

TOWN OF LINCOLN, VERMONT
FINANCIAL STATEMENTS
Year Ended June 30, 2019

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Independent Auditor's Report

To the Select Board
Town of Lincoln, Vermont

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lincoln, Vermont as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town'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. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the 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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lincoln, Vermont, as of June 30, 2019, and the respective changes in financial position 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, analysis and budgetary comparison information, schedule of local government's proportionate share of net pension liability, and schedule of the local government contributions on pages 3-8 and 31-34 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 Lincoln, Vermont's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Telling & Hillman, P.C.

Telling & Hillman, P.C.
Middlebury, Vermont
December 16, 2019
License # 092.0131564

TOWN OF LINCOLN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

The following is a discussion and analysis of the Town of Lincoln, Vermont's financial performance for the fiscal year ended June 30, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The Town uses governmental funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$4,837,935 (i.e., net position), a change of \$131,033 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental activities reported total revenue of \$3,722,743, a change of \$220,770 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental activities reported total expenses of \$3,591,710, a change of \$126,101 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental funds reported a combined ending fund balance of \$555,466, a change of \$(137,305) in comparison to the prior year.
- As of the close of the current fiscal year, unassigned fund balance for the general fund was \$815, a change of \$(48,999) in comparison to the prior year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>Net Position</u>		
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Assets			
Other assets	\$ 668,199	\$ 823,921	-18.9%
Capital assets	5,349,563	4,992,696	7.1
Total assets	<u>6,017,762</u>	<u>5,816,617</u>	<u>3.5</u>
Deferred outflows of resources			
Pensions	<u>32,128</u>	<u>38,017</u>	<u>-15.5</u>
Total assets and deferred outflows of resources	<u>\$ 6,049,890</u>	<u>\$ 5,854,634</u>	<u>3.3%</u>
Liabilities			
Long-term debt outstanding	\$ 1,183,469	\$ 1,082,929	9.3%
Other liabilities	<u>1,488</u>	<u>-</u>	<u>100.0</u>
Total liabilities	<u>1,184,957</u>	<u>1,082,929</u>	<u>9.4</u>
Deferred inflows of resources			
Taxes paid in advance	<u>17,447</u>	<u>61,180</u>	<u>-71.5</u>
Pension	<u>9,551</u>	<u>3,623</u>	<u>163.6</u>
	<u>26,998</u>	<u>64,803</u>	<u>-58.3</u>
Net position			
Net investment in capital assets	4,236,334	3,984,805	6.3
Restricted	150,916	145,695	3.6
Unrestricted	<u>450,685</u>	<u>576,402</u>	<u>-21.8</u>
Total net position	<u>4,837,935</u>	<u>4,706,902</u>	<u>2.8</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 6,049,890</u>	<u>\$ 5,854,634</u>	<u>3.3%</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$4,837,935, a change of \$131,033 from the prior year.

The largest portion of net position, \$4,236,334, reflects our investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$150,916, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position amounted to \$450,685.

	<u>Change in Net Position</u>		
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Revenues			
Program revenues			
Charges for services	\$ 28,930	\$ 32,017	-9.6%
Operating grants	469,593	255,804	83.6
General revenues			
Real property taxes	3,144,891	3,175,893	-1.0
Payment in lieu of taxes	30,031	29,381	2.2
Investment income	2,725	1,629	67.3
Miscellaneous	46,573	7,249	542.5
Total revenues	<u>3,722,743</u>	<u>3,501,973</u>	<u>6.3</u>
Expenses			
General government	292,566	226,892	28.9
Education	2,020,471	2,076,956	-2.7
Public safety	16,796	9,770	71.9
Public works	1,104,089	998,182	10.6
Transfer station	830	596	39.3
Interest	18,352	16,107	13.9
Appropriation	138,606	137,106	1.1
Total expenses	<u>3,591,710</u>	<u>3,465,609</u>	<u>3.6</u>
Change in net position	131,033	36,364	260.3
Net position – beginning of year	<u>4,706,902</u>	<u>4,670,538</u>	<u>0.8</u>
Net position – end of year	<u>\$ 4,837,935</u>	<u>\$ 4,706,902</u>	<u>2.8%</u>

Governmental activities

Governmental activities for the year resulted in a change in net position of \$131,033. Key elements of this change are as follows:

General fund operations, as discussed further in section below	\$ (48,999)
Highway fund activity	(9,550)
Capital improvements activity	(4,864)
Nonmajor special revenue activity	(73,892)
Change in unearned revenue - taxes	23,828
Acquisition of fixed assets	704,063
Depreciation expense	(347,196)
Pension	(7,018)
Long-term debt transactions	(105,339)
Total	<u>\$ 131,033</u>

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balance of \$555,466, a change of \$(137,305) in comparison with the prior year. Key elements of this change are as follows:

General fund operations	\$	(48,999)
Highway fund activity		(9,550)
Capital improvements		(4,864)
Paving and bridge		(81,519)
Reappraisal		7,390
National Forest		37
Conservation		200
Total	\$	<u>(137,305)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$815, while total fund balance was \$815. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 815	\$ 29,543	\$ (28,728)	0.03%
Total fund balance	\$ 815	\$ 49,814	\$ (48,999)	0.03%

The total fund balance of the general fund changed by \$(84,866) during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	(48,999)
Budget in excess of revenues	\$ (12,307)
Expenditures less than budget	12,307
Total	\$ <u>(48,999)</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's overall budget for the general fund was \$385,103. Revenues were under the budget by \$12,307 and expenditures were under budget by \$12,307 .

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

Total investment in capital assets for governmental activities at year end amounted to \$5,349,563 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, vehicles, construction in progress, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

<u>Capital Asset Addition</u>	
Garage improvements	\$ 30,000
John Deere Grader	259,737
2019 Culverts	136,072
2019 Quaker	20,837
2019 Road Improvement	55,566
2019 Paving	193,611
Generator	8,240

Additional information on capital assets can be found in the Notes to the Financial Statements.

Long-term debt

At the end of the current fiscal year, total bonded and note debt outstanding was \$1,113,229, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

FACTORS BEARING ON THE TOWN'S FUTURE

At the time these financial statements were prepared and audited, the Town was not aware of any circumstances that could affect its future financial health.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Town's citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Town Office
Town of Lincoln, Vermont
62 Quaker Street
Lincoln, VT 05443
(802) 453-2980

TOWN OF LINCOLN, VERMONT
Statement of Net Position
June 30, 2019

Assets

Current assets:

Cash and cash equivalents	\$	528,576
Property taxes receivable		88,953
Interest and penalties receivable		12,946
Federal aid receivable		18,500
Prepaid expenses		19,224
Total current assets		668,199

Capital assets, net of accumulated depreciation		5,349,563
Total assets		6,017,762

Deferred outflows of resources

Pensions		32,128
		32,128

Total assets and deferred outflows of resources	\$	6,049,890
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Liabilities

Current liabilities:

Accounts payable	\$	1,488
Bonds payable, current portion		59,500
Notes payable, current portion		132,003
Total current liabilities		192,991

Long-term liabilities:

Bond payable		561,500
Notes payable		360,226
Net pension liability		70,240
Total long-term liabilities		991,966

Total liabilities		1,184,957
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Deferred inflows of resources

Taxes paid in advance		17,447
Pensions		9,551
Total deferred inflows of resources		26,998

Net Position

Net investment in capital assets		4,236,334
Restricted		150,916
Unrestricted		450,685
Total net position		4,837,935

Total liabilities, deferred inflows of resources, and net position	\$	6,049,890
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The accompanying notes are an integral part of the financial statements.

TOWN OF LINCOLN, VERMONT
Statement of Activities
Year Ended June 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants</u>	<u>Changes in</u>
				<u>Net Position</u>
<i>Governmental activities</i>				
General government	\$ 292,566	\$ 24,966	\$ 103,882	\$ (163,718)
Education	2,020,471	-	-	(2,020,471)
Public safety	16,796	-	-	(16,796)
Public works	1,104,089	-	365,711	(738,378)
Transfer station	830	3,964	-	3,134
Interest	18,352	-	-	(18,352)
Appropriations	<u>138,606</u>	<u>-</u>	<u>-</u>	<u>(138,606)</u>
<i>Total functions and programs</i>	<u>\$ 3,591,710</u>	<u>\$ 28,930</u>	<u>\$ 469,593</u>	<u>(3,093,187)</u>
 <i>General revenues</i>				
Real property taxes				3,144,891
Payment in lieu of taxes				30,031
Investment income				2,725
Miscellaneous				<u>46,573</u>
<i>Total general revenues</i>				<u>3,224,220</u>
 <i>Change in net position</i>				
				131,033
 <i>Net position - beginning of year</i>				
				<u>4,706,902</u>
<i>Net position - end of year</i>				<u>\$ 4,837,935</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LINCOLN, VERMONT
Balance Sheet - Governmental Funds
June 30, 2019

	<u>General</u>	<u>Highway</u>	<u>Capital Improvements</u>	<u>Nonmajor Special Revenue</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 164,652	\$ -	\$ 279,125	\$ 84,799	\$ 528,576
Property taxes receivable	88,953	-	-	-	88,953
Interest and penalties receivable	12,946	-	-	-	12,946
Federal aid receivable	-	18,500	-	-	18,500
Due from other funds	-	134,410	39,531	17,717	191,658
Prepaid expenses	<u>6,702</u>	<u>12,522</u>	<u>-</u>	<u>-</u>	<u>19,224</u>
Total assets	\$ <u>273,253</u>	\$ <u>165,432</u>	\$ <u>318,656</u>	\$ <u>102,516</u>	\$ <u>859,857</u>
Liabilities					
Accounts payable	\$ 1,488	\$ -	\$ -	\$ -	\$ 1,488
Due to other funds	<u>161,699</u>	<u>-</u>	<u>20,212</u>	<u>9,747</u>	<u>191,658</u>
Total liabilities	<u>163,187</u>	<u>-</u>	<u>20,212</u>	<u>9,747</u>	<u>193,146</u>
Deferred inflows of resources					
Taxes paid in advance	15,453	1,994	-	-	17,447
Unearned property taxes, interest and penalties	<u>93,798</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,798</u>
Total deferred inflows of resources	<u>109,251</u>	<u>1,994</u>	<u>-</u>	<u>-</u>	<u>111,245</u>
Fund balance					
Nonspendable	-	12,522	-	-	12,522
Restricted	-	150,916	-	-	150,916
Assigned	-	-	298,444	92,769	391,213
Unassigned	<u>815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>815</u>
Total fund balance	<u>815</u>	<u>163,438</u>	<u>298,444</u>	<u>92,769</u>	<u>555,466</u>
Total liabilities, deferred inflows of resources and fund balance	\$ <u>273,253</u>	\$ <u>165,432</u>	\$ <u>318,656</u>	\$ <u>102,516</u>	\$ <u>859,857</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LINCOLN, VERMONT
Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Position
June 30, 2019

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position
Assets				
Cash and cash equivalents	\$ 528,576	\$ -	\$ -	\$ 528,576
Property taxes receivable	88,953	-	-	88,953
Interest and penalties receivable	12,946	-	-	12,946
Federal aid receivable	18,500	-	-	18,500
Due from other funds	191,658	-	(191,658)	-
Prepaid expenses	19,224	-	-	19,224
Capital assets, net of accumulated depreciation	-	5,349,563	-	5,349,563
Total assets	859,857	5,349,563	(191,658)	6,017,762
Deferred outflows of resources				
Pensions	-	32,128	-	32,128
Total assets and deferred outflows of resources	\$ 859,857	\$ 5,381,691	\$ (191,658)	\$ 6,049,890
Liabilities				
Account payable	\$ 1,488	\$ -	\$ -	\$ 1,488
Due to other funds	191,658	-	(191,658)	-
Bond payable	-	621,000	-	621,000
Notes payable	-	492,229	-	492,229
Net pension liability	-	70,240	-	70,240
Total liabilities	193,146	1,183,469	(191,658)	1,184,957
Deferred inflows of resources				
Taxes paid in advance	17,447	-	-	17,447
Unearned property taxes, interest & penalties	93,798	(93,798)	-	-
Pensions	-	9,551	-	9,551
Total deferred inflows or resources	111,245	(84,247)	-	26,998
Fund balance/net position				
Total fund balance/net position	555,466	4,282,469	-	4,837,935
Total liabilities, deferred inflows of resources and fund balance/net position	\$ 859,857	\$ 5,381,691	\$ (191,658)	\$ 6,049,890

The accompanying notes are an integral part of the financial statements.

TOWN OF LINCOLN, VERMONT
Statement of Revenues, Expenditures,
and Changes in Fund Balance - Governmental Funds
Year Ended June 30, 2019

	<u>General</u>	<u>Highway</u>	<u>Capital Improvements</u>	<u>Nonmajor Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 2,350,550	\$ 770,513	\$ -	\$ -	\$ 3,121,063
State sources	96,814	323,838	-	48,941	469,593
Payment in lieu of taxes	-	30,031	-	-	30,031
Licenses, permits and fees	24,966	-	-	-	24,966
Transfer station	3,964	-	-	-	3,964
Investment income	707	-	1,440	578	2,725
Miscellaneous	5,873	40,700	-	-	46,573
Total revenues	<u>2,482,874</u>	<u>1,165,082</u>	<u>1,440</u>	<u>49,519</u>	<u>3,698,915</u>
Expenditures					
General government	270,084	-	-	200	270,284
Education	2,020,471	-	-	-	2,020,471
Public safety	16,796	-	-	-	16,796
Public works	-	1,244,369	38,240	193,611	1,476,220
Transfer station	830	-	-	-	830
Debt retirement	-	-	154,398	-	154,398
Interest	-	-	18,352	-	18,352
Appropriations	138,606	-	-	-	138,606
Total expenditures	<u>2,446,787</u>	<u>1,244,369</u>	<u>210,990</u>	<u>193,811</u>	<u>4,095,957</u>
Excess (deficiency) of revenues over expenditures	<u>36,087</u>	<u>(79,287)</u>	<u>(209,550)</u>	<u>(144,292)</u>	<u>(397,042)</u>
Other financing source (uses)					
Note proceeds	-	259,737	-	-	259,737
Transfers in	-	-	204,686	70,400	275,086
Transfers out	(85,086)	(190,000)	-	-	(275,086)
Total other financing sources (uses)	<u>(85,086)</u>	<u>69,737</u>	<u>204,686</u>	<u>70,400</u>	<u>259,737</u>
Change in fund balance	(48,999)	(9,550)	(4,864)	(73,892)	(137,305)
Fund balance - beginning of year, as previously stated	\$ 85,681	\$ 137,121	\$ 303,308	\$ 166,661	\$ 692,771
Prior period adjustment	(35,867)	35,867	-	-	-
Fund balance - beginning of year, restated	<u>49,814</u>	<u>172,988</u>	<u>303,308</u>	<u>166,661</u>	<u>692,771</u>
Fund balance - end of year	<u>\$ 815</u>	<u>\$ 163,438</u>	<u>\$ 298,444</u>	<u>\$ 92,769</u>	<u>\$ 555,466</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LINCOLN, VERMONT
Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in
Fund Balance to the Statement of Activities
Year Ended June 30, 2019

	<u>Total Governmental Funds</u>	<u>Long-term Revenues, Expenses</u>	<u>Capital Related Funds</u>	<u>Long-term Debt Transactions</u>	<u>Reclassification and Eliminations</u>	<u>Statement of Activities Totals</u>
Revenues						
Property taxes	\$ 3,121,063	\$ 23,828	\$ -	\$ -	\$ -	\$ 3,144,891
State sources	469,593	-	-	-	-	469,593
Payment in lieu of taxes	30,031	-	-	-	-	30,031
Licenses, permits and fees	24,966	-	-	-	-	24,966
Transfer station	3,964	-	-	-	-	3,964
Investment income	2,725	-	-	-	-	2,725
Miscellaneous	46,573	-	-	-	-	46,573
Total revenues	<u>3,698,915</u>	<u>23,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,722,743</u>
Expenditures/Expenses						
General government	270,284	22,282	-	-	-	292,566
Education	2,020,471	-	-	-	-	2,020,471
Public safety	16,796	-	-	-	-	16,796
Public works	1,476,220	331,932	(704,063)	-	-	1,104,089
Transfer station	830	-	-	-	-	830
Debt retirement	154,398	-	-	(154,398)	-	-
Interest	18,352	-	-	-	-	18,352
Appropriations	138,606	-	-	-	-	138,606
Total expenditures/expenses	<u>4,095,957</u>	<u>354,214</u>	<u>(704,063)</u>	<u>(154,398)</u>	<u>-</u>	<u>3,591,710</u>
Excess (deficiency) of revenues over expenditures	<u>(397,042)</u>	<u>(330,386)</u>	<u>704,063</u>	<u>154,398</u>	<u>-</u>	<u>131,033</u>
Other financing sources (uses)						
Note proceeds	259,737	-	-	(259,737)	-	-
Transfers in	275,086	-	-	-	(275,086)	-
Transfers out	(275,086)	-	-	-	275,086	-
Total other sources (uses)	<u>259,737</u>	<u>-</u>	<u>-</u>	<u>(259,737)</u>	<u>-</u>	<u>-</u>
Net change for the year	<u>\$ (137,305)</u>	<u>\$ (330,386)</u>	<u>\$ 704,063</u>	<u>\$ (105,339)</u>	<u>\$ -</u>	<u>\$ 131,033</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

The Town of Lincoln, Vermont (the "Town") is a unit of local government chartered by the State of Vermont. The Town operates under a Selectboard – form of government and provides services as outlined in its charter. The Town provides the following services: public safety, highways and streets, public improvements, planning and zoning, and general administrative services.

a) Reporting Entity

The Town is governed by a five member elected Select Board. Control or dependence on the Board was determined on the basis of budget adoptions, designation of management, influence over operations, and accountability for fiscal matters.

b) Basis of Presentation

Government-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the Town's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Adjustments have been made to minimize the effect of internal transactions. Governmental activities are generally financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operations 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 accounts of the Town of Lincoln, Vermont are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for using a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account groups are grouped, in the financial statements in this report, as follows:

General fund - The general fund is the general operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.

Highway fund - This fund is used to account for revenue and expenditures of the Highway Department.

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

b) Basis of Presentation (continued)

Capital projects fund - This fund is used to account for revenue and expenditures for capital projects.

Special Revenue funds - To account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes.

c) Measurement Focus and Basis of Accounting

Accounting and financial reporting treatment is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction 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 and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

d) Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Town's policy concerning which to apply first varies with the intended use and with associated legal requirements, many of which are described elsewhere in these Notes.

e) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period.

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

e) Estimates (continued)

Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including potential contingent liabilities, net pension liability, and useful lives of long-lived assets.

f) Cash (and Cash Equivalents)

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

g) Delinquent Taxes Receivable

Delinquent taxes receivable represents property taxes in arrears as of June 30, 2019. The Town has the legal right to force sale of the property to recover these taxes. The value of the properties exceeds the amount of delinquent taxes, therefore, no allowance for doubtful accounts has been recognized. The Town considers the delinquent taxes receivable available even though they may not be collected within sixty days after the year ended.

h) Capital Assets

Property, vehicles and equipment are recorded at cost with depreciation computed using the straight-line method over their estimated useful lives of 7 to 40 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; renewals and betterments are capitalized. The capitalization policy adopted by the Town specifies that an asset must exceed \$15,000 in order to be capitalized.

i) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two items that qualify for reporting in this category.

The first item is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in Town's proportion of the collective net pension asset or liability and difference during the measurement period between the Town's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

The second item is the Town's contribution to the pension systems (VMERS) subsequent to the measurement date.

In addition to liabilities, the governmental funds balance sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

i) Deferred Outflows and Inflows of Resources (continued)

The Town has three items that qualify for reporting in this category.

The first item is related to unearned property taxes, interest, and penalties. The Town reports unearned revenues in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

The second item is related to taxes paid in advance. The Town reports taxes paid in advance on its governmental funds balance sheet and Statement of Net Position as a deferral related to a future period.

The third item is related to pensions reported in the Government-wide Statement of Net Position. This represents the effect of the net change in the Town's proportion of the collective net pension liability (VMERS) and differences during the measurement periods between the Town's contributions and its proportion share of total contributions to the pension system not included in the pension expense.

j) Interfund transactions

The operations of the Town include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowing. The Town may loan resources between funds for the purpose of providing cash flow. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services. In the government-wide financial statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent the amount due between different fund types. Eliminations have been made for all interfund receivables and payables between funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the Town's practice to settle these amounts at a net balance based upon the right of legal offset. Refer to Note 7 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenue activity.

k) Equity classification

Government-wide statements:

In the government-wide financial statements there are three classes of net position:

Net investment in capital assets – This category groups all capital assets into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category includes both designated and undesignated net position of the Town. Designated net position includes reserves that were established by the Board, which are considered internally designated. Undesignated net position is not restricted for any project or purpose.

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

k) Equity classification (continued)

Fund statements:

In the fund basis statements, there are five classifications of fund balance:

Non-spendable– Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes prepaid expenses.

Restricted – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balances. The Town has \$150,916 restricted fund balance as of June 30, 2019.

Committed – Includes amounts that can only be used for the specific purpose pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, i.e., the legal voters of the Town. The Town has \$0 committed fund balance as of June 30, 2019.

Assigned – Includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. All encumbrances and appropriated fund balance of the General Fund are classified as assigned.

Unassigned – Includes all other General Fund net position that do not meet the definition of the above four classifications and are deemed to be available for general use by the Town.

Order of use of fund balance:

The Town's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignment of fund balance cannot cause a negative unassigned fund balance.

l) New Accounting Standards

The Town has adopted the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2019:

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

m) Future Changes in Accounting Standards

GASB Statement No. 84, <i>Fiduciary Activities</i>	Effective for the year ending June 30, 2020
GASB Statement No. 87, <i>Leases</i>	Effective for the year ending June 30, 2021

The Town will evaluate the impact the pronouncement may have on its financial statements and will implement them as applicable and when material.

Note 2. Explanation of Certain Differences between Fund Statements and Government-wide Statements

Due to the differences in the measurement focus and basis of accounting used in the fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

Total fund balances of the Town’s governmental funds differ from “net position” of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

The costs of building and acquiring capital assets (land, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the Town as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives. Long-term liabilities are reported in the Statements of Net Position, but not in the governmental funds, because they are not due and payable in the current period.

Explanation of difference between Governmental Fund Balance and Government-wide Net Position

Ending fund balance reported on governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance	\$	555,466
Capital assets net of related depreciation		5,349,563
Deferred outflows of resources		
Pensions		32,128
Liabilities:		
Unearned property taxes		93,798
Long-term:		
Bonds payable		(621,000)
Notes payable		(492,229)
Net pension liability- proportionate share		(70,240)
Deferred inflows of resources		
Pensions		(9,551)
Ending net position reported in Statement of Net Position for governmental activities	\$	<u>4,837,935</u>

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 2. Explanation of Certain Differences Between Fund Statements and Government-wide Statements (continued)

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of four categories. The amounts shown below represent:

i) Long-term Revenue and Expense Differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital Related Differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) Long-Term Debt Transaction Differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

iv) Pension differences:

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share to the total contributions to the pension systems.

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 2. Explanation of Certain Differences Between Fund Statements and Government-wide Statements (continued)

Explanation of Differences Between Governmental Funds Operating Statements and the Government Wide Statement of Activities

Total revenues and other funding sources of governmental funds	\$	3,698,915
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Revenue in the statement of activities that do not provide current financial resources (property taxes not collected within 60 days of fiscal year end) are not reported as revenue in the funds. This amount represents a decrease in unearned property taxes.

		23,828
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Total revenues of governmental activities in the Statement of Activities	\$	3,722,743
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Total expenditures reported in governmental funds	\$	4,095,957
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When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statements of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital outlays		(704,063)
Current year depreciation		347,196

Repayment of bond principal is an expenditure in the governmental funds but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Repayment of principal		(154,398)
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Governmental funds report Town pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

		7,018
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Total expenses of governmental activities in the Statement of Activities	\$	3,591,710
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TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 3. Change in Accounting Principles

For the fiscal year ended June 30, 2019, the Town implemented GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements. The implementation of the statement requires the Town to disclose additional essential information related to debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

Note 4. Stewardship, Compliance, and Accountability

Budgetary Information

At the annual meeting, the Select Board presents a general fund budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues.

Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to the budgetary data.

The following is a summary of adjustments made to the actual revenues and expenditures to conform to the budgetary basis of accounting:

General fund:	
Total revenues (GAAP basis)	\$ 2,482,874
Less: school taxes collected	(2,020,471)
voted appropriations	(138,606)
Add: appropriated fund balance	48,999
Total revenues budgetary basis	<u>\$ 372,796</u>
Total expenditures (GAAP basis)	\$ 2,446,787
Less: school taxes paid	(2,020,471)
voted appropriations	(138,606)
Total expenditures budgetary basis	<u>\$ 287,710</u>
Highway fund:	
Total revenues (GAAP basis)	\$ 1,165,082
Add: appropriated fund balance	9,550
Total revenues budgetary basis	<u>\$ 1,174,632</u>

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 5. Cash and Cash Equivalents

For financial statement reporting purposes, cash and cash equivalent are defined as all bank deposits with original maturities of three months or less. The Town authorizes the treasurer to invest cash in bank accounts and obligations of the U.S. Treasury. The Town has not adopted a formal deposit policy.

At June 30, 2019, the carrying amount of the Town's deposits was \$528,576 and the bank balance was \$554,391. The bank balances are covered by Federal Depository Insurance to the limit of \$250,000 for interest bearing accounts and \$250,000 for non-interest bearing accounts per bank. At June 30, 2019, the Town's deposits exceeded the Federal Depository Insurance coverage by \$103,421 which was collateralized with securities held by the financial institutions.

Note 6. Capital Assets

Property, vehicles, and equipment used by the Town are as follows:

	6/30/18 Balance	Additions	Retirement	6/30/19 Balance
Governmental activities:				
Land	\$ 703,700	\$ -	\$ -	\$ 703,700
Buildings and improvements	1,303,685	30,000	-	1,333,685
Infrastructure	3,203,634	406,086	-	3,609,720
Vehicles and equipment	1,116,155	267,977	(197,873)	1,186,259
Total	<u>6,327,174</u>	<u>704,063</u>	<u>(197,873)</u>	<u>6,833,364</u>
Less accumulated depreciation:				
Building and improvements	(284,426)	(34,902)	-	(319,328)
Infrastructure	(387,690)	(188,805)	-	(576,495)
Vehicles and equipment	(662,362)	(123,489)	197,873	(587,978)
Total	<u>(1,334,478)</u>	<u>(347,196)</u>	<u>197,873</u>	<u>(1,483,801)</u>
Total capital assets - net	<u>\$ 4,992,696</u>	<u>\$ 356,867</u>	<u>\$ -</u>	<u>\$ 5,349,563</u>

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 15,264
Public works	331,932
	<u>\$ 347,196</u>

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 7. Interfund Balances and Activity

Interfund balances and activity at June 30, 2019 and for the fiscal year then ended, were as follows:

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenses
General	\$ -	\$ 161,699	\$ -	\$ 85,086
Highway	134,410	-	-	190,000
Capital Improvements	39,531	20,212	204,686	-
Paving and Bridge	9,817	9,747	70,000	-
Reappraisal	7,068	-	-	-
Conservation	832	-	400	-
Total	\$ 191,658	\$ 191,658	\$ 275,086	\$ 275,086

The Town typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

Note 8. Indebtedness

Long-term debt: Long-term liability balances and activity for the year are summarized below:

	6/30/18 Balance	Additions	Reduction	6/30/19 Balance
Governmental Activities				
Bonds payable	\$ 680,500	\$ -	\$ (59,500)	\$ 621,000
Notes payable	327,390	259,737	(94,898)	492,229
	\$ 1,007,890	\$ 259,737	\$ (154,398)	\$ 1,113,229

Description	Issue Date	Maturity Date	Interest Rate	6/30/19 Balance
Note payable – 2016 Freightliner	8/5/16	8/5/20	1.95%	67,172
Note payable – 2016 Dump Truck	10/23/15	10/23/20	1.95%	39,425
Note payable – Excavator	6/30/16	6/30/21	2.00%	40,500
Bond payable – VT Municipal Bond Bank	7/26/01	12/1/21	1.49-3.09%	90,000
Note payable - Loader	8/18/17	8/18/22	2.35%	85,395
Note payable - Grader	12/21/18	12/21/25	3.25%	259,737
Bond payable – VT Municipal Bond Bank	7/1/16	11/1/36	2.80-5.18%	531,000
				1,113,229
Less: current portion				(191,503)
				\$ 921,726

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 8. Indebtedness (continued)

The debt service requirements at June 30, 2019 for the next five years and thereafter are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 191,503	\$ 30,472	\$ 221,975
2021	191,503	25,263	216,766
2022	117,954	20,014	137,968
2023	87,954	16,940	104,894
2024	66,605	14,605	81,210
2025 – 2029	221,710	46,715	268,425
2030 – 2034	147,500	24,200	171,700
2035 – 2039	88,500	4,074	92,574
	\$ 1,113,229	\$ 182,282	\$ 1,295,511

Note 9. Property Taxes

Property taxes attach as an enforceable lien on property as of the beginning of the year. Taxes are levied by July 3 and are payable by October 10 and March 10. The Town of Lincoln, Vermont bills and collects its own property taxes, as well as those for the Town School District and other assessments. Collections of the school taxes and other assessments and remittance of them are accounted for in the General Fund. All unpaid taxes become delinquent the day after second tax installment is due.

All delinquent taxes are assessed a late payment penalty of eight percent of the amount delinquent and are charged interest at the rate of one percent per month. Delinquent taxes and related penalties and interest are recognized as revenue when received.

Town tax rate	\$ 0.6386
Education tax rate - residential	1.4836
Education tax rate - nonresidential	1.4649

Note 10. Pensions

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 school districts and other municipal employees that work on a regular basis and 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. During the year ended, June 30, 2018, the retirement system consisted of participating employers.

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 10. Pensions (continued)

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 Board 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.

Benefits Provided

VMERS provides retirement, disability and death benefits. Retirement benefits are determined as 1.4% of the employee's final 5-year average compensation times the employee's years of service. Employees with 5 years of continuous service are eligible to retire at age 55. Employees are eligible for service-

related disability benefits regardless of length of service. Five years of service is required for nonservice-related disability eligibility.

Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction.

Contributions

Employees are required to contribute 2.5% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2019 was 4.0% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan for the Town were \$8,746 for the year ended June 30, 2019.

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

At June 30, 2019 the Town reported a liability of \$70,240 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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 towns, actuarially determined. At June 30, 2018, the Town's proportion was 0.0499%, which was a decrease of 0.01204% from its proportion measured as of June 30, 2017.

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 10. Pensions (continued)

For the year ended June 30, 2019, the Town recognized pension expense of \$17,489. At June 30, 2019, the Town reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 6,101	\$ 1,123
Changes of assumptions	7,778	-
Difference between projected and actual investment earnings	8,141	-
Change in proportional share of contributions	334	8,428
Town's contributions subsequent to the measurement date	9,774	-
Total	\$ 32,128	\$ 9,551

The \$9,774 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Amounts reported as deferred outflows of resources and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2019	\$ 11,323
2020	2,616
2021	(979)
2022	(156)
2023	-
Thereafter	-
	\$ 12,804

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	5.00%
Investment rate of return	7.50%

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 10. Pensions (continued)

Mortality rates were based on the RP-2000 Combined Mortality Tables for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale BB.

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on function relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and long-term horizons by weighing the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return is employed.

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

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
US Equity	18.00%	6.10%
Non-US Equity	16.00%	7.45%
Global Equity	9.00%	6.74%
Real Estate	8.00%	5.11%
Private Markets	15.00%	7.60%
Hedge Funds	8.00%	3.86%
Fixed income	26.00%	2.25%

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 2.50%.

Discount Rate

The discount rate to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with current funding policy. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50%, 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%).

1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
\$ 118,971	\$ 70,240	\$ 30,608

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 11. Commitments

The Town leases a photocopier under an operating lease agreement. Total lease expense for the year ended June 30, 2019 was \$1,628. Future minimum payments required under the terms of the current lease and contract agreements are as follows:

Year ending June 30:	
2020	1,334
2021	1,334
2022	1,334
2023	1,334
2024	1,334
Total future minimum lease payments	\$ <u>6,670</u>

Note 12. Risk Management

The Town is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets, errors and omissions, and injuries to employees. The Town of Lincoln, Vermont maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settle claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

Note 13. Contingencies

Federal and State Grants

In the normal course of operations, the Town receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of such audits is not likely to have a material adverse effect on the Town's funds.

Note 14. Prior Period Adjustments

The Town has adjusted the due from other funds in the general fund. The effect of the adjustment decreased fund balance by \$35,867 as of June 30, 2018.

The Town has adjusted the due to other funds in the highway fund. The effect of the adjustment increased fund balance by \$35,867 as of June 30, 2018.

Note 15. Subsequent Events

The Select Board has evaluated subsequent events through December 16, 2019, the date on which the financial statements were available.

TOWN OF LINCOLN, VERMONT
Statement of Revenues and Expenditures
Budget to Actual - General Fund
Year Ended June 30, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
Revenues			
Property taxes	\$ 304,869	\$ 288,287	\$ (16,582)
Licenses, permits and fees	25,570	24,966	(604)
Transfer station	4,500	3,964	(536)
Investment income	600	707	107
Miscellaneous	2,000	5,873	3,873
Appropriated fund balance	47,564	48,999	1,435
Total revenues	<u>385,103</u>	<u>372,796</u>	<u>(12,307)</u>
Expenditures			
Administrative	35,677	36,457	(780)
Select board	5,000	5,076	(76)
Select board assistant	64,617	62,459	2,158
Town administration	13,907	15,379	(1,472)
Town clerk	73,325	70,794	2,531
Assistant town clerk	8,397	6,832	1,565
Listers	25,400	14,908	10,492
Treasurer	21,084	20,469	615
Assistant town treasurer	1,977	1,977	-
Zoning	9,814	8,565	1,249
Planning	3,400	3,048	352
Public safety	14,176	16,796	(2,620)
Town office	20,968	24,120	(3,152)
Transfer station	2,675	830	1,845
Total expenditures	<u>300,417</u>	<u>287,710</u>	<u>12,707</u>
Excess (deficiency) of revenues over expenditures	<u>84,686</u>	<u>85,086</u>	<u>400</u>
Other financing source (uses)			
Transfers out	<u>(84,686)</u>	<u>(85,086)</u>	<u>(400)</u>
Total other financing sources (uses)	<u>(84,686)</u>	<u>(85,086)</u>	<u>(400)</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the independent auditor's report.

TOWN OF LINCOLN, VERMONT
Statement of Revenues and Expenditures
Budget to Actual - Highway Fund
Year Ended June 30, 2019

	Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
Revenues			
Property taxes	\$ 770,492	\$ 770,513	\$ 21
State aid	123,500	123,053	(447)
Grant income	-	200,785	200,785
Payment in lieu of taxes	25,000	30,031	5,031
Miscellaneous	1,250	40,700	39,450
Appropriated fund balance	58,651	9,550	(49,101)
Total revenues	<u>978,893</u>	<u>1,174,632</u>	<u>195,739</u>
Expenditures			
Administrative	252,093	243,891	8,202
Equipment maintenance	53,628	92,192	(38,564)
Equipment	56,500	309,842	(253,342)
Town garage	30,472	19,321	11,151
Building maintenance	10,600	9,110	1,490
Supplies	345,600	411,754	(66,154)
Road project	40,000	158,259	(118,259)
Total expenditures	<u>788,893</u>	<u>1,244,369</u>	<u>(455,476)</u>
Excess (deficiency) of revenues over expenditures	<u>190,000</u>	<u>(69,737)</u>	<u>(259,737)</u>
Other financing source (uses)			
Bond proceeds	-	259,737	259,737
Transfers out	(190,000)	(190,000)	-
Total other financing sources (uses)	<u>(190,000)</u>	<u>69,737</u>	<u>259,737</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the independent auditor's report.

TOWN OF LINCOLN, VERMONT
Schedule of the Local Government's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2019

VMERS Pension Plan
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Town's proportion of the net pension liability	0.0499%	0.0619%	0.0647%	0.0622%	0.0614%	-	-	-	-	-
Town's proportionate share of the net pension liability	\$ 70,240	\$ 75,038	\$ 83,241	\$ 47,985	\$ 5,604	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 236,938	\$ 201,236	\$ 252,117	\$ 245,762	\$ 217,506	\$ -	\$ -	\$ -	\$ -	\$ -
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	29.64%	37.29%	33.02%	19.52%	2.58%	-	-	-	-	-

See the independent auditor's report.

TOWN OF LINCOLN, VERMONT
Schedule of Local Government Contributions
Year Ended June 30, 2019

VMERS Pension Plan
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contributions	\$ 9,774	\$ 8,049	\$ 10,115	\$ 9,830	\$ 8,700	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>9,774</u>	<u>8,049</u>	<u>10,115</u>	<u>9,830</u>	<u>8,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered-employee payroll	\$ 236,938	\$ 201,236	\$ 252,117	\$ 245,762	\$ 217,506	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	4.000%	4.000%	4.000%	4.000%	4.000%	-	-	-	-	-

See the independent auditor's report.

TOWN OF LINCOLN, VERMONT
Combining Balance Sheets
Nonmajor Special Revenue Funds
June 30, 2019

	Paving and Bridge	Reappraisal	National Forest	Conservation	Totals
Assets					
Cash and cash equivalents	\$ 363	\$ 73,933	\$ 10,503	\$ -	\$ 84,799
Due from other funds	9,817	7,068	-	832	17,717
Total assets	\$ 10,180	\$ 81,001	\$ 10,503	\$ 832	\$ 102,516
Liabilities					
Due from other funds	\$ 9,747	\$	\$	\$	\$ 9,747
Fund balance					
Assigned	433	81,001	10,503	832	92,769
Total fund balance	433	81,001	10,503	832	92,769
Total liabilities fund balance	\$ 10,180	\$ 81,001	\$ 10,503	\$ 832	\$ 102,516

See the independent auditor's report.

TOWN OF LINCOLN, VERMONT
Schedule of Revenues, Expenditures
And Changes in Fund Balances - Nonmajor Special Revenue Funds
Year Ended June 30, 2019

	<u>Paving and Bridge</u>	<u>Reappraisal</u>	<u>National Forest</u>	<u>Conservation</u>	<u>Totals</u>
Revenues					
Interest	\$ 219	\$ 322	\$ 37	\$ -	\$ 578
State sources	41,873	7,068	-	-	48,941
Total revenues	<u>42,092</u>	<u>7,390</u>	<u>37</u>	<u>-</u>	<u>49,519</u>
Expenditures					
General government	-	-	-	200	200
Public works	193,611	-	-	-	193,611
Total expenditures	<u>193,611</u>	<u>-</u>	<u>-</u>	<u>200</u>	<u>193,811</u>
Excess (deficiency) of revenues over expenditures	<u>(151,519)</u>	<u>7,390</u>	<u>37</u>	<u>(200)</u>	<u>(144,292)</u>
Other financing sources (uses)					
Transfers in	70,000	-	-	400	70,400
Total	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>400</u>	<u>70,400</u>
Change in fund balance	(81,519)	7,390	37	200	(73,892)
Fund balance, beginning of year	81,952	73,611	10,466	632	166,661
Fund balance, end of year	<u>\$ 433</u>	<u>\$ 81,001</u>	<u>\$ 10,503</u>	<u>\$ 832</u>	<u>\$ 92,769</u>

See the independent auditor's report.