

TOWN OF LINCOLN, VERMONT

FINANCIAL STATEMENTS

Year Ended June 30, 2021

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Independent Auditor's Report

To the Select Board
Town of Lincoln
Lincoln, Vermont

Report on the Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise the Town of Lincoln, 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 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, 2021, 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, and pension benefits information on pages 3-8 and 35-38 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 schedules 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 schedules 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 schedules 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
License # 092.0131564
February 1, 2022

TOWN OF LINCOLN, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2021

The following is a discussion and analysis of the Town of Lincoln, Vermont's financial performance for the fiscal year ended June 30, 2021.

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.

The Town presents six columns in the governmental funds balance sheet and the governmental fund's statement of revenue, expenditures, and changes in fund balance. The Town's major governmental funds are the general, highway, capital improvements, paving and bridges, and reappraisal funds. All remaining governmental funds are aggregated and reported as non-major special revenue funds.

The general and highway funds are the only funds which the Town legally adopts a budget. The Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual – General Fund and the Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual – Highway Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

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. The notes provide explanations of the accounting principles followed and include tables with more detailed analyses of accounts requiring further clarification. The notes to the financial statements can be found immediately following the basic financial statements.

Required supplementary 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. The required supplementary information can be found immediately after the notes to the financial statements.

Supplementary information

Supplementary information includes financial statements and schedules that are not a required part of the basic financial statements but are presented for purposes of additional analysis. The combining schedules nonmajor special revenue funds are presented following the required supplementary information.

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 \$4,725,137 (i.e., net position), a change of \$29,632 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental activities reported total revenue of \$1,796,652, a change of \$202,986 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental activities reported total expenses of \$1,767,020 a change of \$30,924 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 \$550,129, a change of \$141,839 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental funds reported total revenue of \$1,766,864, a change of \$134,632 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental funds reported total expenses of \$1,875,589, a change of \$(63,122) in comparison to the prior year.
- As of the close of the current fiscal year, unassigned fund balance for the general fund was \$(66,178), a change of \$(47,914) in comparison to the prior year.
- When comparing budgeted general fund revenues of \$567,458 and budgeted general fund expenditures of \$567,458 the Town received \$562,057 and spent \$562,057.
- When comparing budgeted highway fund revenues of \$1,202,577 and budgeted highway fund expenditures of \$1,202,577 the Town received \$1,237,791 and spent \$1,237,791.

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, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Assets			
Other assets	\$ 695,508	\$ 685,091	1.5%
Capital assets	5,272,546	5,379,602	-2.0
Total assets	<u>\$ 5,968,054</u>	<u>\$ 6,064,693</u>	<u>-1.6</u>
Deferred outflows of resources			
Pensions	38,368	28,665	33.8
Total assets and deferred outflows of resources	<u>\$ 6,006,422</u>	<u>\$ 6,093,358</u>	<u>-1.4%</u>
Liabilities			
Current liabilities	\$ 246,654	\$ 425,967	-42.1%
Long-term liabilities	1,000,193	945,924	5.7
Total liabilities	<u>1,246,847</u>	<u>1,371,891</u>	<u>-9.1</u>
Deferred inflows of resources			
Taxes paid in advance	14,426	18,965	-23.9
Pension	20,012	6,997	186.0
Total deferred inflows of resources	<u>34,438</u>	<u>25,962</u>	<u>32.6</u>
Net position			
Net investment in capital assets	4,163,523	4,298,573	-3.1
Restricted	-	55,076	-100.0
Unrestricted	561,614	341,856	64.3
Total net position	<u>4,725,137</u>	<u>4,695,505</u>	<u>0.6</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 6,006,422</u>	<u>\$ 6,093,358</u>	<u>-1.4%</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 \$4,725,137 a change of \$29,632 from the prior year.

The largest portion of net position, \$4,163,523, 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, restricted net position, represents resources that are subject to external restrictions on how they may be used.

The remaining balance of \$561,614 unrestricted net position, which is the part of net position that may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

	<u>Change in Net Position</u>		
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Percentage Change</u>
Revenues			
Program revenues			
Charges for services	\$ 45,427	\$ 37,667	20.6%
Operating grants	315,810	412,150	-22.7
General revenues			
Real property taxes	1,300,160	1,097,943	18.4
Payment in lieu of taxes	31,117	31,433	-1.0
Investment income	4,775	6,123	-22.0
Miscellaneous	99,363	8,350	1,090.0
Total revenues	<u>1,796,652</u>	<u>1,593,666</u>	<u>12.7</u>
Expenses			
General government	343,259	300,294	14.3
Public safety	7,465	20,235	-63.1
Public works	1,240,623	1,249,827	-0.7
Transfer station	6,000	3,951	51.9
Interest	27,067	22,683	19.3
Appropriation	142,606	139,106	2.5
Total expenses	<u>1,767,020</u>	<u>1,736,096</u>	<u>1.8</u>
Change in net position	29,632	(142,430)	120.8
Net position – beginning of year	<u>4,695,505</u>	<u>4,837,935</u>	<u>-2.9</u>
Net position – end of year	<u>\$ 4,725,137</u>	<u>\$ 4,695,505</u>	<u>0.6%</u>

Governmental activities

Governmental activities for the year resulted in a change in net position of \$29,632. Key elements of this change are as follows:

General fund operations, as discussed further in section below	\$ (36,462)
Highway fund activity	(60,697)
Capital improvements activity	(46,726)
Paving and bridge	272,912
Reappraisal	7,503
Nonmajor special revenue activity	5,309
Change in unearned revenue - taxes	29,788
Acquisition of fixed assets	450,414
Depreciation expense	(557,470)
Pension	(6,945)
Long-term debt transactions	(27,994)
Total	<u>\$ 29,632</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.

The fund balance of the Town's governmental funds as of June 30, 2021 and 2020 are as follows:

	2021	2020	Change
Major funds:			
General fund:			
Nonspendable	\$ 11,452	\$ -	\$ 11,452
Assigned	-	-	
Unassigned	(66,178)	(18,264)	(47,914)
Highway fund:			
Nonspendable	15,838	14,908	930
Restricted	-	55,076	55,076)
Unassigned	(6,551)	-	(6,551)
Capital improvements fund:			
Assigned	246,145	292,871	(46,726)
Paving fund:			
Assigned	235,753	-	235,753
Unassigned	-	(37,159)	37,159
Reappraisal fund:			
Assigned	96,930	89,427	7,503
Nonmajor funds:			
Special revenue funds:			
Assigned	16,740	11,431	5,309
 Total fund balance – governmental funds	 \$ 550,129	 \$ 408,290	 \$ 141,839

The general fund is the chief operating fund. At June 30, 2021 the general fund's total fund balance was \$(54,726).

General Fund Budgetary Highlights

During the fiscal year, the Town may reallocate funds within the General Fund budget as it attempts to deal with unexpected changes in revenues and expenditures. A schedule showing the Town's original and final general fund budget amounts compared with actual results is shown on the Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual – General Fund.

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

CAPITAL ASSETS

Capital assets

Total investment in capital assets for governmental activities at year end amounted to \$5,272,546 (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 Additions</u>	
2021 Freightliner	\$ 217,617
John Deere Backhoe	103,750
Ripton Road	26,254
South Lincoln Road	86,901
Colby Hill Road	15,891

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 \$1,109,023, 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 aware of the following circumstance that could affect its future financial health.

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and impact on individuals served by the Town, both of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

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) 453-298

TOWN OF LINCOLN, VERMONT
Statement of Net Position
June 30, 2021

Assets

Current assets:

Cash and cash equivalents	\$	559,184
Property taxes receivable		71,682
Interest and penalties receivable		12,712
Federal aid receivable		24,640
Prepaid expenses		27,290
Total current assets		695,508

Capital assets, net of accumulated depreciation

5,272,546

Total assets

5,968,054

Deferred outflows of resources

Pensions

38,368

Total assets and deferred outflows of resources

\$ 6,006,422

Liabilities

Current liabilities:

Accounts payable	\$	42,655
Accrued expenses		3,278
Bonds payable, current portion		60,293
Notes payable, current portion		140,428
Total current liabilities		246,654

Long-term liabilities:

Bonds payable		442,500
Notes payable		465,802
Net pension liability		91,891
Total long-term liabilities		1,000,193
Total liabilities		1,246,847

Deferred inflows of resources

Taxes paid in advance

14,426

Pensions

20,012

Total deferred inflows of resources

34,438

Net Position

Net investment in capital assets

4,163,523

Restricted

-

Unrestricted

561,614

Total net position

4,725,137

Total liabilities, deferred inflows of resources, and net position

\$ 6,006,422

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

TOWN OF LINCOLN, VERMONT
Statement of Activities
Year Ended June 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Operating</u>	<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Grants</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants</u>	<u>Changes in</u>
				<u>Net Position</u>
Functions and programs				
General government	\$ 343,259	\$ 44,401	\$ 38,171	\$ (260,687)
Public safety	7,465	-	-	(7,465)
Public works	1,240,623	-	277,639	(962,984)
Transfer station	6,000	1,026	-	(4,974)
Interest	27,067	-	-	(27,067)
Appropriations	<u>142,606</u>	<u>-</u>	<u>-</u>	<u>(142,606)</u>
Total functions and programs	\$ <u>1,767,020</u>	\$ <u>45,427</u>	\$ <u>315,810</u>	<u>(1,405,783)</u>
General revenues				
Real property taxes				1,300,160
Payment in lieu of taxes				31,117
Investment income				4,775
Miscellaneous				<u>99,363</u>
Total general revenues				<u>1,435,415</u>
Change in net position				29,632
Net position - beginning of year				<u>4,695,505</u>
Net position - end of year				\$ <u>4,725,137</u>

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

TOWN OF LINCOLN, VERMONT
Balance Sheet - Governmental Funds
June 30, 2021

	<u>General</u>	<u>Highway</u>	<u>Capital Improvements</u>	<u>Paving and Bridge</u>	<u>Reappraisal</u>	<u>Nonmajor Special Revenue</u>	<u>Total Governmental Funds</u>
Assets							
Cash and cash equivalents	\$ 260,310	\$ -	\$ 211,279	\$ 373	\$ 76,527	\$ 10,695	\$ 559,184
Property taxes receivable	71,682	-	-	-	-	-	71,682
Interest and penalties receivable	12,712	-	-	-	-	-	12,712
State aid receivable	-	24,640	-	-	-	-	24,640
Due from other funds	-	7,463	49,881	235,380	20,403	6,045	319,172
Prepaid expenses	11,452	15,838	-	-	-	-	27,290
Total assets	<u>\$ 356,156</u>	<u>\$ 47,941</u>	<u>\$ 261,160</u>	<u>\$ 235,753</u>	<u>\$ 96,930</u>	<u>\$ 16,740</u>	<u>\$ 1,014,680</u>
Liabilities							
Accounts payable	\$ 4,041	\$ 38,614	\$ -	\$ -	\$ -	\$ -	\$ 42,655
Accrued Expenses	3,278	-	-	-	-	-	3,278
Due to other funds	304,157	-	15,015	-	-	-	319,172
Total liabilities	<u>311,476</u>	<u>38,614</u>	<u>15,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>365,105</u>
Deferred inflows of resources							
Taxes paid in advance	14,386	40	-	-	-	-	14,426
Unearned property taxes, interest and penalties	85,020	-	-	-	-	-	85,020
Total deferred inflows of resources	<u>99,406</u>	<u>40</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,446</u>
Fund balance							
Nonspendable	11,452	15,838	-	-	-	-	27,290
Restricted	-	-	-	-	-	-	-
Assigned	-	-	246,145	235,753	96,930	16,740	595,568
Unassigned	(66,178)	(6,551)	-	-	-	-	(72,729)
Total fund balance	<u>(54,726)</u>	<u>9,287</u>	<u>246,145</u>	<u>235,753</u>	<u>96,930</u>	<u>16,740</u>	<u>550,129</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 356,156</u>	<u>\$ 47,941</u>	<u>\$ 261,160</u>	<u>\$ 235,753</u>	<u>\$ 96,930</u>	<u>\$ 16,740</u>	<u>\$ 1,014,680</u>

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

TOWN OF LINCOLN, VERMONT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2021

	<u>Total Governmental Funds</u>	<u>Long-term Assets, Liabilities</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Net Position</u>
Assets				
Cash and cash equivalents	\$ 559,184	\$ -	\$ -	\$ 559,184
Property taxes receivable	71,682	-	-	71,682
Interest and penalties receivable	12,712	-	-	12,712
Federal aid receivable	24,640	-	-	24,640
Due from other funds	319,172	-	(319,172)	-
Prepaid expenses	27,290	-	-	27,290
Capital assets, net of accumulated depreciation	-	5,272,546	-	5,272,546
Total assets	<u>1,014,680</u>	<u>5,272,546</u>	<u>(319,172)</u>	<u>5,968,054</u>
Deferred outflows of resources				
Pensions	-	38,368	-	38,368
Total assets and deferred outflows of resources	<u>\$ 1,014,680</u>	<u>\$ 5,310,914</u>	<u>\$ (319,172)</u>	<u>\$ 6,006,422</u>
Liabilities				
Account payable	\$ 42,655	\$ -	\$ -	\$ 42,655
Accrued expenses	3,278	-	-	3,278
Due to other funds	319,172	-	(319,172)	-
Bonds payable	-	502,793	-	502,793
Notes payable	-	606,230	-	606,230
Net pension liability	-	91,891	-	91,891
Total liabilities	<u>365,105</u>	<u>1,200,914</u>	<u>(319,172)</u>	<u>1,246,847</u>
Deferred inflows of resources				
Taxes paid in advance	14,426	-	-	14,426
Unearned property taxes, interest & penalties	85,020	(85,020)	-	-
Pensions	-	20,012	-	20,012
Total deferred inflows or resources	<u>99,446</u>	<u>(65,008)</u>	<u>-</u>	<u>34,438</u>
Fund balance/net position				
Total fund balance/net position	<u>550,129</u>	<u>4,175,008</u>	<u>-</u>	<u>4,725,137</u>
Total liabilities, deferred inflows of resources and fund balance/net position	<u>\$ 1,014,680</u>	<u>\$ 5,310,914</u>	<u>\$ (319,172)</u>	<u>\$ 6,006,422</u>

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, 2021

	<u>General</u>	<u>Highway</u>	<u>Capital Improvements</u>	<u>Paving and Bridge</u>	<u>Reappraisal</u>	<u>Nonmajor Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues							
Property taxes	\$ 438,369	\$ 832,003	\$ -	\$ -	\$ -	\$ -	\$ 1,270,372
State sources	-	224,255	-	53,384	6,333	-	283,972
Federal sources	31,838	-	-	-	-	-	31,838
Payment in lieu of taxes	-	31,117	-	-	-	-	31,117
Licenses, permits and fees	44,401	-	-	-	-	-	44,401
Transfer station	1,026	-	-	-	-	-	1,026
Investment income	317	-	3,225	4	1,170	59	4,775
Miscellaneous	9,644	89,719	-	-	-	-	99,363
Total revenues	<u>525,595</u>	<u>1,177,094</u>	<u>3,225</u>	<u>53,388</u>	<u>7,503</u>	<u>59</u>	<u>1,766,864</u>
Expenditures							
General government	320,900	-	-	-	-	150	321,050
Public safety	7,465	-	-	-	-	-	7,465
Public works	-	1,138,355	-	10,476	-	-	1,148,831
Transfer station	6,000	-	-	-	-	-	6,000
Debt retirement	-	-	222,570	-	-	-	222,570
Interest	-	-	27,067	-	-	-	27,067
Appropriations	142,606	-	-	-	-	-	142,606
Total expenditures	<u>476,971</u>	<u>1,138,355</u>	<u>249,637</u>	<u>10,476</u>	<u>-</u>	<u>150</u>	<u>1,875,589</u>
Excess (deficiency) of revenues over expenditures	<u>48,624</u>	<u>38,739</u>	<u>(246,412)</u>	<u>42,912</u>	<u>7,503</u>	<u>(91)</u>	<u>(108,725)</u>
Other financing source (uses)							
Note proceeds	-	250,564	-	-	-	-	250,564
Transfers in	-	-	199,686	230,000	-	5,400	435,086
Transfers out	(85,086)	(350,000)	-	-	-	-	(435,086)
Total other financing sources (uses)	<u>(85,086)</u>	<u>(99,436)</u>	<u>199,686</u>	<u>230,000</u>	<u>-</u>	<u>5,400</u>	<u>250,564</u>
Change in fund balance	(36,462)	(60,697)	(46,726)	272,912	7,503	5,309	141,839
Fund balance - beginning of year	<u>(18,264)</u>	<u>69,984</u>	<u>292,871</u>	<u>(37,159)</u>	<u>89,427</u>	<u>11,431</u>	<u>408,290</u>
Fund balance - end of year	<u>\$ (54,726)</u>	<u>\$ 9,287</u>	<u>\$ 246,145</u>	<u>\$ 235,753</u>	<u>\$ 96,930</u>	<u>\$ 16,740</u>	<u>\$ 550,129</u>

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

TOWN OF LINCOLN, VERMONT
Reconciliation of the Governmental Funds Revenues, Expenditures, and
Changes in Fund Balance to the Statement of Activities
Year Ended June 30, 2021

	Total Governmental Funds	Long-term Revenues, Expenses	Capital Related Funds	Long-term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Totals
Revenues						
Property taxes	\$ 1,270,372	\$ 29,788	\$ -	\$ -	\$ -	\$ 1,300,160
State sources	283,972	-	-	-	-	283,972
Federal sources	31,838	-	-	-	-	31,838
Payment in lieu of taxes	31,117	-	-	-	-	31,117
Licenses, permits and fees	44,401	-	-	-	-	44,401
Transfer station	1,026	-	-	-	-	1,026
Investment income	4,775	-	-	-	-	4,775
Miscellaneous	99,363	-	-	-	-	99,363
Total revenues	1,766,864	29,788	-	-	-	1,796,652
Expenditures/expenses						
General government	321,050	22,209	-	-	-	343,259
Public safety	7,465	-	-	-	-	7,465
Public works	1,148,831	542,206	(450,414)	-	-	1,240,623
Transfer station	6,000	-	-	-	-	6,000
Debt retirement	222,570	-	-	(222,570)	-	-
Interest	27,067	-	-	-	-	27,067
Appropriations	142,606	-	-	-	-	142,606
Total expenditures/expenses	1,875,589	564,415	(450,414)	(222,570)	-	1,767,020
Excess (deficiency) of revenues over expenditures	(108,725)	(534,627)	450,414	222,570	-	29,632
Other financing sources (uses)						
Note proceeds	250,564	-	-	(250,564)	-	-
Transfers in	435,086	-	-	-	(435,086)	-
Transfers out	(435,086)	-	-	-	435,086	-
Total other sources (uses)	250,564	-	-	(250,564)	-	-
Net change for the year	\$ 141,839	\$ (534,627)	\$ 450,414	\$ (27,994)	\$ -	\$ 29,632

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 financial statements of the Town of Lincoln, Vermont (“the Town”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the Town are described below:

a) Reporting Entity

This report includes all of the funds of the Town. The financial reporting entity consist 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 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 the application of these criteria, there are no entities that should be combined with the financial statements of the Town.

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. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and non-exchange 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 Net Position presents the financial position of the Town at fiscal year-end. The Statement of Activities presents a comparison between program expenses and 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 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 statements

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

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

b) Basis of Presentation (continued)

The Town reports on the following governmental funds:

- 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 fund.
- Capital Projects Fund - This fund is used to account for revenue and expenditures for capital projects.
- Paving and Bridge Fund - This fund is used to account for revenue and expenditures for Bridge and Road projects.
- Reappraisal Fund - This fund is used to account for reappraisal revenue and expenses.
- 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 as it matches the liquidation of related obligations.

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.

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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. 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, 2021. 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.

h) Capital Assets

Capital assets are reported at actual cost for acquisitions. Donated assets are reported at estimated fair market value at the time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not capitalized. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of general fixed assets reported in the government-wide statements are as follows:

Capitalization Threshold	Depreciation Method	Estimated Useful Life
\$ 15,000	Straight line	7-40 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.

i) Deferred Outflows and 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 statement element, "deferred outflows of resources," represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two items that qualify for reporting in this category.

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 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 liability and the 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 financial statements 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. 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 prepaid property taxes on its governmental funds balance sheet 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) Pensions

For the purpose 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.

k) 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 6 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenue activity.

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

l) Long-Term Liabilities

Long-term liabilities include bonds and notes payable and other obligations such as net pension liability. Long-term liabilities are reported in the government-wide financial statements. Governmental fund financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current liabilities on their balance sheet.

m) Equity Classifications

Government-wide statements:

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

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvements of those assets.

Restricted net position – Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws, or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – Reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the Town.

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 in the following funds:

General	\$	11,452
Highway		<u>15,838</u>
	\$	<u><u>27,290</u></u>

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. At June 30, 2021, the town does not have any restricted fund balance.

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 voters. At June 30, 2021, the town does not have any committed fund balance.

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

m) Equity Classifications (continued)

Assigned – Includes amounts that are constrained by the Town’s intent to be used for specific purposes but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year’s budget, as well as encumbrances not classified as restricted at the end of the fiscal year. The Town has established the following restricted fund balances:

Capital Improvements	\$	246,145
Paving and Bridge		235,753
Reappraisal		96,930
National Forest		10,695
Conservation		6,045
	\$	<u>595,568</u>

Unassigned – Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the Town and could report a surplus or deficit. In the funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned. At June 30, 2021, the Town’s unassigned fund balance in the general fund consisted of the following:

General fund – unassigned	\$	(66,178)
Highway fund - unassigned		(6,551)
	\$	<u>(72,729)</u>

Net Position/Fund Balance

Net position flow assumption: Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to be reported as restricted – net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund balance flow assumption: Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned, and unassigned fund balance). In order to calculate the amounts to be reported as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

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.

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

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 balance of the Town's governmental funds differs 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, as applied to the reporting on capital assets and long-term liabilities, including pensions.

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	\$ 550,129
Assets	
Long term:	
Capital assets net of related depreciation	5,272,546
Deferred outflows of resources	
Pensions	38,368
Liabilities	
Long-term:	
Bonds payable	(502,793)
Notes payable	(606,230)
Net pension liability - proportionate share	(91,891)
Deferred inflows of resources	
Unearned property taxes	85,020
Pensions	<u>(20,012)</u>
Ending net position reported in Statement of Net Position for governmental activities	\$ <u>4,725,137</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 Town's proportion of the collective net pension asset/liability and differences between the Town's contributions and its proportionate share to the total contributions to the pension system.

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	\$	1,766,864
<p>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 an increase in unearned property taxes.</p>		
		29,788
Total revenues of governmental activities in the Statement of Activities	\$	1,796,652
Total expenditures reported in governmental funds	\$	1,875,589
<p>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.</p>		
Expenditures for capital outlays		(450,414)
Current year depreciation		557,470
<p>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.</p>		
Repayment of principal		(222,570)
<p>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.</p>		
		6,945
Total expenses of governmental activities in the Statement of Activities	\$	1,767,020

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 3. 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 budgets, 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)	\$ 525,595
Add: appropriated fund balance	36,462
Total revenues budgetary basis	\$ 562,057
Highway fund:	
Total revenues (GAAP basis)	\$ 1,177,094
Add: appropriated fund balance	60,697
Total revenues budgetary basis	\$ 1,237,791

The General fund has a Fund deficit at June 30, 2020 of \$54,726. This will be liquidated through revenues in subsequent years.

Note 4. 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, 2021, the carrying amount of the Town's deposits was \$559,185 and the bank balance was \$568,703. The bank balances are covered by Federal Depository Insurance to the limit of \$250,000 for time deposits and savings accounts and \$250,000 for demand deposit accounts per bank. At June 30, 2021, the Town's deposits exceeded the Federal Depository Insurance coverage by \$68,295 which was uncollateralized.

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 5. Capital Assets

Governmental activities capital assets for the year ended June 30, 2021 were as follows:

	6/30/20 Balance	Additions	Retirements	6/30/21 Balance
Governmental activities:				
Land	\$ 703,700	\$ -	\$ -	\$ 703,700
Buildings and improvements	1,333,685	-	-	1,333,685
Infrastructure	3,970,870	129,047	-	4,099,917
Vehicles and equipment	1,270,766	321,367	(232,821)	1,359,312
Total	<u>7,279,021</u>	<u>450,414</u>	<u>(232,821)</u>	<u>7,496,614</u>
Less accumulated depreciation:				
Building and improvements	(355,730)	(36,402)	-	(392,132)
Infrastructure	(858,281)	(330,264)	-	(1,188,545)
Vehicles and equipment	(685,408)	(190,804)	232,821	(643,391)
Total	<u>(1,899,419)</u>	<u>(557,470)</u>	<u>232,821</u>	<u>(2,224,068)</u>
Total capital assets - net	<u>\$ 5,379,602</u>	<u>\$ (107,056)</u>	<u>\$ -</u>	<u>\$ 5,272,546</u>

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 15,264
Public works	<u>542,206</u>
	<u>\$ 557,470</u>

Note 6. Interfund Balances and Activity

Interfund balances and activity at June 30, 2021 and for the fiscal year then ended, were as follows:

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenses
General	\$ -	\$ 304,157	\$ -	\$ 85,086
Highway	7,463	-	-	350,000
Capital Improvements	49,880	15,015	199,686	-
Paving and Bridge	235,381	-	230,000	-
Reappraisal	20,403	-	-	-
Conservation	6,045	-	5,400	-
Total	<u>\$ 319,172</u>	<u>\$ 319,712</u>	<u>\$ 435,086</u>	<u>\$ 435,086</u>

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

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 7. Indebtedness

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

	6/30/20 Balance	Additions	Reduction	6/30/21 Balance
Governmental Activities				
Bonds payable	\$ 561,500	\$ -	\$ (58,707)	\$ 502,793
Notes payable	519,529	250,564	(163,863)	606,230
	\$ 1,081,029	\$ 250,564	\$ (222,570)	\$ 1,109,023

Description	Issue Date	Maturity Date	Interest Rate	6/30/21 Balance
Bond payable – VT Municipal Bond Bank	7/26/01	12/1/21	2.80-5.18%	30,793
Note payable – Loader	8/18/17	8/18/22	2.35%	42,697
Note payable – Grader	12/21/18	12/21/25	3.25%	185,527
Bond payable – VT Municipal Bond Bank	7/1/16	11/1/36	1.49-3.09%	472,000
Note payable – 2020 Freightliner	12/6/19	12/6/24	2.50%	127,442
Note payable – 2021 Freightliner	12/18/20	12/18/25	2.50%	168,814
Note payable – John Deere Backhoe	9/4/20	9/4/25	2.50%	81,750
				1,109,023
Less: current portion				(200,721)
				\$ 908,302

The debt service requirements for the next five years and thereafter are as follows:

Years ended June 30	Principal	Interest	Total
2022	\$ 200,721	\$ 29,463	\$ 230,184
2023	169,927	24,340	194,267
2024	148,578	19,956	168,534
2025	148,578	16,042	164,620
2026	116,719	12,092	128,811
2027 – 2031	147,500	36,548	184,048
2032 – 2036	147,500	15,612	163,112
2037 – 2041	29,500	456	29,956
	\$ 1,109,023	\$ 154,509	\$ 1,263,532

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 8. 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.

Town tax rate	\$	0.6426
Education tax rate – resident		1.5702
Education tax rate – nonresident		1.5380

Note 9. Pensions

Vermont Municipal Employees' Retirement System

Plan description

The Vermont Municipal Employees' Retirement System (VMERS) – a cost-sharing, multiple-employer defined benefit pension plan administered by the State Treasurer and its Board of Trustees. It is designed for towns and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2020, the retirement plan consisted of 353 participating employers. The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

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

Summary of system provisions

Membership	Full-time employees of participating municipalities. Municipality elects coverage under Group A, B, C, or D provisions.
Creditable Service	Service as a member plus purchased service.

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 9. Pension (continued)

Average Final Compensation (AFC)	Group A – average annual compensation during the highest 5 consecutive years.
	Group B and C – average annual compensation during highest 3 consecutive years.
	Group D – average annual compensation during highest 2 consecutive years.
Service Retirement Allowance	Group A – the earlier of age 65 with 5 years of service or age 55 with 35 years of service.
Eligibility	Group B – the earlier of age 62 with 5 years of service or age 55 with 30 years of service.
	Group C and D – age 55 with 5 years of service.
Amount	Group A – 1.4% of AFC x service.
	Group B – 1.7% of AFC x service as Group B member plus percentage earned as a group A member x AFC.
	Group C – 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x AFC.
	Group D – 2.5% of AFC x service as a Group D member plus percentage earned as a Group A, B, or C member x AFC.
	Maximum benefit is 60% of AFC for Group A and B and 50% of AFC for Groups C and D. The above amounts include the portion of the allowance provided by member contributions.
Early Retirement Allowance	
Eligibility	Age 55 with 5 years of service for Group A and B; age 50 with 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 Group A and B members, and payable without reduction to Group D members.
Vested Retirement Allowance	
Eligibility	5 years of service.
Amount	Allowance beginning at normal retirement aged 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” described below.

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

Disability Retirement Allowance

Eligibility 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 Benefits

Death after 5 years of service.

Eligibility 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.

Amount

Optional Benefit and Death After Retirement

For Group 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 no more than 2% for Group A and 3% for Group B, C, and D.

Retirement Stipend

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

Member Contributions

Group A – 3.00%

Group B – 5.375%

Group C – 10.50%

Group D – 11.85%

Employer Contributions

Group A – 4.2%0

Group B – 6.00%

Group C – 7.75%

Group D – 10.35%

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

Significant actuarial assumptions and methods

Investment rate of return:	7.00%, net of pension plan investment expenses, including inflation.
Salary increases:	Varying service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.
Mortality:	
Pre-retirement:	Group A, B, and C – 40% PubG-2010 general employee below-median and 60% of PubG-2010 General Employee, with generational projection using scale MP-2019. Group D – PubG-2010 general employee above-median, with generational projection using scale MP-2019.
Healthy post-retirement:	<u>Retiree</u> Group A, B, and C – 104% of 40% PubG-2010 general healthy retiree below-median and 60% of PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019. Group D – PubG-2010 general healthy retirees, with generational projection using scale MP-2019. <u>Beneficiaries</u> Group A, B, and C – 70% PubG-2010 contingent survivor below-median and 30% of PubG-2010 contingent survivor, with generational projection using scale MP-2019. Group D – PubG-2010 contingent survivor, with generational projection using scale MP-2019.
Disabled post-retirement:	All groups – PubNS-2010 non-safety disabled mortality table with generational projection using scale MP-2019.
Spouse's age:	Females three years younger than males
Cost-of-living adjustments:	1.10% for Group A members and 1.20% for Groups B, C, and D members. The January 1, 2020 and January 1, 2021 COLAs are 0.80% and 0.40%, respectively, for all groups.
Inflation:	2.30%

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

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 determining the contribution requirements.

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 rates of return for each major class included in the pension plan’s target asset allocation at June 30, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected</u>
Global Equity	29.00%	7.07%
US Equity – Large Cap	4.00	6.19
US Equity – Small/Mid Cap	3.00	6.93
Non-US Equity – Large Cap	5.00	7.01
Non-US Equity – Small Cap	2.00	7.66
Emerging Markets Debt	4.00	3.66
Core Bond	20.00	0.39
Private and Alternative Credit	10.00	6.03
US TIPS	3.00	(0.20)
Core Real Estate	5.00	4.06
Non-Core Real Estate	3.00	6.43
Private Equity	10.00	11.27
Infrastructure/Farmland	2.00	5.44
Total	<u>100.00%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members) with scheduled increases through July 1, 2021. Further, based upon Board resolution, projected contributions beginning July 1, 2020 and each subsequent July 1, through 2025 include additional total contribution increases of 0.50% per year. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

Projected employer contributions that are intended to fund the service cost of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2020.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
\$ 140,391	\$ 91,891	\$ 51,986

Pension liability, pension expense, and deferred outflow of resources and deferred inflows of resources related to pensions

As of June 30, 2020, the measurement date selected by the State of Vermont, VMERS was funded at 74.5% and has a plan fiduciary net position of \$740,052,895 and a total pension liability of \$993,026,959 resulting in a net position pension liability of \$252,974,064. As of June 30, 2021, the Town's proportionate share of this was 0.03632% resulting in a net pension liability of \$91,891. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Town's proportion of 0.03632% was a decrease of .01455 from its proportion measured as of the prior year.

For the year ended June 30, 2021, the Town recognized pension expense of \$15,375. As of June 30, 2021 the Town reported deferred outflows of 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	\$ 8,276	\$ 272
Changes of assumptions	12,320	-
Difference between projected and actual investment earnings	8,789	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	558	19,740
Town's contributions subsequent to the measurement date	8,425	-
Total	\$ 38,368	\$ 20,012

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 9. Pensions (continued)

The \$8,425 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expenses as follows:

Year ended:		
2021	\$	2,225
2022		2,920
2023		3,536
2024		1,246
Total	\$	<u>9,930</u>

Employer contribution history for the Town as of June 30, 2021 is as follows:

FY 21	\$	8,425
FY 20		7,528
FY 19		9,774

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.

Note 10. Commitments

The Town leases a photocopier under an operating lease agreement. Total lease expense for the year ended June 30, 2021 was \$1,334 . Future minimum payments required under the terms of the current lease and contract agreements are as follows:

Year ending June 30:		
2022		1,334
2023		1,334
2024		1,334
2025		1,334
Total future minimum lease payments	\$	<u>5,336</u>

Note 11. 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 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.

TOWN OF LINCOLN, VERMONT

Notes to the Financial Statements

Note 12. 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 12. Contingencies (continued)

Covid-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and impact on individuals served by the Town, both of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Note 13. Subsequent Events

Management has evaluated subsequent events and transactions that occurred between June 30, 2021 and February 1, 2022 which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

TOWN OF LINCOLN, VERMONT
Statement of Revenues and Expenditures
Budget and Actual - General Fund
Year Ended June 30, 2021

	Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
Revenues			
Property taxes	\$ 503,845	\$ 438,369	\$ (65,476)
Grant income	-	31,838	31,838
Licenses, permits and fees	33,920	44,401	10,481
Transfer station	3,600	1,026	(2,574)
Investment income	600	317	(283)
Miscellaneous	-	9,644	9,644
Appropriated fund balance	25,493	36,462	10,969
Total revenues	567,458	562,057	(5,401)
Expenditures			
Administrative	53,150	56,119	(2,969)
Select board	5,383	5,306	77
Administrative assistants	66,261	63,328	2,933
Town administration	20,250	18,122	2,128
Town clerk	73,662	97,814	(24,152)
Assistant town clerk	8,787	7,575	1,212
Listers	24,426	14,295	10,131
Treasurer	22,351	22,672	(321)
Assistant town treasurer	2,060	2,060	-
Zoning	10,678	8,926	1,752
Planning	2,450	1,765	685
Public safety	17,650	7,465	10,185
Town office	23,758	22,918	840
Transfer station	8,900	6,000	2,900
Appropriations	143,006	142,606	400
Total expenditures	482,772	476,971	5,801
Excess (deficiency) of revenues over expenditures	84,686	85,086	400
Other financing (uses)			
Transfers out	(84,686)	(85,086)	(400)
Change in fund balance	\$ -	\$ -	\$ -

See the independent auditor's report.

TOWN OF LINCOLN, VERMONT
Statement of Revenues and Expenditures
Budget and Actual - Highway Fund
Year Ended June 30, 2021

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
Revenues			
Property taxes	\$ 832,003	\$ 832,003	\$ -
State aid	123,500	161,481	37,981
Grant income	145,236	62,774	(82,462)
Payment in lieu of taxes	25,500	31,117	5,617
Miscellaneous	-	89,719	89,719
Appropriated fund balance	<u>76,338</u>	<u>60,697</u>	<u>(15,641)</u>
Total revenues	<u>\$ 1,202,577</u>	<u>\$ 1,237,791</u>	<u>35,214</u>
Expenditures			
Administrative	240,873	229,957	10,916
Equipment maintenance	41,100	35,739	5,361
Equipment	59,500	365,229	(305,729)
Town garage	33,250	30,031	3,219
Building maintenance	9,650	8,992	658
Supplies	423,204	317,704	105,500
Grant match	<u>45,000</u>	<u>150,703</u>	<u>(105,703)</u>
Total expenditures	<u>852,577</u>	<u>1,138,355</u>	<u>(285,778)</u>
Excess (deficiency) of revenues over expenditures	<u>350,000</u>	<u>99,436</u>	<u>(250,564)</u>
Other financing source (uses)			
Bond proceeds		250,564	250,564
Transfers out	<u>(350,000)</u>	<u>(350,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(350,000)</u>	<u>(99,436)</u>	<u>250,564</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the independent auditor's report.

TOWN OF LINCOLN, VERMONT
Schedule of the Town's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

VMERS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.0363%	0.0509%	0.0499%	0.0619%	0.0647%	0.0622%	0.0614%
Town's proportionate share of the net pension liability	\$ 91,891	\$ 88,258	\$ 70,240	\$ 75,038	\$ 83,241	\$ 47,985	\$ 5,604
Town's covered-employee payroll	\$ 187,229	\$ 177,135	\$ 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	49.08%	49.83%	29.64%	37.29%	33.02%	19.52%	2.58%
Plan fiduciary net position as a percentage of the total pension liability	50.00%	54.96%	54.81%	53.98%	55.31%	58.22%	64.02%

See the independent auditor's report.

TOWN OF LINCOLN, VERMONT
Schedule of the Town's Pension Contributions
Year Ended June 30, 2021

VMERS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 8,425	\$ 7,528	\$ 9,774	\$ 8,049	\$ 10,115	\$ 9,830	\$ 8,700
Contributions in relation to the contractually required contribution	<u>8,425</u>	<u>7,528</u>	<u>9,774</u>	<u>8,049</u>	<u>10,115</u>	<u>9,830</u>	<u>8,700</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 187,229	\$ 177,135	\$ 236,938	\$ 201,236	\$ 252,117	\$ 245,762	\$ 217,506
Contributions as a percentage of covered-employee payroll	4.50%	4.250%	4.125%	4.000%	4.012%	4.000%	4.000%

See the independent auditor's report.

TOWN OF LINCOLN, VERMONT
Combining Balance Sheets
Nonmajor Special Revenue Funds
June 30, 2021

	National Forest	Conservation	Totals
Assets			
Cash and cash equivalents	\$ 10,695	\$ -	\$ 10,695
Due from other funds	-	6,045	6,045
Total assets	\$ 10,695	\$ 6,045	\$ 16,740
Fund balance			
Assigned	\$ 10,695	\$ 6,045	\$ 16,740
Total fund balance	\$ 10,695	\$ 6,045	\$ 16,740

See the independent auditor's report.

TOWN OF LINCOLN, VERMONT
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Nonmajor Special Revenue Funds
Year Ended June 30, 2021

	<u>National Forest</u>	<u>Conservation</u>	<u>Totals</u>
Revenues			
Interest	\$ 59	\$ -	\$ 59
Total revenues	<u>59</u>	<u>-</u>	<u>59</u>
Expenditures			
General government	-	150	150
Public works	-	-	-
Total expenditures	<u>-</u>	<u>150</u>	<u>150</u>
Excess (deficiency) of revenues over expenditures	<u>59</u>	<u>(150)</u>	<u>(91)</u>
Other financing sources			
Transfers in	-	5,400	5,400
Total other financing sources	<u>-</u>	<u>5,400</u>	<u>5,400</u>
Change in fund balance	59	5,250	5,309
Fund balance, beginning of year	<u>10,636</u>	<u>795</u>	<u>11,431</u>
Fund balance, end of year	<u>\$ 10,695</u>	<u>\$ 6,045</u>	<u>\$ 16,740</u>

See the independent auditor's report.