236	4,393	20	181	35,256	4,574
Other Revenues	753	1,407	0	0	753	1,407
<b>Total Revenues</b>	<b>4,116,036</b>	<b>3,342,015</b>	<b>139,063</b>	<b>149,359</b>	<b>4,255,099</b>	<b>3,491,374</b>
<b>Expenses:</b>						
General Government	1,034,338	1,095,512	0	0	1,034,338	1,095,512
Public Safety	685,965	1,563,100	0	0	685,965	1,563,100
Highways and Streets	906,221	1,083,272	0	0	906,221	1,083,272
Culture and Recreation	523,646	461,021	0	0	523,646	461,021
Community Development	1,733	750	0	0	1,733	750
Interest on Long-term Debt	41,270	25,537	0	0	41,270	25,537
Wastewater	0	0	144,175	117,206	144,175	117,206
<b>Total Expenses</b>	<b>3,193,173</b>	<b>4,229,192</b>	<b>144,175</b>	<b>117,206</b>	<b>3,337,348</b>	<b>4,346,398</b>
<b>Increase/(Decrease) in Net Position</b>	<b>\$ 922,863</b>	<b>\$ (887,177)</b>	<b>\$ (5,112)</b>	<b>\$ 32,153</b>	<b>\$ 917,751</b>	<b>\$ (855,024)</b>

***Financial Analysis of Major Governmental Funds***

**The General Fund**

The General Fund balance increased \$234,765 from \$160,061 at the end of fiscal year 2019 to \$394,826 at the end of fiscal year 2020.

The total revenues budgeted were \$3,264,779. The actual revenues collected were \$3,494,665, which was \$229,886 more than budgeted. A large portion of the excess in revenues was due to property tax revenues and the interest and penalty on delinquent tax collections coming in more than expected (\$72,602), recording fee revenues coming in more than expected due to an increase in the recording fee charges (\$29,640) and receiving an unbudgeted paving grant (\$104,032).

The total expenses budgeted were \$3,264,779. The actual expenses were \$3,262,350, which was \$2,429 less than budgeted. Among the line items that were underspent were: Selectboard legal expenses (by \$25,200), highways (by \$89,117) and the fire and rescue appropriation (\$25,000). The Road Commissioner and Charlotte Volunteer Fire & Rescue Services voluntarily reduced their expenditures in anticipation that revenues might come in under-budget due to the coronavirus pandemic.

TOWN OF CHARLOTTE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020

In the highway expense budget a total of \$834,133 was spent, \$89,117 less than the budget of \$923,250. Some line items were underspent and some were overspent. The lines that were overspent the most were retreatment (paving) and winter plow/sand/ice, which were overspent by \$67,997 and \$22,794, respectively. The paving expenditure was partially offset by a paving grant totaling \$104,032. The lines that were underspent the most were gravel roads maintenance and brush/tree removal, which were underspent by \$123,860 and \$38,775, respectively. \$199,975 of Class II Highway State Aid was received during the year helping to offset maintenance expenses.

**The Highway Reserve Fund**

The Highway Reserve Fund ended fiscal year 2020 with a fund balance of \$231,504. The prior year fund balance was \$32,952 resulting in a current year increase of \$198,552.

**Other Funds**

The Town has the following reserve funds at June 30, 2020:

Highway Reserve Fund	\$ 231,504
Conservation Fund	428,921
Fire & Rescue Capital Fund	333,175
Community Library Fund	30,592
Non-Major Government Funds	<u>407,494</u>
 Total Other Funds	 <u>\$1,431,686</u>

**Restricted Net Position and Fund Balances**

The restricted net position was \$377,027 on June 30, 2020. These funds are reserved for specific future expenses, such as highway maintenance, trails and other purposes determined by trust or grant agreements.

The unassigned fund balance of the Governmental Funds was \$361,851 on June 30, 2020. These funds are available to address planned or unexpected expenses in the General Fund.

**Capital Assets**

Governmental Capital Assets increased \$1,097,773 net of accumulated depreciation to a total of \$8,798,787 as of June 30, 2020. A large portion of the increase is related to paving and the renovation and addition to the library building. The playground at the beach also contributed to the increase.

**Long-term Debt**

At the end of the current year, the Town had total long-term debt outstanding of \$1,537,500. This amount represents bonded debt backed by the full faith and credit of the Town.

TOWN OF CHARLOTTE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020

Table 3  
Outstanding Debt at Year-End

	Governmental Activities	
	FY2020	FY2019
Bonds Payable	\$ <u>1,537,500</u>	\$ <u>733,750</u>

The Town's total debt increased by \$803,750 during the year, reflecting the issuance of two bonds for the library addition (\$600,000) and an ambulance (\$275,000) and the repayments of principal (\$71,250).

Bonds are issued through the Vermont Municipal Bond Bank. The Town issues no bonded debt on its own behalf and does not maintain its own credit rating.

Additional information on the Town's long-term debt can be found in Note IV. I. in the notes to financial statements.

***Economic Factors and Next Year's Budget and Rates***

The following factors were considered in the development of the budget for FY21:

The Town approved a general fund budget for fiscal year 2021 in the amount of \$3,451,157. This represented an increase of \$186,378 (5.7%) from the approved budget for the prior fiscal year. Including articles voted for fiscal year 2021 with transfers to reserve funds, the budget for fiscal year 2021 increased by \$243,378 (7.5%) from the approved budget with articles for the prior fiscal year.

The following factors will influence the General Fund budget in the next fiscal year:

The Selectboard plans to keep spending relatively level, particularly considering the potential that the coronavirus pandemic could make it more difficult for residents and property owners to pay property taxes. At the same time, the Selectboard will be considering needs for capital facility maintenance and improvement, including a sand shed for Town roads maintenance and likely other infrastructure improvements. The repayment of bonds issued this past year to finance the new ambulance and the library addition will also affect the budget in the coming fiscal year.

***Requests for Information***

This financial report is designed to provide a general overview of the Town of Charlotte, Vermont's financial condition. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Administrator or the Town Treasurer, P.O. Box 119, Charlotte, Vermont 05445.

TOWN OF CHARLOTTE, VERMONT  
STATEMENT OF NET POSITION  
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 1,873,212	\$ 231,172	\$ 2,104,384
Restricted Cash	246,028	0	246,028
Deposits with Insurance Company	6,120	0	6,120
Receivables	279,844	58,796	338,640
Loan Receivable	0	8,925	8,925
Internal Balances	(61)	61	0
Prepaid Expenses	24,498	0	24,498
Deposit on Ambulance	22,733	0	22,733
Capital Assets:			
Land	1,827,100	0	1,827,100
Construction in Progress	1,158,191	0	1,158,191
Other Capital Assets, (Net of Accumulated Depreciation)	5,813,496	932,646	6,746,142
Total Assets	11,251,161	1,231,600	12,482,761
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	82,320	0	82,320
Total Deferred Outflows of Resources	82,320	0	82,320
<b><u>LIABILITIES</u></b>			
Accounts Payable	444,670	0	444,670
Accrued Payroll and Benefits Payable	24,317	0	24,317
Unearned Revenue	500	0	500
Accrued Interest Payable	6,388	0	6,388
Noncurrent Liabilities:			
Due Within One Year	108,750	0	108,750
Due in More than One Year	1,689,056	0	1,689,056
Total Liabilities	2,273,681	0	2,273,681
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Prepaid Property Taxes	21,485	0	21,485
Deferred Inflows of Resources Related to the Town's Participation in VMERS	2,746	0	2,746
Total Deferred Inflows of Resources	24,231	0	24,231
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	8,199,210	932,646	9,131,856
Restricted For:			
Highways and Streets	294,143	0	294,143
Other Purposes	82,884	0	82,884
Unrestricted	459,332	298,954	758,286
Total Net Position	\$ 9,035,569	\$ 1,231,600	\$ 10,267,169

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

TOWN OF CHARLOTTE, VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs:</b>							
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General Government	\$ 1,034,338	\$ 984,425	\$ 17,806	\$ 16,934	\$ (15,173)	\$ 0	\$ (15,173)
Public Safety	685,965	4,545	0	0	(681,420)	0	(681,420)
Highways and Streets	906,221	500	215,697	133,663	(556,361)	0	(556,361)
Culture and Recreation	523,646	130,965	572	551,382	159,273	0	159,273
Community Development	1,733	0	2,948	0	1,215	0	1,215
Interest on Long-term Debt	41,270	0	0	0	(41,270)	0	(41,270)
<b>Total Governmental Activities</b>	<b>3,193,173</b>	<b>1,120,435</b>	<b>237,023</b>	<b>701,979</b>	<b>(1,133,736)</b>	<b>0</b>	<b>(1,133,736)</b>
<b>Business-type Activities:</b>							
Wastewater	144,175	139,043	0	0	0	(5,132)	(5,132)
<b>Total Business-type Activities</b>	<b>144,175</b>	<b>139,043</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,132)</b>	<b>(5,132)</b>
<b>Total Primary Government</b>	<b>\$ 3,337,348</b>	<b>\$ 1,259,478</b>	<b>\$ 237,023</b>	<b>\$ 701,979</b>	<b>(1,133,736)</b>	<b>(5,132)</b>	<b>(1,138,868)</b>
<b>General Revenues:</b>							
Property Taxes					1,871,517	0	1,871,517
Penalties and Interest on Delinquent Taxes					60,938	0	60,938
General State Grants					88,155	0	88,155
Unrestricted Investment Earnings					35,236	20	35,256
Other Revenues					753	0	753
<b>Total General Revenues</b>					<b>2,056,599</b>	<b>20</b>	<b>2,056,619</b>
<b>Change in Net Position</b>					<b>922,863</b>	<b>(5,112)</b>	<b>917,751</b>
<b>Net Position - July 1, 2019</b>					<b>8,112,706</b>	<b>1,236,712</b>	<b>9,349,418</b>
<b>Net Position - June 30, 2020</b>					<b>\$ 9,035,569</b>	<b>\$ 1,231,600</b>	<b>\$ 10,267,169</b>

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

TOWN OF CHARLOTTE, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

	General Fund	Highway Reserve Fund	Conservation Fund	Fire & Rescue Capital Fund	Community Library Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash	\$ 1,863,211	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,001	\$ 1,873,212
Restricted Cash	0	0	0	245,605	423	0	246,028
Deposits with Insurance Company	6,120	0	0	0	0	0	6,120
Receivables	262,910	0	0	0	0	16,934	279,844
Due from Other Funds	0	231,504	428,921	64,837	86,172	397,493	1,208,927
Prepaid Expenses	24,498	0	0	0	0	0	24,498
Deposit on Ambulance	0	0	0	22,733	0	0	22,733
Total Assets	<u>\$ 2,156,739</u>	<u>\$ 231,504</u>	<u>\$ 428,921</u>	<u>\$ 333,175</u>	<u>\$ 86,595</u>	<u>\$ 424,428</u>	<u>\$ 3,661,362</u>
<b>LIABILITIES</b>							
Accounts Payable	\$ 388,667	0	0	0	56,003	0	\$ 444,670
Accrued Payroll and Benefits Payable	24,317	0	0	0	0	0	24,317
Due to Other Funds	1,208,988	0	0	0	0	0	1,208,988
Unearned Revenue	500	0	0	0	0	0	500
Total Liabilities	<u>1,622,472</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>56,003</u>	<u>0</u>	<u>1,678,475</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Prepaid Property Taxes	21,485	0	0	0	0	0	21,485
Unavailable Property Taxes, Penalties and Interest	69,000	0	0	0	0	0	69,000
Unavailable Fees	33,234	0	0	0	0	0	33,234
Unavailable Grants	15,722	0	0	0	0	16,934	32,656
Total Deferred Inflows of Resources	<u>139,441</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,934</u>	<u>156,375</u>
<b>FUND BALANCES</b>							
Nonspendable	24,498	0	0	22,733	0	0	47,231
Restricted	0	231,504	0	245,605	30,592	99,632	607,333
Committed	0	0	428,921	64,837	0	279,962	773,720
Assigned	8,477	0	0	0	0	27,900	36,377
Unassigned	361,851	0	0	0	0	0	361,851
Total Fund Balances	<u>394,826</u>	<u>231,504</u>	<u>428,921</u>	<u>333,175</u>	<u>30,592</u>	<u>407,494</u>	<u>1,826,512</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,156,739</u>	<u>\$ 231,504</u>	<u>\$ 428,921</u>	<u>\$ 333,175</u>	<u>\$ 86,595</u>	<u>\$ 424,428</u>	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:							
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.							8,798,787
Other Assets are not Available to Pay for Current-Period Expenditures and, Therefore, are Deferred in the Funds.							134,890
Long-Term and Accrued Liabilities, Including Bonds Payable and the Net Pension Liability, are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds							(1,804,194)
Deferred Outflows of Resources and Deferred Inflows of Resources related to the Town's Participation in VMERS are applicable to Future Periods and, therefore, are not Reported in the Funds.							79,574
Net Position of Governmental Activities							<u>\$ 9,035,569</u>

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

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

	General Fund	Highway Reserve Fund	Conservation Fund	Fire & Rescue Capital Fund	Community Library Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Property Taxes	\$ 1,918,449	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,918,449
Penalties and Interest on Delinquent Taxes	60,938	0	0	0	0	0	60,938
Intergovernmental	392,162	0	0	0	0	46,655	438,817
Charges for Services	926,250	0	0	0	0	0	926,250
Permits, Licenses and Fees	153,795	0	0	0	0	17,370	171,165
Fines and Forfeits	4,545	0	0	0	0	0	4,545
Investment Income	22,491	319	4,113	1,896	2,496	3,921	35,236
Donations	282	0	0	0	540,390	15,012	555,684
Other	753	0	0	0	0	0	753
<b>Total Revenues</b>	<b>3,479,665</b>	<b>319</b>	<b>4,113</b>	<b>1,896</b>	<b>542,886</b>	<b>82,958</b>	<b>4,111,837</b>
<b>Expenditures:</b>							
General Government	971,965	0	0	0	0	10,105	982,070
Public Safety	656,595	0	0	29,370	0	0	685,965
Highways and Streets	536,987	0	0	0	0	0	536,987
Culture and Recreation	411,415	0	0	0	43,340	18,349	473,104
Community Development	0	0	0	0	0	1,733	1,733
Capital Outlay:							
General Government	0	0	0	0	0	18,963	18,963
Highways and Streets	298,496	0	0	0	0	33,920	332,416
Culture and Recreation	0	0	0	0	1,072,501	89,434	1,161,935
Debt Service:							
Principal	0	0	0	71,250	0	0	71,250
Interest	12,209	0	0	26,126	0	0	38,335
<b>Total Expenditures</b>	<b>2,887,667</b>	<b>0</b>	<b>0</b>	<b>126,746</b>	<b>1,115,841</b>	<b>172,504</b>	<b>4,302,758</b>
<b>Excess/(Deficiency) of Revenues Over Expenditures</b>	<b>591,998</b>	<b>319</b>	<b>4,113</b>	<b>(124,850)</b>	<b>(572,955)</b>	<b>(89,546)</b>	<b>(190,921)</b>
<b>Other Financing Sources/(Uses):</b>							
Proceeds from Long-term Debt	0	0	0	275,000	600,000	0	875,000
Transfers In	15,000	198,233	0	100,000	0	74,000	387,233
Transfers Out	(372,233)	0	0	0	0	(15,000)	(387,233)
<b>Total Other Financing Sources/(Uses)</b>	<b>(357,233)</b>	<b>198,233</b>	<b>0</b>	<b>375,000</b>	<b>600,000</b>	<b>59,000</b>	<b>875,000</b>
<b>Net Change in Fund Balances</b>	<b>234,765</b>	<b>198,552</b>	<b>4,113</b>	<b>250,150</b>	<b>27,045</b>	<b>(30,546)</b>	<b>684,079</b>
<b>Fund Balances - July 1, 2019</b>	<b>160,061</b>	<b>32,952</b>	<b>424,808</b>	<b>83,025</b>	<b>3,547</b>	<b>438,040</b>	<b>1,142,433</b>
<b>Fund Balances - June 30, 2020</b>	<b>\$ 394,826</b>	<b>\$ 231,504</b>	<b>\$ 428,921</b>	<b>\$ 333,175</b>	<b>\$ 30,592</b>	<b>\$ 407,494</b>	<b>\$ 1,826,512</b>

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



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

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	\$	684,079
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,513,314) is allocated over their estimated useful lives and reported as depreciation expense (\$415,541). This is the amount by which capital outlays exceeded depreciation in the current period.		1,097,773
The issuance of long-term debt (\$875,000) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$71,250) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(803,750)
Governmental funds report employer pension contributions as expenditures (\$26,929). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$74,255) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(47,326)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		4,199
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(12,112)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>922,863</u></u>

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

TOWN OF CHARLOTTE, VERMONT  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2020

	Wastewater Fund
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 231,172
Receivables	58,796
Loan Receivable	8,925
Due from Other Funds	61
Total Current Assets	298,954
Noncurrent Assets:	
Distribution and Collection Systems	1,610,566
Less: Accumulated Depreciation	(677,920)
Total Noncurrent Assets	932,646
Total Assets	\$ 1,231,600
<u>LIABILITIES</u>	
Liabilities:	\$ 0
<u>NET POSITION</u>	
Net Investment in Capital Assets	932,646
Unrestricted	298,954
Total Net Position	1,231,600
Total Liabilities and Net Position	\$ 1,231,600

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

TOWN OF CHARLOTTE, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Wastewater Fund</u>
Operating Revenues:	
Charges for Services	\$ <u>139,043</u>
Total Operating Revenues	<u>139,043</u>
Operating Expenses:	
Contract Services	51,094
Utilities	1,883
Repairs and Maintenance	19,014
Materials and Supplies	8,745
Fees and Permits	873
Testing Fees	26,026
Depreciation	<u>36,540</u>
Total Operating Expenses	<u>144,175</u>
Operating Income/(Loss)	<u>(5,132)</u>
Non-Operating Revenues:	
Investment Income	<u>20</u>
Total Non-Operating Revenues	<u>20</u>
Change in Net Position	(5,112)
Net Position - July 1, 2019	<u>1,236,712</u>
Net Position - June 30, 2020	<u>\$ <u>1,231,600</u></u>

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

TOWN OF CHARLOTTE, VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	Wastewater Fund
Cash Flows From Operating Activities:	
Receipts from Customers and Users	\$ 136,589
Payments for Goods and Services	<u>(107,635)</u>
Net Cash Provided by Operating Activities	<u>28,954</u>
Cash Flows From Noncapital Financing Activities:	
Decrease/(Increase) in Due from Other Funds	(61)
(Decrease)/Increase in Due to Other Funds	<u>(1,329)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(1,390)</u>
Cash Flows From Capital and Related Financing Activities:	
Payments Received on Loan Receivable and Connection Fees	525
Acquisition and Construction of Capital Assets	<u>(7,000)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(6,475)</u>
Cash Flows From Investing Activities:	
Receipt of Interest & Dividends	<u>20</u>
Net Cash Provided by Investing Activities	<u>20</u>
Net Increase in Cash	21,109
Cash - July 1, 2019	<u>210,063</u>
Cash - June 30, 2020	<u>\$ 231,172</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:	
Operating Income/(Loss)	\$ (5,132)
Depreciation	36,540
(Increase)/Decrease in Receivables	<u>(2,454)</u>
Net Cash Provided by Operating Activities	<u>\$ 28,954</u>

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

TOWN OF CHARLOTTE, VERMONT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020

	Private-Purpose Trust Funds
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 22,383
Investments	569,632
Total Assets	\$ 592,015
<u>LIABILITIES AND NET POSITION</u>	
Liabilities:	\$ 0
Net Position:	
Restricted:	
Held in Trust for Individuals and Organizations	592,015
Total Liabilities and Net Position	\$ 592,015

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

TOWN OF CHARLOTTE, VERMONT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	Private-Purpose Trust Funds
Additions:	
Investment Income	\$ 29,182
Donations	323
Total Additions	29,505
Deductions:	
Grandview Cemetery	21,099
Total Deductions	21,099
Change in Net Position	8,406
Net Position - July 1, 2019	583,609
Net Position - June 30, 2020	\$ 592,015

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

TOWN OF CHARLOTTE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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

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

The accounting policies adopted by the Town of Charlotte, Vermont (the "Town") 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.

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

This report includes all of the activity of the Town of Charlotte, 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 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 and present a longer-term view of the Town's finances. 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.

TOWN OF CHARLOTTE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues 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 expenses and program revenues for each function of the Town's governmental activities and for each segment of the Town's business-type activities. Direct expenses 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. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: 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.

Highway Reserve Fund – The fund accounts for the highway capital expenditures of the Town.

Conservation Fund – This fund accounts for the resources used for land preservation.

Fire & Rescue Capital Fund – This fund accounts for the fire and rescue capital expenditures of the Town.

Community Library Fund – This fund accounts for community library capital expenditures of the Town.

The Town reports on the following major enterprise fund:

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



TOWN OF CHARLOTTE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

Additionally, the Town reports the following fund type:

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

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

TOWN OF CHARLOTTE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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

##### **1. Cash**

Cash balances of 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 withdrawals are shown as due to other funds.

TOWN OF CHARLOTTE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

**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 arrangements that are outstanding at the end of the fiscal year are referred to as “advances from/to other funds”. All other outstanding balances between funds are reported as “due from/to other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

**5. 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.

**6. Prepaid Expenses and Deposits**

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

Reported prepaid expenses and deposits of governmental funds in the fund financial statements are offset by a nonspendable fund balance as these are not in spendable form.

**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.

TOWN OF CHARLOTTE, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2020

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. Infrastructure assets are reported starting with fiscal year ended June 30, 2004. The Town has elected to not report major general infrastructure assets retroactively.

Capital assets reported in the government-wide and 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
Land	\$ 1,000	Not Depreciated
Buildings and Building Improvements	\$ 20,000	10-75 Years
Vehicles and Equipment	\$ 5,000	3-25 Years
Infrastructure	\$ 20,000	20-75 Years
Distribution and Collection Systems	\$ 20,000	20-75 Years

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are incurred.

**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 government-wide and 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.

TOWN OF CHARLOTTE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

**10. Long-term Liabilities**

Long-term liabilities include bonds and notes payable and other obligations such as compensated absences and the Town's net pension liability. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those statements 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 government-wide and 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 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.

**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND  
AND GOVERNMENT-WIDE STATEMENTS**

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, whereas government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as other financing sources, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report proceeds of long-term debt as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

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Pension-related differences arise because governmental funds report the current year's required employer contributions as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources. In addition, the accrual for the Town's proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

### III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary Information

The budget is approved at the annual Town Meeting in March. Budget changes within a department, which do not change the total expenditures, require approval of the Selectboard. Any budget changes which change total expenditures requires voter approval. There were no budget amendments during the year. The budget presented herein is for the Town's "General Fund" only and does not include the HRA Fund activity that is included with the General Fund.

### IV. DETAILED NOTES ON ALL FUNDS

#### A. Cash and Investments

The Town's cash, cash equivalents and investments as of June 30, 2020 consisted of the following:

Restricted Cash and Cash Equivalents:	
Deposits with Financial Institutions	\$ 10,936
Money Market Mutual Fund – U.S. Government Securities	<u>235,092</u>
Total Restricted Cash and Cash Equivalents	<u>246,028</u>
Unrestricted Cash and Cash Equivalents:	
Deposits with Financial Institutions	2,106,861
Deposits with Investment Company	19,806
Cash on Hand	<u>100</u>
Total Unrestricted Cash and Cash Equivalents	<u>2,126,767</u>
Total Cash and Cash Equivalents	<u>2,372,795</u>
Investments:	
Exchange-Traded Funds	211,641
Mutual Funds – Mixed Holdings	<u>357,991</u>
Total Investments	<u>569,632</u>
Total Cash, Cash Equivalents and Investments	<u>\$2,942,427</u>

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**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 money market mutual funds, exchange-traded funds 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.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$ 280,742	\$ 280,742
Uninsured, Collateralized by U.S. Government Securities Held by the Bank in the Bank's Name for the Benefit of the Town	<u>1,856,861</u>	<u>1,988,559</u>
Total	<u>\$2,137,603</u>	<u>\$2,269,301</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:

Restricted Cash – Deposits with Financial Institutions	\$ 10,936
Cash – Deposits with Financial Institutions	2,106,861
Cash – Deposits with Investment Company	<u>19,806</u>
Total	<u>\$2,137,603</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's policy does not limit its exposure to interest rate risk. The Town's exchange-traded funds are exempt from interest rate risk disclosure. The Town's money market mutual funds and mutual funds are open-ended and, therefore, are also exempt from interest rate risk disclosure.

TOWN OF CHARLOTTE, VERMONT  
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**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 exchange-traded funds are not subject to credit risk disclosure. The Town’s money market mutual funds and mutual funds are open-ended and, therefore, are also excluded from the 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. There are no investments in any one issuer, other than mutual funds, 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).

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, 2020:

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)
Exchange-Traded Funds	\$ 211,641	\$ 211,641	\$ 0	\$ 0
Mutual Funds - Mixed Holdings	357,991	357,991	0	0
Total	<u>\$ 569,632</u>	<u>\$ 569,632</u>	<u>\$ 0</u>	<u>\$ 0</u>



TOWN OF CHARLOTTE, VERMONT  
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**B. Receivables**

Receivables as of June 30, 2020, as reported in the statement of net position, are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Delinquent Taxes Receivable	\$ 89,476	\$ 0	\$ 89,476
Penalties and Interest Receivable	20,446	0	20,446
Thompson's Point Rent Receivable	33,234	0	33,234
Grants Receivable	136,688	0	136,688
Billed Services	0	1,796	1,796
Unbilled Services	0	57,000	57,000
	<u>0</u>	<u>57,000</u>	<u>57,000</u>
 Total	 <u>\$ 279,844</u>	 <u>\$ 58,796</u>	 <u>\$ 338,640</u>

**C. Loan Receivable**

The Town has an outstanding wastewater loan with a homeowner for \$8,925 from the assessment of a hook-on fee to the sewer system on Lane's Lane. The loan is being repaid over a term of 20 years with annual principal payments of \$525. Interest is at 0%.

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,827,100	\$ 0	\$ 0	\$ 1,827,100
Construction in Progress	32,807	1,125,384	0	1,158,191
Total Capital Assets, Not Being Depreciated	<u>1,859,907</u>	<u>1,125,384</u>	<u>0</u>	<u>2,985,291</u>
Capital Assets, Being Depreciated:				
Land Improvements	16,000	0	0	16,000
Buildings and Building Improvements	1,510,012	0	0	1,510,012
Vehicles and Equipment	24,169	89,434	0	113,603
Infrastructure	6,747,950	298,496	0	7,046,446
Distribution and Collection Systems	146,693	0	0	146,693
Totals	<u>8,444,824</u>	<u>387,930</u>	<u>0</u>	<u>8,832,754</u>
Less Accumulated Depreciation for:				
Land Improvements	800	800	0	1,600
Buildings and Building Improvements	495,043	35,385	0	530,428
Vehicles and Equipment	7,752	6,747	0	14,499
Infrastructure	2,049,880	369,234	0	2,419,114
Distribution and Collection Systems	50,242	3,375	0	53,617
Totals	<u>2,603,717</u>	<u>415,541</u>	<u>0</u>	<u>3,019,258</u>
Total Capital Assets, Being Depreciated	<u>5,841,107</u>	<u>(27,611)</u>	<u>0</u>	<u>5,813,496</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,701,014</u>	<u>\$ 1,097,773</u>	<u>\$ 0</u>	<u>\$ 8,798,787</u>

TOWN OF CHARLOTTE, VERMONT  
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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 21,887	\$ 7,000	\$ 28,887	\$ 0
Total Capital Assets, Not Being Depreciated	21,887	7,000	28,887	0
Capital Assets, Being Depreciated:				
Distribution and Collection Systems	1,581,679	28,887	0	1,610,566
Totals	1,581,679	28,887	0	1,610,566
Less Accumulated Depreciation for:				
Distribution and Collection Systems	641,380	36,540	0	677,920
Totals	641,380	36,540	0	677,920
Total Capital Assets, Being Depreciated	940,299	(7,653)	0	932,646
Business-type Activities Capital Assets, Net	\$ 962,186	\$ (653)	\$ 28,887	\$ 932,646

Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 22,076	Wastewater	\$ 36,540
Highways and Streets	369,234		
Culture and Recreation	24,231		
Total Depreciation Expense - Governmental Activities	\$ 415,541	Total Depreciation Expense - Business-type Activities	\$ 36,540

**E. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2020 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 1,208,988
Highway Reserve Fund	231,504	0
Conservation Fund	428,921	0
Fire & Rescue Capital Fund	64,837	0
Community Library Fund	86,172	0
Non-Major Governmental Funds	397,493	0
Wastewater Fund	61	0
Total	\$ 1,208,988	\$ 1,208,988

TOWN OF CHARLOTTE, VERMONT  
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Interfund transfers during the year ended June 30, 2020 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	HRA Fund	\$ 40,000 *	Appropriation
General Fund	Highway Reserve Fund	198,233	Transfer Highway Surplus
General Fund	Fire & Rescue Capital Fund	100,000	Appropriation
General Fund	Restoration of Records Fund	4,000	Appropriation
General Fund	Cemetery Fund	10,000	Appropriation
General Fund	Repairs and Improvements Fund	25,000	Appropriation
General Fund	Trails Reserve Fund	5,000	Appropriation
General Fund	Recreation Capital Fund	30,000	Appropriation
Reappraisal Fund	General Fund	<u>15,000</u>	Reappraisal Reimbursement
Total		<u>\$ 427,233</u>	

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

#### **F. Deferred Outflows of Resources**

Deferred outflows of resources in the governmental activities consists of \$29,590 from the difference between the expected and actual experience, \$15,556 from the difference between the projected and actual investment earnings, \$7,625 from changes in assumptions and \$2,620 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$26,929 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$82,320.

#### **G. Unearned Revenue**

Unearned revenue in the governmental activities and the General Fund consists of \$500 of lease revenue received in advance.

#### **H. Deferred Inflows of Resources**

Deferred inflows of resources in the governmental activities consists of \$1,974 from the difference between the expected and actual experience and \$772 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS). It also includes \$21,485 of prepaid property taxes. Total deferred inflows of resources in the governmental activities is \$24,231.

Deferred inflows of resources in the General Fund consists of \$69,000 of delinquent property taxes, penalties and interest on those taxes, \$33,234 of Thompson's Point rent taxes and \$15,722 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$21,485 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$139,441.

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$16,934 grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

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**I. Long-term Liabilities**

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 governmental 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.

The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries. The accrual for the Town's share of the net pension liability is recorded in the government-wide financial statements.

Long-term debt outstanding as of June 30, 2020 was as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Fire and Rescue Pumper, Principal Payments of \$20,000 Payable on November 15 Annually, Average Interest Rate of 4.928% Payable May 15 and November 15, Due December, 2024	\$120,000	\$ 0	\$20,000	\$ 100,000
Bond Payable, Vermont Municipal Bond Bank, Fire and Rescue Building, Principal Payments of \$20,000 Payable on December 1 Annually, Interest Ranging from 5.225% to 5.415% Payable June 1 and December 1, Due and Paid December, 2019	20,000	0	20,000	0
Bond Payable, Vermont Municipal Bond Bank, Fire Truck, Principal Payments of \$31,250 Payable on November 1 Annually, Interest Ranging from 1.78% to 3.70% Payable on May 1 and November 1, Due November, 2037	593,750	0	31,250	562,500

TOWN OF CHARLOTTE, VERMONT  
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Library Improvements, Principal Payments of \$30,000 Payable on November 1 Annually, Interest Ranging from 1.35% to 3.12% Payable on May 1 and November 1, Due November, 2039	\$ 0	\$600,000	\$ 0	\$ 600,000
Bond Payable, Vermont Municipal Bond Bank, Ambulance, Principal Payments of \$27,500 Payable on November 1 Annually, Interest Ranging from 1.35% to 2.70% Payable on May 1 and November 1, Due November, 2039	<u>0</u>	<u>275,000</u>	<u>0</u>	<u>275,000</u>
Total Governmental Activities	<u>\$733,750</u>	<u>\$875,000</u>	<u>\$71,250</u>	<u>\$1,537,500</u>

Changes in long-term liabilities during the year were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General Obligation Bonds Payable	\$ 733,750	\$ 875,000	\$ 71,250	\$ 1,537,500	\$ 108,750
Compensated Absences	22,742	9,177	0	31,919	0
Net Pension Liability	<u>185,839</u>	<u>42,548</u>	<u>0</u>	<u>228,387</u>	<u>0</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 942,331</u>	<u>\$ 926,725</u>	<u>\$ 71,250</u>	<u>\$ 1,797,806</u>	<u>\$ 108,750</u>

Compensated absences and required contributions to the pension plans are paid by the applicable fund where the employee is charged.

The change in the net pension liability is allocated to the function where the employee is charged.

Debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 108,750	\$ 36,049
2022	108,750	36,608
2023	108,750	34,192
2024	108,750	31,805
2025	108,750	28,073
2026-2030	443,750	115,752
2031-2035	306,250	66,704
2036-2040	<u>243,750</u>	<u>16,974</u>
Total	<u>\$ 1,537,500</u>	<u>\$ 366,157</u>

TOWN OF CHARLOTTE, VERMONT  
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**J. 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 must 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 have a minimum fund balance policy which is to maintain an unassigned fund balance between 5% and 15% of General Fund operating expenditures. The unassigned fund balance is \$361,851 which is 11% of the 2020 operating expenditures.

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 funds are nonspendable as follows:

Major Funds

General Fund:

Nonspendable Prepaid Expenses	\$24,498
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Fire & Rescue Capital Fund:

Nonspendable Deposit on Ambulance	<u>22,733</u>
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Total Nonspendable Fund Balances	<u>\$47,231</u>
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TOWN OF CHARLOTTE, VERMONT  
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The fund balances in the following funds are restricted as follows:

Major Funds

Highway Reserve Fund:

Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes and State Highway Aid)	<u>\$231,504</u>
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Fire & Rescue Capital Fund:

Restricted for Ambulance Purchase by Unspent Bond Proceeds (Source of Revenue is Bond Proceeds)	<u>245,605</u>
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Community Library Fund:

Restricted for Library Improvements by Unspent Bond Proceeds (Source of Revenue is Bond Proceeds)	423
Restricted for Library Improvements by Donations (Source of Revenue is Donations)	<u>30,169</u>

Total Community Library Fund	<u>30,592</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Scenic Preservation Expenses by Donations (Source of Revenue is Donations)	12
Restricted for Restoration of Records Expenses by Statute (Source of Revenue is Restoration Fees)	13,212
Restricted for Ski Program Expenses by Agreement (Source of Revenue is Recreation Fees)	14,991
Restricted for Conservation Commission by Donations (Source of Revenue is Donations)	596
Restricted for Tree Planting Expenses by Donations (Source of Revenue is Donations)	4,091
Restricted for Mack Scholarship Expenses by Donations (Source of Revenue is Donations)	<u>5,382</u>

Total Special Revenue Funds	<u>38,284</u>
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TOWN OF CHARLOTTE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
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Capital Projects Funds:

Restricted for Trails Expenditures by Donations (Source of Revenue is Donations)	\$ 8,045
Restricted for Thorp Barn Expenditures by Donations (Source of Revenue is Donations)	6,386
Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes) – Designated for Highway Capital Expenditures	<u>46,917</u>
Total Capital Projects Funds	<u>61,348</u>
Total Non-Major Funds	<u>99,632</u>
Total Restricted Fund Balances	<u>\$607,333</u>

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

Major Funds

Conservation Fund:

Committed for Land Preservation by the Voters	<u>\$428,921</u>
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Fire & Rescue Capital Fund:

Committed for Fire & Rescue Capital by the Voters	<u>64,837</u>
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Non-Major Funds

Special Revenue Funds:

Committed for Restoration of Records by the Voters	7,800
Committed for Cemetery Expenses by the Voters	10,001
Committed for the Conservation Commission by the Voters	1,000
Committed for Affordable Housing by the Voters	<u>131,132</u>
Total Special Revenue Funds	<u>149,933</u>

Capital Projects Funds:

Committed for Repairs and Improvements by the Voters	40,888
Committed for Trails by the Voters	70,029
Committed for Recreation Capital by the Voters	<u>19,112</u>
Total Capital Projects Funds	<u>130,029</u>
Total Non-Major Funds	<u>279,962</u>
Total Committed Fund Balances	<u>\$773,720</u>



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

Major Funds

General Fund:

Assigned for HRA Expenses	\$ <u>8,477</u>
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Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses	27,900
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Total Assigned Fund Balances	\$ <u>36,377</u>
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**K. Net Position**

The restricted net position of the Town as of June 30, 2020 consisted of the following:

Governmental Activities:

Restricted for Highway Expenditures by Statute	\$294,143
Restricted for Community Library Expenses by Donations and Grants	30,169
Restricted for Scenic Preservation Expenses by Donations	12
Restricted for Restoration of Records Expenses by Statute	13,212
Restricted for Ski Program Expenses by Agreement	14,991
Restricted for Conservation Commission by Donations	596
Restricted for Tree Planting Expenses by Donations	4,091
Restricted for Mack Scholarship Expenses by Donations	5,382
Restricted for Trails Expenditures by Donations	8,045
Restricted for Thorp Barn Expenditures by Donations	<u>6,386</u>

Total Governmental Activities	\$ <u>377,027</u>
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The designated net position of the Town's Proprietary Fund as of June 30, 2020 consisted of the following:

Wastewater Fund:

Designated for Wastewater Capital Projects	\$129,940
Designated for Wastewater Operations	<u>169,014</u>

Total Wastewater Fund/Business-type Activities	\$ <u>298,954</u>
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The governmental activities Net Investment in Capital Assets does not include the long-term debt for the fire and rescue vehicles and building as the Town does not own these assets and debt payments are made on behalf of Charlotte Fire and Rescue Services, Inc.

TOWN OF CHARLOTTE, VERMONT  
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**L. 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, 2020 consisted of the following:

Private-Purpose Trust Funds:	
Restricted for Serrell Fund by Donations	\$ 2,577
Restricted for Grandview Cemetery by Trust Agreement	<u>589,438</u>
Total Private-Purpose Trust Funds	<u>\$592,015</u>

**V. 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, 2019, the measurement date selected by the State of Vermont, the retirement system consisted of 379 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.

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**Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources**

As of June 30, 2019, the measurement date selected by the State of Vermont, VMERS was funded at 80.35% and had a plan fiduciary net position of \$709,465,831 and a total pension liability of \$882,957,638 resulting in a net position liability of \$173,491,807. As of June 30, 2020, the Town's proportionate share of this was 0.1316% resulting in a net pension liability of \$228,387. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by 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 0.1316% was a decrease of 0.0005 from its proportion measured as of the prior year.

For the year ended June 30, 2020, the Town recognized pension expense of \$74,255.

As of June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 29,590	\$ 1,974
Difference between projected and actual investment earnings on pension assets	15,556	0
Changes in assumptions	7,625	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,620	772
Town's required employer contributions made subsequent to the measurement date	<u>26,929</u>	<u>0</u>
	<u>\$ 82,320</u>	<u>\$ 2,746</u>

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$26,929 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

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Year Ending <u>June 30</u>	
2021	\$20,875
2022	11,397
2023	12,850
2024	<u>7,523</u>
Total	<u>\$52,645</u>

**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.

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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 – 2.75%. Group B – 5.125%. Group C – 10.25%. Group D – 11.60%.

Employer Contributions – Group A – 4.25%. Group B – 5.75%. Group C – 7.50%. Group D – 10.10%.

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

**Significant Actuarial Assumptions and Methods**

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

Salary increases: 5% per year.

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Mortality:

Death in Active Service: Groups A, B and C – 98% of RP-2006 Mortality Table, blended 60% Blue Collar Employee and 40% Healthy Employee with generational projection using scale SSA-2017. Group D – 100% of RP-2006 Blue Collar Mortality Table with generational projection using scale SSA-2017.

Healthy Post-Retirement: Groups A, B and C – 98% of RP-2006 Mortality Table, blended 60% Blue Collar Annuitant and 40% Healthy Annuitant with generational projection using scale SSA-2017. Group D – 100% of RP-2006 Blue Collar Annuitant Table with generational projections using scale SSA-2017.

Disabled Post-Retirement: All Groups – RP-2006 Disabled Mortality Table with generational projection using scale SSA-2017.

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

Cost-of-Living Adjustments: 1.15% for Group A members and 1.30% for Groups B, C and D members. The January 1, 2019 and January 1, 2020 COLAs are 1.30% and 0.80%, 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: 2.50%

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, 2019 are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	29%	6.90%
US Equity – Large Cap	4%	5.94%
US Equity – Small/Mid Cap	3%	6.72%
Non-US Equity – Large Cap	5%	6.81%
Non-US Equity – Small Cap	2%	7.31%
Emerging Markets Debt	4%	4.26%
Core Bond	14%	1.79%
Non-Core Bonds	6%	3.22%
Short Quality Credit	5%	1.81%
Private Credit	5%	6.00%
US TIPS	3%	1.45%
Core Real Estate	5%	4.26%
Non-Core Real Estate	3%	5.76%
Private Equity	10%	10.81%
Infrastructure/Farmland	2%	4.89%

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System’s projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$374,520	\$228,387	\$107,416

**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.

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**B. 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.

**C. Property Taxes**

The Town is responsible for assessing and collecting its own property taxes, as well as education 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 and payable on November 15 and become delinquent on November 16. The Town assesses an 8% penalty after the November 15 payment. Interest is assessed 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 2020 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Education	1.4831	1.6322
Local Agreement	0.0005	0.0005
Town	<u>0.2021</u>	<u>0.2021</u>
Total	<u>1.6857</u>	<u>1.8348</u>

**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.



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	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues:</b>			
Property Taxes	\$ 1,881,785	\$ 1,918,449	\$ 36,664
Interest on Delinquent Taxes	10,000	31,287	21,287
Penalty on Delinquent Taxes	15,000	29,651	14,651
Education Billing Fee Retained	29,000	29,577	577
Delinquent Tax Legal Fees	1,000	0	(1,000)
Current Use	68,980	69,820	840
Land Use Change Tax	0	4,736	4,736
PILOT Payment	12,762	12,987	225
Thompson's Point Rent	816,200	809,531	(6,669)
Railroad Tax	500	612	112
Barber Cemetery Fund	20	282	262
Vault Time Fees	7,000	7,715	715
Recording Fees	40,000	69,640	29,640
Dog Licenses	2,200	1,174	(1,026)
Hunting & Fishing Licenses	50	23	(27)
Marriage Licenses	240	280	40
Miscellaneous Town Clerk Fees	0	33	33
Planning and Zoning - Board Adjustments	6,000	3,750	(2,250)
Planning and Zoning - Building Permits	19,500	14,000	(5,500)
Planning and Zoning - Subdivision Applications	11,000	6,550	(4,450)
Planning and Zoning - Miscellaneous Income	40	17	(23)
Septic Applications	5,500	11,350	5,850
Certificate of Compliance	3,300	4,350	1,050
Certificate of Occupancy	3,000	2,100	(900)
Highway Access Permit	600	500	(100)
Senior Center Programs	28,000	26,595	(1,405)
Building Rental	1,500	1,130	(370)
Beach Fees	13,500	32,313	18,813
Recreation Programs	60,135	54,687	(5,448)
Highway State Aid	194,892	199,975	5,083
Paving Grant Income	0	104,032	104,032
Court Fines	11,500	4,545	(6,955)
Transfer from Reappraisal Fund	15,000	15,000	0
Agricultural Lease	5,725	4,730	(995)
Interest Income	350	22,491	22,141
Miscellaneous	500	753	253
<b>Total Revenues</b>	<b>3,264,779</b>	<b>3,494,665</b>	<b>229,886</b>
<b>Expenditures:</b>			
<b>Selectmen:</b>			
Selectmen Salaries	9,000	9,000	0
Minute-Taker Salary	3,500	3,629	(129)
Town Administrator	68,286	68,376	(90)
Legal Expense	55,000	29,800	25,200
Advertising	1,500	4,295	(2,795)
Seminars	300	155	145
Mileage	100	107	(7)
Memberships	85	85	0
Miscellaneous	0	440	(440)
<b>Total Selectmen</b>	<b>137,771</b>	<b>115,887</b>	<b>21,884</b>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Town Clerk:</b>			
Clerk Salary	\$ 71,094	\$ 71,133	\$ (39)
Assistant Clerk/Treasurer Salary	40,664	39,579	1,085
Mileage	100	0	100
Telephone	2,200	2,205	(5)
Seminars/Training	300	0	300
Supplies	4,100	3,836	264
Memberships	100	105	(5)
Service Contracts	4,100	3,951	149
<b>Total Town Clerk</b>	<b>122,658</b>	<b>120,809</b>	<b>1,849</b>
<b>Treasurer:</b>			
Supplies	900	792	108
Audit Expense	15,250	16,007	(757)
<b>Total Treasurer</b>	<b>16,150</b>	<b>16,799</b>	<b>(649)</b>
<b>Elections and Town Meeting:</b>			
Elections	0	380	(380)
Town Meetings	3,000	2,407	593
Town Report Expenses	5,000	5,430	(430)
<b>Total Elections and Town Meeting</b>	<b>8,000</b>	<b>8,217</b>	<b>(217)</b>
<b>Planning and Zoning:</b>			
Zoning Administrator	45,240	41,814	3,426
Planner Salary	49,650	51,048	(1,398)
Minute-Taker Salary	2,500	1,892	608
Legal	10,000	3,838	6,162
Mileage	600	448	152
Telephone	800	814	(14)
Advertising	2,000	1,581	419
Equipment	400	0	400
Seminars	200	510	(310)
Computer Upgrade	500	0	500
Supplies	1,000	842	158
Memberships	250	207	43
Engineering	12,000	19,911	(7,911)
Copier	2,800	2,532	268
Planning Consultants	2,500	0	2,500
Mapping	700	400	300
Miscellaneous	100	0	100
<b>Total Planning and Zoning</b>	<b>131,240</b>	<b>125,837</b>	<b>5,403</b>
<b>Constable:</b>			
Halloween Lights	815	821	(6)
<b>Total Constable</b>	<b>815</b>	<b>821</b>	<b>(6)</b>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Listers:			
Wages	\$ 34,266	\$ 23,453	\$ 10,813
Contract Appraiser	26,250	26,250	0
Mileage	50	0	50
Telephone	1,950	1,820	130
Seminars	400	0	400
Computer Software	330	215	115
Supplies	500	0	500
Memberships	50	60	(10)
MS Service Contract	525	571	(46)
Mapping Contract	2,700	2,700	0
Legal	0	2,506	(2,506)
<b>Total Listers</b>	<b>67,021</b>	<b>57,575</b>	<b>9,446</b>
Delinquent Taxes:			
Delinquent Tax Collector Salary	6,500	6,500	0
Legal	1,000	610	390
<b>Total Delinquent Taxes</b>	<b>7,500</b>	<b>7,110</b>	<b>390</b>
Employee Benefits:			
Social Security	35,900	34,794	1,106
Health Insurance	174,000	157,590	16,410
Retirement	27,147	26,928	219
Unemployment Compensation	950	332	618
MEDI Expense	8,400	8,137	263
Medicare Reimbursement	5,000	4,900	100
Eyemed Vision Plan	900	1,005	(105)
Delta Dental	10,600	10,009	591
<b>Total Employee Benefits</b>	<b>262,897</b>	<b>243,695</b>	<b>19,202</b>
Highway:			
Retreatment	235,000	302,997	(67,997)
Winter Plow/Sand/Ice	225,000	247,794	(22,794)
Gravel Roads Maintenance	200,250	76,390	123,860
Ditching	50,000	58,845	(8,845)
Brush/Tree Removal	95,000	56,225	38,775
Culvert Replacement/Repair	40,000	34,176	5,824
Roadside Mowing	40,000	25,518	14,482
Sweeping/Shoulders	5,000	5,482	(482)
Cold Patch	4,000	3,030	970
Bridge/Guardrail Repair	5,000	12,940	(7,940)
Road Signs	15,000	4,078	10,922
Covered Bridges	5,000	2,455	2,545
Bike Path Maintenance	3,000	2,258	742
Miscellaneous	1,000	1,945	(945)
<b>Total Highway</b>	<b>923,250</b>	<b>834,133</b>	<b>89,117</b>
Stormwater Discharge:	0	1,350	(1,350)

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Lands:			
Landfill Monitor	\$ 8,000	\$ 7,462	\$ 538
Village Mowing	4,400	6,843	(2,443)
Cemetery Maintenance	10,000	8,271	1,729
Park Security	6,000	6,000	0
Lake Field/Beach Mowing	6,550	7,870	(1,320)
Park Maintenance	16,650	15,075	1,575
Berry Farm Field	11,300	13,044	(1,744)
Brush-Hogging	2,900	4,915	(2,015)
School Fields and Gym	5,050	138	4,912
Trail Maintenance	2,800	2,864	(64)
Thompsons Point Trash	520	513	7
Village WW System Maintenance	200	1,285	(1,085)
Museum Maintenance	350	1,244	(894)
	<u>74,720</u>	<u>75,524</u>	<u>(804)</u>
Total Town Lands			
Library:			
Library Director	57,221	57,296	(75)
Library Assistants	47,205	39,445	7,760
Youth Librarian	30,498	30,909	(411)
Technical Librarian	28,894	30,200	(1,306)
Custodial Service	5,200	5,355	(155)
Postage/Miscellaneous	1,000	214	786
Telecommunications	2,100	2,064	36
Supplies	2,500	3,582	(1,082)
Professional Development	2,100	529	1,571
Association Dues	300	50	250
Acquisitions	10,000	10,555	(555)
Special Programs	2,500	1,448	1,052
Energy	3,000	5,936	(2,936)
Maintenance	5,000	4,244	756
Computer Support	2,000	1,838	162
Computer Equipment	4,000	3,755	245
	<u>203,518</u>	<u>197,420</u>	<u>6,098</u>
Total Library			
Annual Requests:			
Lewis Creek Association	600	600	0
Visiting Nurses Association	9,092	9,092	0
C.V. Agency on Aging	1,800	1,800	0
Center/Independent Living	200	200	0
HOPE Works	1,000	1,000	0
COTS	750	750	0
Howard Human Services	1,000	1,000	0
Vermont Association for Blind	250	250	0
Special Investigations	7,000	7,000	0
American Red Cross	1,000	1,000	0
Vermont Rural Fire Protection	100	100	0
Child Care Resources	250	250	0
Front Porch Forum	200	200	0
Charlotte News	500	500	0
Lund Home	1,000	1,000	0
Vermont Family Network	1,000	1,000	0
	<u>25,742</u>	<u>25,742</u>	<u>0</u>
Total Annual Requests			

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	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Recreation:</b>			
Beach Attendant Wages	\$ 11,500	\$ 8,851	\$ 2,649
Beach Maintenance	3,300	2,226	1,074
Mileage	200	153	47
Telephone	750	705	45
Recreation Software	3,295	3,295	0
Beach Supplies	1,400	860	540
Memberships/Seminars	350	285	65
Tennis Courts	1,200	185	1,015
Beach Garbage Removal	200	133	67
Beach Electricity	280	287	(7)
Docks In and Out	4,000	2,914	1,086
Skating Rink Maintenance	800	282	518
Skating Rink Electricity	600	675	(75)
Recreation Program Director	37,378	37,429	(51)
Recreation Program Expense	43,857	42,961	896
Beach Water Testing	582	91	491
	<u>109,692</u>	<u>101,332</u>	<u>8,360</u>
<b>Total Recreation</b>			
<b>Conservation:</b>			
Lewis Creek Frogbit	2,700	2,700	0
Charlotte Invasives	1,500	1,413	87
Membership/Dues	0	50	(50)
Green-Up Day	300	61	239
	<u>4,500</u>	<u>4,224</u>	<u>276</u>
<b>Total Conservation</b>			
<b>Town Hall:</b>			
Maintenance	7,300	5,612	1,688
Custodian	6,000	6,482	(482)
Town Postage	5,500	5,071	429
Equipment	2,000	6,402	(4,402)
Supplies	2,300	2,473	(173)
Trash Removal	1,700	1,632	68
Utilities	4,500	3,667	833
Fuel Oil	3,800	2,837	963
Computer Service	16,000	17,106	(1,106)
	<u>49,100</u>	<u>51,282</u>	<u>(2,182)</u>
<b>Total Town Hall</b>			
<b>Senior Center:</b>			
Maintenance	12,300	15,522	(3,222)
Snow Plowing	2,000	1,075	925
Custodial Service	9,400	7,830	1,570
Miscellaneous	0	250	(250)
Postage	650	770	(120)
Telecommunications	2,300	2,212	88
Supplies	2,100	2,044	56
Trash	1,200	1,649	(449)
Energy	6,500	6,725	(225)
Director	36,876	39,657	(2,781)
Part-Time Coordinator	12,004	11,612	392
Program Expenses	28,000	30,710	(2,710)
	<u>113,330</u>	<u>120,056</u>	<u>(6,726)</u>
<b>Total Senior Center</b>			

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TOWN OF CHARLOTTE, 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, 2020

	Budget	Actual	Variance Favorable/ (Unfavorable)
Miscellaneous:			
Insurance	\$ 42,000	\$ 39,368	\$ 2,632
Flea Market Electricity	350	828	(478)
Street Lights Electricity	1,500	1,706	(206)
Museum Electricity	350	326	24
Animal Control Officer	3,000	3,000	0
Dogs/Miscellaneous	900	828	72
Trails Committee	1,500	1,690	(190)
Traffic Enforcement	30,000	20,531	9,469
Charlotte Land Trust	5,000	5,000	0
Energy Committee	4,500	2,885	1,615
Tree Warden	1,500	605	895
Miscellaneous	0	19	(19)
	90,600	76,786	13,814
Total Miscellaneous			
Intergovernmental Taxes and Dues:			
VLCT Dues	5,525	5,525	0
CCRPC Dues	10,686	10,686	0
County Tax	44,000	41,034	2,966
	60,211	57,245	2,966
Total Intergovernmental Taxes and Dues			
Debt Service - Library Bond:	21,000	12,209	8,791
Transfers:			
Transfer to Restoration of Records Fund	4,000	4,000	0
Transfer to Cemetery Fund	10,000	10,000	0
Highway Capital Reserve Fund	0	198,233	(198,233)
Transfer to Fire & Rescue Capital Fund	100,000	100,000	0
Transfer to Repairs and Improvements Fund	25,000	25,000	0
Transfer to Trails Reserve Fund	5,000	5,000	0
Transfer to Recreation Capital Fund	30,000	30,000	0
	174,000	372,233	(198,233)
Total Transfers			
Fire and Rescue Appropriation:	661,064	636,064	25,000
Total Expenditures	3,264,779	3,262,350	2,429
Excess of Revenues Over Expenditures	\$ 0	232,315	\$ 232,315
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
HRA Fund Transfer In		40,000	
HRA Fund Expenses		(37,550)	
Net Change in Fund Balance		234,765	
Fund Balance - July 1, 2019		160,061	
Fund Balance - June 30, 2020		\$ 394,826	

The reconciling items are due to combining one (1) fund, the HRA Fund, with the General Fund in order to comply with GASB Statement No. 54.

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TOWN OF CHARLOTTE, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 VMERS DEFINED BENEFIT PLAN  
 JUNE 30, 2020

	2020	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 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	0.1316%	0.1321%	0.1264%	0.1280%	0.1252%	0.1175%
Town's Proportionate Share of the Net Pension Liability	\$ 228,387	\$ 185,839	\$ 153,170	\$ 164,748	\$ 96,554	\$ 10,723
Town's Covered Employee Payroll	\$ 468,323	\$ 449,651	\$ 420,709	\$ 388,264	\$ 353,746	\$ 325,703
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	48.7670%	41.3296%	36.4076%	42.4320%	27.2947%	3.2923%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

**Notes to Schedule**

Benefit Changes: None.

Changes in Assumptions and Methods: None.

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

TOWN OF CHARLOTTE, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 VMERS DEFINED BENEFIT PLAN  
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 26,929	\$ 25,293	\$ 23,139	\$ 21,355	\$ 19,456	\$ 17,507
Contributions in Relation to the Actuarially Determined Contributions	<u>26,929</u>	<u>25,293</u>	<u>23,139</u>	<u>21,355</u>	<u>19,456</u>	<u>17,507</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 468,323	\$ 449,651	\$ 420,709	\$ 388,264	\$ 353,746	\$ 325,703
Contributions as a Percentage of Town's Covered Employee Payroll	5.750%	5.625%	5.500%	5.500%	5.500%	5.375%

**Notes to Schedule**

Valuation Date: June 30, 2019

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



TOWN OF CHARLOTTE, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2020

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 10,001	\$ 0	\$ 10,001
Receivables	0	16,934	16,934
Due from Other Funds	<u>206,116</u>	<u>191,377</u>	<u>397,493</u>
Total Assets	<u>\$ 216,117</u>	<u>\$ 208,311</u>	<u>\$ 424,428</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>16,934</u>	<u>16,934</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>16,934</u>	<u>16,934</u>
<u>FUND BALANCES</u>			
Restricted	38,284	61,348	99,632
Committed	149,933	130,029	279,962
Assigned	<u>27,900</u>	<u>0</u>	<u>27,900</u>
Total Fund Balances	<u>216,117</u>	<u>191,377</u>	<u>407,494</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 216,117</u>	<u>\$ 208,311</u>	<u>\$ 424,428</u>

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TOWN OF CHARLOTTE, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds	Capital Projects Funds	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues:			
Intergovernmental	\$ 17,024	\$ 29,631	\$ 46,655
Permits, Licenses and Fees	17,370	0	17,370
Investment Income	1,987	1,934	3,921
Donations	<u>3,520</u>	<u>11,492</u>	<u>15,012</u>
Total Revenues	<u>39,901</u>	<u>43,057</u>	<u>82,958</u>
Expenditures:			
General Government	5,000	5,105	10,105
Culture and Recreation	14,843	3,506	18,349
Community Development	1,733	0	1,733
Capital Outlay:			
General Government	0	18,963	18,963
Highways and Streets	0	33,920	33,920
Culture and Recreation	<u>0</u>	<u>89,434</u>	<u>89,434</u>
Total Expenditures	<u>21,576</u>	<u>150,928</u>	<u>172,504</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>18,325</u>	<u>(107,871)</u>	<u>(89,546)</u>
Other Financing Sources/(Uses):			
Transfers In	14,000	60,000	74,000
Transfers Out	<u>(15,000)</u>	<u>0</u>	<u>(15,000)</u>
Total Other Financing Sources/(Uses)	<u>(1,000)</u>	<u>60,000</u>	<u>59,000</u>
Net Change in Fund Balances	17,325	(47,871)	(30,546)
Fund Balances - July 1, 2019	<u>198,792</u>	<u>239,248</u>	<u>438,040</u>
Fund Balances - June 30, 2020	<u>\$ 216,117</u>	<u>\$ 191,377</u>	<u>\$ 407,494</u>

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TOWN OF CHARLOTTE, VERMONT  
COMBINING BALANCE SHEET  
NON-MAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2020

	Scenic Preservation Fund	Reappraisal Fund	Restoration of Records Fund	Cemetery Fund	Ski Program Fund	Conservation Commission Fund	Tree Fund	Mack Scholarship Fund	Affordable Housing Fund	Total
<u>ASSETS</u>										
Cash	\$ 0	\$ 0	\$ 0	\$ 10,001	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,001
Due from Other Funds	<u>12</u>	<u>27,900</u>	<u>21,012</u>	<u>0</u>	<u>14,991</u>	<u>1,596</u>	<u>4,091</u>	<u>5,382</u>	<u>131,132</u>	<u>206,116</u>
Total Assets	<u>\$ 12</u>	<u>\$ 27,900</u>	<u>\$ 21,012</u>	<u>\$ 10,001</u>	<u>\$ 14,991</u>	<u>\$ 1,596</u>	<u>\$ 4,091</u>	<u>\$ 5,382</u>	<u>\$ 131,132</u>	<u>\$ 216,117</u>
<u>LIABILITIES AND FUND BALANCES</u>										
Liabilities:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:										
Restricted	12	0	13,212	0	14,991	596	4,091	5,382	0	38,284
Committed	0	0	7,800	10,001	0	1,000	0	0	131,132	149,933
Assigned	<u>0</u>	<u>27,900</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>27,900</u>
Total Fund Balances	<u>12</u>	<u>27,900</u>	<u>21,012</u>	<u>10,001</u>	<u>14,991</u>	<u>1,596</u>	<u>4,091</u>	<u>5,382</u>	<u>131,132</u>	<u>216,117</u>
Total Liabilities and Fund Balances	<u>\$ 12</u>	<u>\$ 27,900</u>	<u>\$ 21,012</u>	<u>\$ 10,001</u>	<u>\$ 14,991</u>	<u>\$ 1,596</u>	<u>\$ 4,091</u>	<u>\$ 5,382</u>	<u>\$ 131,132</u>	<u>\$ 216,117</u>

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TOWN OF CHARLOTTE, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Scenic Preservation Fund	Reappraisal Fund	Restoration of Records Fund	Cemetery Fund	Ski Program Fund	Conservation Commission Fund	Tree Fund	Mack Scholarship Fund	Affordable Housing Fund	Total
<b>Revenues:</b>										
Intergovernmental	\$ 0	\$ 17,024	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,024
Permits, Licenses and Fees	0	0	0	0	17,370	0	0	0	0	17,370
Investment Income	0	252	190	1	151	15	32	48	1,298	1,987
Donations	0	0	0	0	0	0	2,948	572	0	3,520
<b>Total Revenues</b>	<b>0</b>	<b>17,276</b>	<b>190</b>	<b>1</b>	<b>17,521</b>	<b>15</b>	<b>2,980</b>	<b>620</b>	<b>1,298</b>	<b>39,901</b>
<b>Expenditures:</b>										
General Government	0	0	0	0	0	0	0	0	5,000	5,000
Culture and Recreation	0	0	0	0	14,573	0	0	270	0	14,843
Community Development	0	0	0	0	0	0	1,733	0	0	1,733
<b>Total Expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,573</b>	<b>0</b>	<b>1,733</b>	<b>270</b>	<b>5,000</b>	<b>21,576</b>
Excess/(Deficiency) of Revenues Over Expenditures	0	17,276	190	1	2,948	15	1,247	350	(3,702)	18,325
<b>Other Financing Sources/(Uses):</b>										
Transfers In	0	0	4,000	10,000	0	0	0	0	0	14,000
Transfers Out	0	(15,000)	0	0	0	0	0	0	0	(15,000)
<b>Total Other Financing Sources/(Uses)</b>	<b>0</b>	<b>(15,000)</b>	<b>4,000</b>	<b>10,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,000)</b>
Net Change in Fund Balances	0	2,276	4,190	10,001	2,948	15	1,247	350	(3,702)	17,325
Fund Balances - July 1, 2019	12	25,624	16,822	0	12,043	1,581	2,844	5,032	134,834	198,792
Fund Balances - June 30, 2020	\$ 12	\$ 27,900	\$ 21,012	\$ 10,001	\$ 14,991	\$ 1,596	\$ 4,091	\$ 5,382	\$ 131,132	\$ 216,117

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TOWN OF CHARLOTTE, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2020

	Repairs and Improvements Fund	Trails Reserve Fund	Recreation Capital Fund	Thorp Barn Fund	Highway Capital Reserve Fund	Total
<u>ASSETS</u>						
Receivables	\$ 16,934	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,934
Due from Other Funds	<u>40,888</u>	<u>78,074</u>	<u>19,112</u>	<u>6,386</u>	<u>46,917</u>	<u>191,377</u>
Total Assets	<u>\$ 57,822</u>	<u>\$ 78,074</u>	<u>\$ 19,112</u>	<u>\$ 6,386</u>	<u>\$ 46,917</u>	<u>\$ 208,311</u>
<u>LIABILITIES</u>						
Liabilities:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable Grants	<u>16,934</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,934</u>
Total Deferred Inflows of Resources	<u>16,934</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,934</u>
<u>FUND BALANCES</u>						
Restricted	0	8,045	0	6,386	46,917	61,348
Committed	<u>40,888</u>	<u>70,029</u>	<u>19,112</u>	<u>0</u>	<u>0</u>	<u>130,029</u>
Total Fund Balances	<u>40,888</u>	<u>78,074</u>	<u>19,112</u>	<u>6,386</u>	<u>46,917</u>	<u>191,377</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 57,822</u>	<u>\$ 78,074</u>	<u>\$ 19,112</u>	<u>\$ 6,386</u>	<u>\$ 46,917</u>	<u>\$ 208,311</u>

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TOWN OF CHARLOTTE, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Repairs and Improvements Fund	Trails Reserve Fund	Recreation Capital Fund	Thorp Barn Fund	Highway Capital Reserve Fund	Total
<b>Revenues:</b>						
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,631	\$ 29,631
Investment Income	537	688	190	62	457	1,934
Donations	<u>0</u>	<u>9,802</u>	<u>1,190</u>	<u>500</u>	<u>0</u>	<u>11,492</u>
Total Revenues	<u>537</u>	<u>10,490</u>	<u>1,380</u>	<u>562</u>	<u>30,088</u>	<u>43,057</u>
<b>Expenditures:</b>						
General Government	5,000	0	0	105	0	5,105
Culture and Recreation	0	1,757	1,749	0	0	3,506
<b>Capital Outlay:</b>						
General Government	18,963	0	0	0	0	18,963
Highways and Streets	0	0	0	0	33,920	33,920
Culture and Recreation	<u>0</u>	<u>0</u>	<u>89,434</u>	<u>0</u>	<u>0</u>	<u>89,434</u>
Total Expenditures	<u>23,963</u>	<u>1,757</u>	<u>91,183</u>	<u>105</u>	<u>33,920</u>	<u>150,928</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(23,426)</u>	<u>8,733</u>	<u>(89,803)</u>	<u>457</u>	<u>(3,832)</u>	<u>(107,871)</u>
<b>Other Financing Sources:</b>						
Transfers In	<u>25,000</u>	<u>5,000</u>	<u>30,000</u>	<u>0</u>	<u>0</u>	<u>60,000</u>
Total Other Financing Sources	<u>25,000</u>	<u>5,000</u>	<u>30,000</u>	<u>0</u>	<u>0</u>	<u>60,000</u>
Net Change in Fund Balances	1,574	13,733	(59,803)	457	(3,832)	(47,871)
Fund Balances - July 1, 2019	<u>39,314</u>	<u>64,341</u>	<u>78,915</u>	<u>5,929</u>	<u>50,749</u>	<u>239,248</u>
Fund Balances - June 30, 2020	<u>\$ 40,888</u>	<u>\$ 78,074</u>	<u>\$ 19,112</u>	<u>\$ 6,386</u>	<u>\$ 46,917</u>	<u>\$ 191,377</u>

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TOWN OF CHARLOTTE, VERMONT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 PRIVATE-PURPOSE TRUST FUNDS  
 JUNE 30, 2020

	Serrell Fund	Trustee of Public Funds Fund	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,577	\$ 19,806	\$ 22,383
Investments	0	569,632	569,632
Total Assets	\$ 2,577	\$ 589,438	\$ 592,015
<u>LIABILITIES AND NET POSITION</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
Net Position:			
Restricted:			
Held in Trust for Individuals and Organizations	2,577	589,438	592,015
Total Liabilities and Net Position	\$ 2,577	\$ 589,438	\$ 592,015

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TOWN OF CHARLOTTE, VERMONT  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE-PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Serrell Fund	Trustee of Public Funds Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Additions:			
Investment Income	\$ 0	\$ 29,182	\$ 29,182
Donations	<u>323</u>	<u>0</u>	<u>323</u>
Total Additions	<u>323</u>	<u>29,182</u>	<u>29,505</u>
Deductions:			
Grandview Cemetery	<u>0</u>	<u>21,099</u>	<u>21,099</u>
Total Deductions	<u>0</u>	<u>21,099</u>	<u>21,099</u>
Change in Net Position	323	8,083	8,406
Net Position - July 1, 2019	<u>2,254</u>	<u>581,355</u>	<u>583,609</u>
Net Position - June 30, 2020	<u>\$ 2,577</u>	<u>\$ 589,438</u>	<u>\$ 592,015</u>

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TOWN OF CHARLOTTE, VERMONT  
SCHEDULE OF TAXES RAISED  
FOR THE YEAR ENDED JUNE 30, 2020

April 2019 Grandlist Used for Fiscal Year 2020 Taxes Billed:	
Homestead Education Grandlist	\$ 6,151,278.00
Non-Residential Grandlist	\$ 3,115,857.76
Municipal Grandlist	\$ 9,304,218.00
Tax Rates:	
Homestead Education Tax Rate	1.4831
Non-Residential Education Tax Rate	1.6322
Municipal Tax Rate	0.2021
Local Agreement Tax Rate	0.0005
Charlotte's Fiscal Year 2020 Education Property Tax Liability:	
Residential Taxes	\$ 9,122,960.39
Nonresidential Taxes	5,085,703.01
Local Agreement Taxes to Cover Education Liability for Exempt Properties	<u>4,652.60</u>
Total Property Tax Liability for State Education Fund	14,213,316.00
Municipal Taxes	<u>1,880,382.38</u>
Total Education and Municipal Taxes Raised	<u>\$ 16,093,698.38</u>
Allocation of State Education Taxes:	
Transfer to Champlain Valley Union High School	\$ 9,135,956.00
.225 of 1% of Residential and Non-Residential Liability Retained by Town	29,052.76
Late Fee Retained by Town	570.00
Income Sensitivity Credits to Charlotte Residents, Education Tax	1,300,402.99
Income Sensitivity Credits to Charlotte Residents, Municipal Tax	8,305.87
Balance to State Education Fund	<u>3,746,958.25</u>
Total Allocation of State Education Taxes	14,221,245.87
Current Taxes Received	1,801,380.76
Delinquent Taxes	<u>71,071.75</u>
Total Fiscal Year 2020 Property Taxes	<u>\$ 16,093,698.38</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 Charlotte, Vermont  
P.O. Box 119  
Charlotte, Vermont 05445

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 Charlotte, Vermont as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Charlotte, Vermont's basic financial statements and have issued our report thereon dated December 17, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of Charlotte, 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 Charlotte, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Charlotte, 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 a certain deficiency that we consider to be a material weakness.

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 Charlotte, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2020-1 to be a material weakness.

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

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

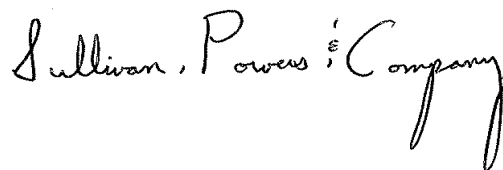
### ***Town of Charlotte, Vermont's Response to Deficiency in Internal Control***

The Town of Charlotte, Vermont's response to the deficiency in internal control identified in our audit is included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Town of Charlotte, 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 Charlotte, 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 Charlotte, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 17, 2020  
Montpelier, Vermont  
VT Lic. #92-000180



TOWN OF CHARLOTTE, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2020

Deficiencies in Internal Control:

Material Weaknesses:

2020-1 Segregation of Duties - Cash

*Criteria:*

An important factor in developing good internal control procedures is to divide responsibilities so that no individual can both perpetrate and conceal errors or irregularities. One of the most common division of duties is the division between the check signing and bank reconciliation functions.

*Condition:*

In the Town, the same person that reconciles the bank accounts also collects cash, posts to the journals, makes deposits and has check signing authority.

*Cause:*

The limit staff available in the office provides little opportunity to achieve an optimum separation of duties and responsibilities.

*Effect:*

The Town has inadvertently made its assets susceptible to misappropriation.

*Recommendation:*

We recommend that the Town revise their procedures to ensure that the bank reconciliation function is delegated to an individual who does not have check signing authority. Otherwise, we recommend that, at a minimum, someone other than a check signer review all bank reconciliations, bank statements, cancelled checks and any debit memos.



# Town of Charlotte

ESTABLISHED 1762

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To: Richard Brigham; Sullivan, Powers & Company  
From: Dean Bloch, Town Administrator, Town of Charlotte *DB*  
Re: Response to Schedule of Findings and Deficiencies in Internal Control  
Date: December 23, 2020

At its meeting last night, the Selectboard approved the following response to the Schedule of Findings and Deficiencies in Internal Control in the Draft FY20 Audit Report:

In response to the material weakness noted in the Schedule of Findings and Deficiencies in Internal Control related to the lack of segregation of duties pertaining to cash, the Town recognizes that the reconciliation of bank statements, or at a minimum, the review of bank statement reconciliations, should be performed by someone other than the official who collects cash, posts to the journal, makes deposits and has check signing authority. And the Town acknowledges that, during fiscal year 2020, it did not assign an individual to this role.

To address this imperative, the Town has successfully recruited a volunteer who has been appointed to the Town's Board of Auditors (in October, 2020), and this person will review the Town's bank statement reconciliations. This person has no other role or authority with regard to collecting cash, posting to the journal, or making deposits, and also does not have check signing authority. If this person were to resign or not seek reelection to the Board of Auditors, the Town will again recruit a volunteer to fill this position and assume this role. Until the appointment of a new volunteer auditor, or if the recruiting effort is not successful, the Selectboard will appoint a member of its own board to review bank statement reconciliations. The Selectboard may rotate this activity among its members.