

TOWN OF WARREN, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2020

TABLE OF CONTENTS

	<u>Page #</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position – Modified Cash Basis	Exhibit A 4
Statement of Activities – Modified Cash Basis	Exhibit B 5
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds – Modified Cash Basis	Exhibit C 6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis	Exhibit D 7
Statement of Revenues, Expenditures and Changes in Fund Balance Compared to Budget – General Fund – Modified Cash Basis	Exhibit E 8 - 14
Statement of Net Position – Proprietary Fund – Modified Cash Basis	Exhibit F 15
Statement of Activities – Proprietary Fund – Modified Cash Basis	Exhibit G 16
Statement of Fiduciary Net Position– Modified Cash Basis	Exhibit H 17
Statement of Changes in Fiduciary Net Position– Modified Cash Basis	Exhibit H 17
NOTES TO FINANCIAL STATEMENTS	18 - 32
SUPPLEMENTARY INFORMATION	
Combining and Individual Fund Balance Sheet – Nonmajor Governmental Funds – Modified Cash Basis	Schedule 1 33
Combining and Individual Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds – Modified Cash Basis	Schedule 2 34
INTERNAL CONTROL AND COMPLIANCE REPORT	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	35 - 36

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



INDEPENDENT AUDITOR'S REPORT

To the Selectboard
Town of Warren
Warren, Vermont

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warren, Vermont, as of and for the year ended December 31, 2020 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Capital Fund

Management has combined the activity of all long-term projects in a fund called the Capital Fund. The fund includes activity that is required by accounting principles generally accepted in the United States of America to be accounted for in separate Capital Project and Special Revenue Funds. The amount by which this departure would impact the financial position and change in financial position of the major funds and the aggregate remaining fund information has not been determined.

Qualified Opinion

In our opinion, except for not reporting the financial activity of the Capital Fund into separate Capital Project and Special Revenue Funds, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the Capital Fund of the Town of Warren, Vermont, as of December 31, 2020, and the changes in modified cash basis financial position for the Capital Fund for the year then ended in conformity with the modified cash basis of accounting as described in Note 1.

Unmodified Opinions

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund other than the Capital Fund, and the aggregate remaining fund information of the Town of Warren, Vermont, as of December 31, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis and the Schedule of Town's Proportionate Share of the Net Pension Liability and Schedule of Town Contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of 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 the appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements, as reflected on Schedule 1 and 2, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual nonmajor fund financial statements as reflected on Schedule 1 and 2 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 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 information is fairly stated in all material respects in relation to the modified cash basis financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2021 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

FOTHERGILL SEGAL & VALLEY, CPAs

Montpelier, Vermont

Vermont Public Accountancy License #110

August 31, 2021

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,917,577	\$ 112,405	\$ 8,029,982
Cash and cash equivalents - restricted	466,972	6,436	473,408
Investments - restricted	71,974	0	71,974
Internal balances	17,606	(17,606)	0
Total assets	<u>8,474,129</u>	<u>101,235</u>	<u>8,575,364</u>
LIABILITIES			
Due to State of Vermont - Property Taxes	3,375,206	0	3,375,206
Due to school district	1,519,875	0	1,519,875
Prepayment of unbilled property taxes	11,428	0	11,428
Total liabilities	<u>4,906,509</u>	<u>0</u>	<u>4,906,509</u>
NET POSITION			
Restricted	544,646	6,436	551,082
Unrestricted	<u>3,022,974</u>	<u>94,799</u>	<u>3,117,773</u>
Total net position	<u>\$ 3,567,620</u>	<u>\$ 101,235</u>	<u>\$ 3,668,855</u>

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position		
					Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 948,008	\$ 118,215	\$ 53,370	\$ 0	\$ (776,423)	\$ 0	\$ (776,423)
Highways and streets	984,281	4,196	156,039	0	(824,046)	0	(824,046)
Culture and recreation	137,833	0	7,947	0	(129,886)	0	(129,886)
Public safety	147,813	0	0	0	(147,813)	0	(147,813)
Appropriations	42,558	0	0	0	(42,558)	0	(42,558)
Records restoration	0	14,944	0	0	14,944	0	14,944
Cemeteries	33,395	2,000	0	0	(31,395)	0	(31,395)
Debt service	92,383	0	0	0	(92,383)	0	(92,383)
Capital outlay - general government	4,800	0	0	0	(4,800)	0	(4,800)
Capital outlay - highways and streets	499,406	0	0	149,859	(349,547)	0	(349,547)
Total governmental activities	2,890,477	139,355	217,356	149,859	(2,383,907)	0	(2,383,907)
Business-type activities							
Septic system	67,394	79,571	0	0	0	12,177	12,177
Total business-type activities	67,394	79,571	0	0	0	12,177	12,177
Total government	\$ 2,957,871	\$ 218,926	\$ 217,356	\$ 149,859	(2,383,907)	12,177	(2,371,730)
General Revenues and Other Sources:							
Property taxes and related revenues					3,107,058	0	3,107,058
Investment income					46,712	502	47,214
Other revenues					123,255	0	123,255
Total general revenues and other sources					3,277,025	502	3,277,527
Change in net position					893,118	12,679	905,797
Net position - January 1, 2020					2,674,502	88,556	2,763,058
Net position - December 31, 2020					\$ 3,567,620	\$ 101,235	\$ 3,668,855

BALANCE SHEET - GOVERNMENTAL FUNDS

MODIFIED CASH BASIS
DECEMBER 31, 2020

	Major Funds		Other	Total
	General Fund	Capital Fund	Governmental Funds	Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,552,427	\$ 2,365,150	\$ 0	\$ 7,917,577
Cash and cash equivalents - restricted	74	430,351	36,547	466,972
Investments - restricted	0	0	71,974	71,974
Due from other funds	11,906	0	5,700	17,606
Total assets	<u>\$ 5,564,407</u>	<u>\$ 2,795,501</u>	<u>\$ 114,221</u>	<u>\$ 8,474,129</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to State of Vermont	\$ 3,375,206	\$ 0	\$ 0	\$ 3,375,206
Due to School District	1,519,875	0	0	1,519,875
Prepayment of unbilled property taxes	11,428	0	0	11,428
Total liabilities	<u>4,906,509</u>	<u>0</u>	<u>0</u>	<u>4,906,509</u>
FUND BALANCES				
Restricted	74	430,351	114,221	544,646
Assigned	0	2,365,150	0	2,365,150
Unassigned	657,824	0	0	657,824
Total fund balances	<u>657,898</u>	<u>2,795,501</u>	<u>114,221</u>	<u>3,567,620</u>
Total liabilities and fund balances	<u>\$ 5,564,407</u>	<u>\$ 2,795,501</u>	<u>\$ 114,221</u>	<u>\$ 8,474,129</u>

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2020

	Major Funds		Other	Total
	General	Capital	Governmental	Governmental
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes and related revenues	\$ 3,107,058	\$ 0	\$ 0	\$ 3,107,058
Intergovernmental	306,866	60,349	0	367,215
Licenses, fees and fines	122,011	0	16,944	138,955
Investment income	33,882	9,400	3,430	46,712
Building rentals	400	0	0	400
Other	39,278	83,200	777	123,255
Total revenues	<u>3,609,495</u>	<u>152,949</u>	<u>21,151</u>	<u>3,783,595</u>
EXPENDITURES				
Current				
General Government	845,694	102,314	0	948,008
Highway and streets	964,214	20,067	0	984,281
Culture and recreation	133,975	0	3,858	137,833
Public safety	132,986	14,827	0	147,813
Appropriations	42,558	0	0	42,558
Cemeteries	24,430	0	8,965	33,395
Total current expenditures	<u>2,143,857</u>	<u>137,208</u>	<u>12,823</u>	<u>2,293,888</u>
Capital outlays	<u>4,800</u>	<u>499,406</u>	<u>0</u>	<u>504,206</u>
Debt service				
Principal	77,517	0	0	77,517
Interest	14,866	0	0	14,866
Total debt service	<u>92,383</u>	<u>0</u>	<u>0</u>	<u>92,383</u>
Total expenditures	<u>2,241,040</u>	<u>636,614</u>	<u>12,823</u>	<u>2,890,477</u>
EXCESS REVENUES (EXPENDITURES)	<u>1,368,455</u>	<u>(483,665)</u>	<u>8,328</u>	<u>893,118</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	0	1,031,700	0	1,031,700
Transfers out	(1,031,700)	0	0	(1,031,700)
Total other financing sources (uses)	<u>(1,031,700)</u>	<u>1,031,700</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	336,755	548,035	8,328	893,118
FUND BALANCES - JANUARY 1, 2020	<u>321,143</u>	<u>2,247,466</u>	<u>105,893</u>	<u>2,674,502</u>
FUND BALANCES - DECEMBER 31, 2020	<u>\$ 657,898</u>	<u>\$2,795,501</u>	<u>\$ 114,221</u>	<u>\$ 3,567,620</u>

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE COMPARED TO BUDGET -
GENERAL FUND

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes and related revenues			
Property taxes - general	\$ 3,246,531	\$ 2,976,650	\$ (269,881)
Interest on delinquent taxes	25,000	28,697	3,697
Penalties on delinquent taxes	0	25,711	25,711
State current use payment	99,179	76,000	(23,179)
Total taxes and related revenues	3,370,710	3,107,058	(263,652)
Intergovernmental			
State highway aid grant	139,897	156,039	16,142
National forest grant	0	20,332	20,332
Other state grants	72,289	122,548	50,259
Library grant	9,615	7,947	(1,668)
Total intergovernmental	221,801	306,866	85,065
Licenses, fees and fines			
Town clerk fees	40,000	61,668	21,668
Zoning - subdivision fees	38,000	30,967	(7,033)
Development review board	0	11,000	11,000
Photocopying	5,000	5,031	31
Dog licenses and fines	1,000	662	(338)
Other fees, permits & licenses	0	8,487	8,487
Local highway fines	3,200	4,196	996
Total licenses, fees and fines	87,200	122,011	34,811
Interest	50,000	33,882	(16,118)
Building rentals	1,500	400	(1,100)
Other revenues			
Reimbursements and refunds	0	5,267	5,267
Fourth of July celebration	11,000	0	(11,000)
Solar array	0	20,298	20,298
Insurance claims	0	4,050	4,050
Sale of town property	0	5,630	5,630
Miscellaneous	0	4,033	4,033
Total other revenues	11,000	39,278	28,278
Total revenues	3,742,211	3,609,495	(132,716)
EXPENDITURES AND TRANSFERS			
Current Expenditures			
Selectboard			
Salaries	7,500	7,500	0
Benefits	574	574	0
Dues, subscriptions and meetings	150	314	(164)
Legal	3,000	5,466	(2,466)
VLCT dues	3,191	3,191	0
Public notices	1,500	1,596	(96)
Total selectboard	15,915	18,641	(2,726)
Town administrator			
Salary	61,625	61,625	0
Benefits	31,971	27,883	4,088
Meetings	200	173	27
Total town administrator	93,796	89,681	4,115

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE COMPARED TO BUDGET -
GENERAL FUND

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Town clerk			
Salaries	51,678	51,678	0
Benefits	29,913	25,992	3,921
Dues, subscriptions and meetings	150	35	115
Election costs	5,450	2,501	2,949
Maintenance of land records and filming	2,000	0	2,000
Total town clerk	89,191	80,206	8,985
Treasurer			
Salaries	42,950	42,950	0
Benefits	28,127	24,298	3,829
Bank fees	200	157	43
Mileage	750	750	0
Dues, subscriptions and meetings	125	20	105
Other	125	0	125
Accounting and auditing	17,250	17,250	0
Total treasurer	89,527	85,425	4,102
Office assistant			
Salary	9,400	8,842	558
Benefits	796	650	146
Total office assistant	10,196	9,492	704
Auditors and human resources			
Salaries	10,300	9,199	1,101
Benefits	720	673	47
Printing and publications	2,699	2,684	15
Total auditors and human resources	13,719	12,556	1,163
Listers			
Salaries	55,449	46,856	8,593
Benefits	8,422	7,834	588
Office supplies and equipment	500	292	208
Dues, subscriptions and meetings	1,500	1,264	236
Other	500	296	204
Total listers	66,371	56,542	9,829
Town mapping	2,252	2,167	85
Zoning administration			
Salaries	46,163	46,163	0
Benefits	13,222	12,663	559
Mapping ZP/DRB applications	600	0	600
Legal opinions	500	0	500
DRB legal notices	1,500	1,582	(82)
DRB site visits	150	0	150
Zoning and site inspections	100	0	100
Software and hardware	2,400	743	1,657
Office supplies	1,200	957	243
Total zoning administration	65,835	62,108	3,727
Department of public works			
Salaries	35,000	0	35,000
Benefits	22,350	0	22,350
Mileage	1,500	0	1,500
Office supplies	250	0	250
Dues, subscriptions and meetings	200	0	200
Total department of public works	59,300	0	59,300

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE COMPARED TO BUDGET -
GENERAL FUND

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Planning commission and board of adjustors			
Mapping planning	800	0	800
Legal contingencies	1,000	0	1,000
Zoning and planning assistant	14,040	6,990	7,050
Planning assistant benefits	1,074	562	512
Planning commission supplies	750	371	379
Town plan zoning updates	11,000	12,894	(1,894)
Mad River Valley planning	45,317	45,317	0
Central Vermont Regional planning	2,103	2,103	0
Meetings and courses	500	0	500
Software	500	0	500
Public notices	850	68	782
Mileage / E911	250	33	217
Total planning commission and board of adjustors	78,184	68,338	9,846
Delinquent tax collector			
Commissions	0	12,843	(12,843)
Benefits	2,000	983	1,017
Total delinquent tax collector	2,000	13,826	(11,826)
Postage			
Postage	5,500	5,133	367
Postage meter lease	800	754	46
Post office box rental	92	92	0
Total postage	6,392	5,979	413
Computer			
Maintenance contracts	5,000	5,852	(852)
Software support	7,000	7,919	(919)
Software purchases	2,000	220	1,780
Hardware purchases	4,975	1,822	3,153
Network support	4,500	3,895	605
Total computer	23,475	19,708	3,767
Conservation committee			
Blueberry Lake Bush maintenance	100	0	100
Map printing	150	0	150
Dues, subscriptions and meetings	100	0	100
Public notices	250	0	250
Assessment & studies grant	3,500	0	3,500
Knot weed control	15,000	1,385	13,615
Total conservation committee	19,100	1,385	17,715
Copy machine maintenance and lease contract	5,000	2,868	2,132
Office supplies	7,000	7,834	(834)
Telephone and fax	8,000	7,520	480
Cemetery grounds and maintenance	24,430	24,430	0

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE COMPARED TO BUDGET -
GENERAL FUND

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Fire department			
Training	2,000	0	2,000
Remuneration	40,000	27,720	12,280
Benefits	3,000	2,121	879
Supplies	4,500	3,414	1,086
Dues and subscriptions	2,000	838	1,162
Repairs and maintenance	25,000	20,399	4,601
Fuel	3,000	2,544	456
Contracted services	7,500	4,964	2,536
Fire warden	600	600	0
Uniforms and safety equipment	4,500	1,340	3,160
Fire hose	4,000	3,450	550
Minor equipment	10,000	4,729	5,271
Radio dispatch	6,400	6,244	156
Medical exams	1,000	0	1,000
Admin supplies	2,000	1,058	942
Total fire department	115,500	79,421	36,079
Village wastewater treatment			
Town building usage fees	2,500	2,577	(77)
Total village wastewater treatment	2,500	2,577	(77)
Law enforcement			
Constable	10,080	7,498	2,582
Benefits	830	511	319
Public safety	6,020	3,991	2,029
Washington County patrol	32,000	31,555	445
Total law enforcement	48,930	43,555	5,375
Emergency management			
Salary	0	7,338	(7,338)
Benefits	0	561	(561)
Training	1,800	1,188	612
Mileage	700	208	492
Equipment	200	520	(320)
Membership	250	195	55
Total emergency management	2,950	10,010	(7,060)
Library			
Salaries	65,020	50,510	14,510
Benefits	36,430	30,270	6,160
Library expenditures	18,340	23,195	(4,855)
Total library	119,790	103,975	15,815
Recreation			
July 4th parade expense	15,000	0	15,000
Mad River Valley recreation district	30,000	30,000	0
Total recreation	45,000	30,000	15,000

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE COMPARED TO BUDGET -
GENERAL FUND

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Highways			
Salaries	339,805	295,183	44,622
Benefits	161,685	131,586	30,099
On call pay	11,000	9,142	1,858
Culverts and guardrails	32,000	31,696	304
Shop maintenance and supplies	18,000	13,432	4,568
Contractual	16,400	843	15,557
Salt	105,000	95,316	9,684
Meetings and subscriptions	350	0	350
Licenses and registration	250	241	9
Gasoline	200	61	139
Gravel and crushing	185,000	148,014	36,986
Sand	75,000	50,866	24,134
Chloride	15,000	8,165	6,835
Telephone	2,500	1,404	1,096
Vehicle repair and maintenance	40,000	42,600	(2,600)
Fuel - diesel	65,000	39,188	25,812
Safety - clothing	3,000	2,104	896
Oil	5,000	3,958	1,042
Fuel tank inspections and repairs	550	2,221	(1,671)
Grader blades and chains	14,000	11,270	2,730
Rentals	10,000	10,433	(433)
Tires	12,000	4,679	7,321
Signs and posts	1,000	1,703	(703)
State mandated signs	2,000	490	1,510
Urban forestry	4,000	2,329	1,671
Erosion control	25,000	24,517	483
Park maintenance	17,854	9,750	8,104
FEMA expenses	0	1,078	(1,078)
Total highways	1,161,594	942,269	219,325
Bridges	157,000	21,945	135,055
Building maintenance			
Supplies	3,000	5,529	(2,529)
Heating oil	4,500	1,728	2,772
Propane gas	17,000	12,578	4,422
Electricity	8,500	9,128	(628)
Custodial salaries	7,688	5,956	1,732
Custodial benefits	625	456	169
Repairs and maintenance	52,000	26,497	25,503
Dump fees	4,000	2,916	1,084
Solid waste management	11,935	11,935	0
Total building maintenance	109,248	76,723	32,525
Other disbursements			
Fees and permits	5,090	3,895	1,195
Leased land	2	2	0
Solar Array maintenance	2,000	914	1,086
Contingency	2,500	0	2,500
Dogs	1,300	1,080	220
Village garden	9,300	1,609	7,691
Warren PTO	0	20,332	(20,332)
Storm expenses	0	36,576	(36,576)
Total other disbursements	20,192	64,408	(44,216)

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE COMPARED TO BUDGET -
GENERAL FUND

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Special appropriations			
Central Vermont Economic Development	780	780	0
Central Vermont Council on Aging	900	900	0
Vermont Center for Independent Living	480	480	0
Washington County Youth Service Bureau	250	250	0
Central Vermont Community Action	300	300	0
Music and Arts Program	2,500	2,500	0
Mad River Valley Health Center	1,000	1,000	0
Central Vermont Home Health and Hospice, Inc.	4,000	4,000	0
Circle	755	755	0
Retired Senior Volunteer Program	200	200	0
Mad River Valley Senior Citizens	7,000	7,000	0
Northern Vermont Resource Conservation and Development	100	100	0
People's Health and Wellness Center	500	500	0
Washington County Diversion Program	200	200	0
Vermont Green Up	100	100	0
MRVT 44	3,400	3,400	0
Warren Historical Society	500	500	0
Valley Transportation	943	943	0
Central Vermont Community Land Trust	750	750	0
Central Vermont Adult Basic Education	600	600	0
Family Center of Washington County	500	500	0
Mad River Valley Ambulance	15,000	15,000	0
Good Beginnings of Central Vermont	300	300	0
Prevent Child Abuse of Vermont	300	300	0
Home Share	400	0	400
Washington County Mental Health	1,200	1,200	0
Total special appropriations	42,958	42,558	400
Insurance and taxes			
Unemployment compensation	100	100	0
Worker's compensation	28,880	28,230	650
County taxes	59,217	59,217	0
Insurance - multi-peril	28,404	27,404	1,000
Insurance - vehicles	14,039	15,039	(1,000)
Town officers' liability	3,323	3,323	0
Health reimbursement plan	600	14,230	(13,630)
Excess liability	4,207	4,207	0
Broker health insurance	2,400	2,171	229
EAP	1,806	1,806	0
Total insurance and taxes	142,976	155,727	(12,751)
Short term interest	0	1,983	(1,983)
Debt service			
Fire pond bond	15,000	15,000	0
Solar array bond	0	23,141	(23,141)
Wastewater bond	39,376	39,376	0
Interest expense	3,014	14,866	(11,852)
Total debt service	57,390	92,383	(34,993)

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE COMPARED TO BUDGET -
GENERAL FUND

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Capital outlay			
Paving	4,800	4,800	0
Total expenditures	2,710,511	2,241,040	469,471
EXCESS REVENUES (EXPENDITURES)	1,031,700	1,368,455	336,755
Capital budget transfers			
Highway department equipment reserve	(210,000)	(210,000)	0
Fire department equipment reserve	(100,000)	(100,000)	0
Conservation fund	(20,000)	(20,000)	0
Bridge repairs	(50,000)	(50,000)	0
Road paving reserve	(475,200)	(475,200)	0
Fire protection	(5,000)	(5,000)	0
Library building	(5,000)	(5,000)	0
Town building renovations	(25,000)	(25,000)	0
Town improvements	(25,000)	(25,000)	0
Town planning and development	(55,000)	(55,000)	0
Warren waste water system	(5,000)	(5,000)	0
Dam and covered bridge fund	(25,000)	(25,000)	0
Cemetery	(5,000)	(5,000)	0
Firefighter training	(25,000)	(25,000)	0
Major equipment	(1,500)	(1,500)	0
Total capital budget transfers	(1,031,700)	(1,031,700)	0
NET CHANGE IN FUND BALANCE	\$ 0	336,755	\$ 336,755
FUND BALANCE - JANUARY 1, 2020		321,143	
FUND BALANCE - DECEMBER 31, 2020		\$ 657,898	

STATEMENT OF NET POSITION - PROPRIETARY FUND

MODIFIED CASH BASIS

DECEMBER 31, 2020

	Village Septic System Fund
ASSETS	
Cash and cash equivalents - certificate of deposit	\$ 112,405
Cash and cash equivalents - restricted	6,436
Total assets	<u>118,841</u>
LIABILITIES	
Due to other funds	<u>17,606</u>
NET POSITION	
Restricted	6,436
Unrestricted	<u>94,799</u>
Total net position	<u><u>\$ 101,235</u></u>

STATEMENT OF ACTIVITIES - PROPRIETARY FUND

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2020

	Village Septic System Fund
OPERATING REVENUES:	
Charges for usage	\$ 79,218
Interest and penalties on delinquent charges	353
Total operating revenues	<u>79,571</u>
OPERATING EXPENSES:	
Contract operations	34,179
Septic pumping	3,570
Engineering	3,908
Repairs and replacements	11,291
Administration	14,446
Total operating expenses	<u>67,394</u>
INCOME (LOSS) FROM OPERATIONS	12,177
NON-OPERATING REVENUES	
Interest income	<u>502</u>
NET CHANGE IN NET POSITION	12,679
NET POSITION - JANUARY 1, 2020	<u>88,556</u>
NET POSITION - DECEMBER 31, 2020	<u><u>\$ 101,235</u></u>

STATEMENT OF FIDUCIARY NET POSITION

MODIFIED CASH BASIS

DECEMBER 31, 2020

	Custodial Fund
ASSETS	
Cash	\$ 5,248
Fiduciary Net Position - Warren Historical Society	\$ 5,248

TOWN OF WARREN, VERMONT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2020

ADDITIONS	
Contributions	\$ 623
CHANGE IN NET POSITION	623
NET POSITION - JANUARY 1, 2020	4,625
NET POSITION - DECEMBER 31, 2020	\$ 5,248

TOWN OF WARREN, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

The Town of Warren, Vermont operates under a Selectboard/Town Clerk/Town Treasurer form of government and provides the following services: public safety, highways and streets, sewage treatment, recreation, public improvements, planning and zoning, and general administrative services.

The Town, for financial reporting purposes, includes all of the funds relevant to the operations of the Town of Warren. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Warren.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board pronouncements. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant policies employed in the preparation of these financials.

Reporting Entity

This report includes all of the funds of the Town of Warren, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the Town'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 the organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there are no entities that should be combined with the financial statements of the Town.

Basis of Presentation

The Town's financial statements include both government-wide and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town.

TOWN OF WARREN, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statement of net position and the statement of activities present information about the Town, as a whole. These statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, fees for service and other revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities reports both the direct gross and net cost of each of the Town's governmental and business-type functions. Direct expenses are those that are specifically associated with a function. The Statement of Activities reduces direct expenses by related program revenue, including operating and capital grants, contributions and charges for services. Program revenue must be directly associated with the governmental or business-type function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The functions are also supported by general government revenue (property taxes, certain intergovernmental revenues, and other revenues not specific to a function).

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenue and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled. The various funds are reported by major fund within the financial statements.

The fund financial statements provide information about the Town's funds. Separate statements for each fund category, governmental and enterprise, are presented.

The following is a description of the major funds of the Town. All remaining governmental funds are aggregated and reported as nonmajor funds.

Governmental Funds

General Fund – This is the main operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Fund – This accounts for the acquisition or construction of capital items as well as other long term projects that are funded with both outside sources and transfers from the General Fund.

Business Type Activities Fund

Village Septic System Fund – This accounts for the operations of the septic system of the Town.

TOWN OF WARREN, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The proprietary fund's operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expense.

Measurement Focus

Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. Equity is segregated into restricted and unrestricted net asset balances using the modified cash basis of accounting. Operating statements present increases and decreases in modified cash basis net position.

Governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Fund balances (modified cash basis) are considered a measure of available spendable resources and are segregated into restricted and unrestricted amounts. Operating statements of these funds present increases and decreases in modified cash basis fund balances.

Fiduciary Funds

Agency funds are used to account for assets held by the Town as an agent for individuals, private organizations and other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

The Town prepares its financial statements using the modified cash basis of accounting. Consequently, certain revenues and related assets are recognized when received rather than when earned and certain expenditures and related liabilities are recognized when paid rather than when the liability is incurred. Capital assets are expensed when purchased. Loan proceeds are recorded as other financing sources and loan repayments are recorded as expenses or expenditures. The modification to the cash basis is the Town records 1) investments as an asset at cost and 2) property taxes collected that are due to the State of Vermont, the local School District, and paid in advance as liabilities.

The modified cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

TOWN OF WARREN, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent with terms less than one year.

Investments

Investments are stated at cost. The Town invests as allowed by State statute.

Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Net position is divided into three components:

Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. On the modified cash basis of accounting, this category of net assets is not used. The Town expenses its capital assets when purchased thereby not having a net position component of invested in capital assets, net of related debt.

Restricted net position – consist of assets that are restricted by the Town's creditors, enabling legislation, by grantors, and by other contributors.

Unrestricted net position – all other net position is reported in this category.

Fund Equity

GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" provide fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted fund balances - Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. federal and state grants, bondholders, trust and trustee accounts).

TOWN OF WARREN, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the Town's highest decision making authority.

Assigned fund balances - Indicates the portion of fund equity that is set aside with the intent to be used for a specific purpose by the Select Board or official that has been given the authority to assign funds (e.g. encumbrances, subsequent budgets). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances – Indicates the portion of fund equity that has not been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The Town does not have a fund balance policy identifying the Town's highest decision-making authority as required by GASB 54. Therefore, none of the Town's fund balances have been classified as committed in the financial statements.

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds. When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied first to committed, then assigned, then unassigned.

Interfund Balances

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budget Adoption

Budgets are approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget changes during the year.

TOWN OF WARREN, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of December 31, 2020, the Town's bank balances were exposed to custodial credit risk as follows.

Insured - FDIC	\$ 500,000
Uninsured - covered by SPIC	1,059
Uninsured - collateralized	8,155,823
Total bank balances	<u>\$ 8,656,882</u>

The difference between the bank balances and the balances on the financial statements is due to outstanding items. The cash balance included certificates of deposits of \$1,746,555 that have interest rates of between 0.2% and 0.75% and mature within one year.

Investments

Credit Risk – investments. The Town has an investment policy that limits its investment choices to policies established by the Selectboard. Investments at December 31, 2020 are recorded at cost and are as follows:

	Cost	Fair Value	Unrealized Gain/(Loss)
Money market funds	\$ 48	\$ 48	\$ 0
Mutual funds	71,974	82,305	10,331
Total	<u>\$ 72,022</u>	<u>\$ 82,353</u>	<u>\$ 10,331</u>

Fair Value Measurements – All of the Town's investments are considered Level 1 inputs, which are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at Level 1 fair value generally are securities listed in active markets. The Town has valued their investments listed on national exchanges at the last sales price as of the day of valuation using the market valuation approach.

Concentration of Credit Risk – The Town places no limit on the amount the Town may invest in any one issuer.

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

TOWN OF WARREN, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 3 - INTERFUND TRANSFERS AND INTERFUND BALANCES

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them in accordance with budgetary authorizations. \$1,031,700 was transferred to the Capital Fund from the General Fund.

As of December 31, 2020 the interfund balances were as follows:

Fund:	Receivable	Payable
General Fund	\$ 11,906	\$ 0
Village Septic System Fund	0	17,606
Restoration Fund	762	0
Library Fund	4,938	0
Total	<u>\$ 17,606</u>	<u>\$ 17,606</u>

NOTE 4 – SHORT-TERM DEBT

On May 12, 2020, the Town signed a tax anticipation note with Northfield Savings Bank for \$750,000 at 1.50% per annum. During the year, \$400,000 was drawn down from the Line of Credit. Principal and interest on the Line of Credit was paid in full on September 10, 2020.

The following is a summary of the changes in short-term debt:

Balance January 1, 2020	\$ 0
Loan proceeds	400,000
Principal payments	<u>(400,000)</u>
Balance December 31, 2020	<u>\$ 0</u>

Interest paid on short-term debt for the year ended December 31, 2020 was \$1,983.

NOTE 5 - RISK MANAGEMENT

The Town of Warren, Vermont is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town of Warren, Vermont maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town of Warren, Vermont. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty-days' notice. Fund underwriting and rate setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

TOWN OF WARREN, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 - LONG-TERM LIABILITIES

Long-term liabilities at December 31, 2020 consisted of the following:

	<u>Total</u>	<u>Due Within One Year</u>
Bond payable, State of Vermont Special Environmental Revolving Loan Fund, wastewater system improvements, interest at 0.0%, principal payments of \$39,376 due annually on August 1 through 2026.	\$ 236,259	\$ 39,376
Bond payable, Vermont Municipal Bond Bank, fire bond improvements, principal payments of \$15,000 due December 1 through 2025, various interest rates ranging from 3.0% to 4.7%, 3.91%, interest paid semi-annually on June 1 and December 1.	75,000	15,000
Bond payable, Vermont Municipal Bond Bank, solar array, principal payments of \$23,141 due November 15 through 2034, various interest rates ranging from .513% to 3.993%, interest paid semi-annually on May 15 and November 15.	323,982	23,141
Total long-term liabilities	<u>\$ 635,241</u>	<u>\$ 77,517</u>

Interest paid on long-term liabilities for the year ended December 31, 2020 was \$14,866.

During the fiscal year ended December 31, 2020 the following changes occurred in bonds payable:

Long-term liabilities at January 1, 2020	\$ 712,758
Bond payments	<u>(77,517)</u>
Long-term liabilities at December 31, 2020	635,241
Due within one year	<u>(77,517)</u>
Due after one year	<u>\$ 557,724</u>

TOWN OF WARREN, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Long-term liabilities will mature as follows:

	Principal	Interest	Total
2021	\$ 77,517	\$ 13,789	\$ 91,306
2022	77,517	12,466	89,983
2023	77,517	12,466	89,983
2024	77,517	9,817	87,334
2025	77,517	8,544	86,061
2026-2030	155,084	30,744	185,828
2031-2034	92,572	9,115	101,687
	<u>\$ 635,241</u>	<u>\$ 96,941</u>	<u>\$ 732,182</u>

NOTE 7 - PENSION PLAN

VMERS Defined Benefit Plan

Plan description. The Town contributes to the Vermont Municipal Employees' Retirement System (VMERS) which 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 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 system consisted of 353 participating employers.

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

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

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

Summary of System Provisions

Membership is open to all full time employees of participating municipalities. The municipality elects coverage under Groups A, B, C, or D. The Town only has Group B members.

Creditable service is service as a member plus purchased service.

TOWN OF WARREN, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 - PENSION PLAN (Continued)

Benefits provided and contributions

Avg Final Compensation (AFC)	Group A	Group B	Group C	Group D
	Average annual compensation during highest 5 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 2 consecutive years
Service Retirement Allowance				
Eligibility	Earlier of age 65 with 5 years of service or age 55 with 35 years of service	Earlier of age 62 with 5 years of service or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Amount	1.4% of AFC times service	1.7% of AFC times service as Group B member plus percentage earned as a Group A member times AFC	2.5% of AFC times service as Group C member plus percentage earned as a Group A or B member times AFC	2.5% of AFC times service as Group D member plus percentage earned as a Group A, B, or C member times AFC
Maximum Benefit	60% of AFC, including portion of allowance provided by member contributions		50% of AFC, including portion of allowance provided by member contributions	
Early Retirement Allowance				
Eligibility	Age 55 with 5 years of service		n/a	Age 50 with 20 years of service
Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age		n/a	Normal allowance based on service and AFC at early retirement, without reduction
Vested Retirement Allowance				
Eligibility	5 years of service	5 years of service	5 years of service	5 years of service
Amount	Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the CPI, subject to the limits on "Post-Retirement Adjustments" described below.			
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 Benefit				
Eligibility	After 5 years of service	After 5 years of service	After 5 years of service	After 5 years of service
Amount	Reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as of the date of death.			70% of the unreduced accrued benefit plus children's benefit
Optional Benefit and Death after Retirement				
	Lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contributions guarantee.			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 CPI but not more than the following percentage:			
	2%	3%	3%	3%
Member Contributions	2.75% eff. 7/1/19 3.00% eff 7/1/20	5.125% eff. 7/1/19 5.375% eff 7/1/20	10.25% eff. 7/1/19 10.5% eff 7/1/20	11.6% eff. 7/1/19 11.85% eff 7/1/20
Employer Contributions	4.25% eff. 7/1/19 4.5% eff 7/1/20	5.75% eff. 7/1/19 6.00% eff 7/1/20	7.5% eff. 7/1/19 7.75% eff 7/1/20	10.1% eff. 7/1/19 10.35% eff 7/1/20
Retirement Stipend	\$25 per month payable at the option of the Board of Retirees			

TOWN OF WARREN, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 7 - PENSION PLAN (Continued)

Covered wages paid under Group B of the plan were \$581,354 out of total wages of \$706,007. Employer contributions by the Town were \$34,111 for 2020. Employee contributions paid by the Town were \$30,477 for 2020. The Town pays for both the employer and employee share.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. Since the Town uses the modified cash basis of accounting, the pension liability and related deferred inflows/outflows are not recorded. This information is being provided for disclosure purposes only. At December 31, 2020, the Town reported a liability of \$421,013 for its proportionate share of the net pension liability. 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 entities, actuarially determined. At June 30, 2020, the Town's proportion was 0.16643%, which was an increase of 0.00428% from its proportion measured as of June 30, 2019.

At June 30, 2020, 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
Difference between expected and actual experience	\$ 37,917	\$ 1,248
Changes in proportion and differences between Town contributions and proportionate share of contributions	4,608	16,030
Changes in assumptions	56,444	0
Difference between projected and actual investment earnings	40,266	0
Total	<u>\$ 139,235</u>	<u>\$ 17,278</u>

The amounts reported as deferred outflows of resources net of deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

2021	\$ 31,918
2022	34,004
2023	31,179
2024	24,857

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

TOWN OF WARREN, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 7 - PENSION PLAN (Continued)

Interest rate of return – 7.0%, net of pension plan investment expenses, including inflation.

Salary increase – Varying service-based rates from 0-10 years of service, then a single rate of 4.5% (includes assumed inflation rate of 2.30%) for all subsequent years.

Mortality:

Pre-Retirement:

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

Group D – PubG-2010 General Employee above-median, with generational projection using scale MP-2019.

Healthy Post-retirement – Retirees:

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

Group D – PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019.

Healthy Post-retirement – Beneficiaries:

Groups A, B, C – 70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor, with generational projection using scale MP-2019.

Group D – Pub-2010 Contingent Survivor, with generational projection using scale MP-2019.

Disabled Post-retirement:

All groups – PubNS-2010 Non-Safety Disabled Retiree Mortality Table with generational projection using scale MP-2019.

Spouse's age – females three years younger than males.

Cost of Living Adjustments – 1.1% for Group A members and 1.2% for Groups B, C and D members. The January 1, 2020 and January 1, 2021 COLAs are 0.8% and 0.4% respectively, for all groups.

Actuarial Cost Method – Entry Age Actuarial Cost Method. Entry Age is the age at date of employment or, if date is unknown, current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

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

Inflation – 2.3% per year

TOWN OF WARREN, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 7 - PENSION PLAN (Continued)

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	29.00%	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 & Alternate 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%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.0% 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, 2022, and each subsequent July 1, through 2025 include additional total contribution increases of 0.50% per year. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF WARREN, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 7 - PENSION PLAN (Continued)

The following presents the net pension liability calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) or 1 percent higher (8.0%) than the current rate:

<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
\$ 643,222	\$ 421,013	\$ 238,181

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the State of Vermont's Annual Comprehensive Financial Report (ACFR). The ACFR can be viewed on the State's Department of Finance and Management website.

NOTE 8 - PROPERTY TAXES AND ABATEMENTS

Property taxes are due August 10. Interest is assessed at 1% per month and a penalty of 8% is assessed when the taxes become delinquent on November 10th. The Town bills and collects its own property taxes and the education taxes for the State of Vermont. Town tax revenue is recognized when cash is received. For 2020, the tax rate was as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	\$ 1.6814	\$ 1.6761
Municipal	0.4100	0.4100
	<u>\$ 2.0914</u>	<u>\$ 2.0861</u>

The State of Vermont operates a Current Use Program and enters into tax abatement agreements directly with landowners. Enrolled landowners are required to manage their land in accordance with an approved plan, and the land is subject to a lien to recover taxes abated if the land is ever developed. In exchange, the landowners receive a reduction in assessed value on their property tax bills, which results in a reduction of property tax revenue to the Town. For 2020, the amount of Town property taxes foregone as a result of the Current Use Program was approximately \$76,000. In accordance with 32 V.S.A. § 3760, the State of Vermont limits the total loss of revenue to zero by providing the Town with a Hold Harmless payment in the following year that is equivalent to the taxes previously foregone.

TOWN OF WARREN, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 – FUND BALANCES AND NET POSITION

The fund balances and net position classifications are as follows:

	<u>Restricted</u>	<u>Assigned</u>
General Fund		
Solar array unspent bond proceeds	\$ 74	\$ 0
Capital Fund		
Highway Department equipment	\$ 0	\$ 343,693
Fire Department equipment	0	297,673
Town reappraisal	429,533	0
Town mapping	0	44,964
Conservation	0	155,584
Bridge repair	0	172,668
Paving	0	555,235
Fire protection/stand pipes	0	54,167
Firefighter training/equipment	0	62,199
Library building	0	57,021
Town building renovations	0	151,619
Town improvements	0	106,154
Town planning and development	0	146,889
Warren wastewater system	0	7,176
State lister training fund	818	0
Cemetery	0	22,540
Blueberry Lake Dam & Covered Bridge Maintenance	0	179,956
Major equipment	0	7,612
Total Capital Fund	<u>\$ 430,351</u>	<u>\$ 2,365,150</u>
Nonmajor Funds:		
Library	\$ 15,693	\$ 0
Cemetery	75,941	0
Records Restoration	22,587	0
Total Nonmajor Funds	<u>\$ 114,221</u>	<u>\$ 0</u>
Village Septic System Fund		
Capital improvements	<u>\$ 6,436</u>	<u>\$ 0</u>

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 31, 2021, the date the financial statements are available to be issued. A tax anticipation note was borrowed on May 12, 2021, for \$400,000, with an interest rate of 1.23% annually, compounded daily.

TOWN OF WARREN, VERMONT

SCHEDULE 1

COMBINING AND INDIVIDUAL FUND BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

MODIFIED CASH BASIS

DECEMBER 31, 2020

	Special Revenue Funds			Totals
	Library Fund	Cemetery Fund	Records Restoration Grant	
ASSETS				
Cash and cash equivalents - restricted	\$10,755	\$ 3,967	\$ 21,825	\$ 36,547
Investments - restricted	0	71,974	0	71,974
Due from other funds	4,938	0	762	5,700
Total assets	<u>\$15,693</u>	<u>\$ 75,941</u>	<u>\$ 22,587</u>	<u>\$114,221</u>
Fund Balances				
Restricted	<u>\$15,693</u>	<u>\$ 75,941</u>	<u>\$ 22,587</u>	<u>\$114,221</u>
Total fund balances	<u>\$15,693</u>	<u>\$ 75,941</u>	<u>\$ 22,587</u>	<u>\$114,221</u>

COMBINING AND INDIVIDUAL FUND SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2020

	Special Revenue Funds			Totals
	Library Fund	Cemetery Fund	Records Restoration Fund	
REVENUES				
Grave site and burial fees	\$ 0	\$ 2,000	\$ 0	\$ 2,000
Town clerk fees	0	0	14,944	14,944
Investment income	125	3,263	42	3,430
Miscellaneous	777	0	0	777
Total revenues	902	5,263	14,986	21,151
EXPENDITURES				
Culture and recreation	721	0	3,137	3,858
Cemeteries	0	8,965	0	8,965
Total expenditures	721	8,965	3,137	12,823
EXCESS REVENUES (EXPENDITURES)	181	(3,702)	11,849	8,328
NET CHANGE IN FUND BALANCE	181	(3,702)	11,849	8,328
FUND BALANCES - JANUARY 1, 2020	15,512	79,643	10,738	105,893
FUND BALANCES - DECEMBER 31, 2020	\$ 15,693	\$ 75,941	\$ 22,587	\$ 114,221

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Selectmen
Town of Warren, Vermont
Warren, Vermont

We have audited, 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, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Warren, Vermont as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 31, 2021. We issued a qualified opinion due to not reporting the financial activity of the Capital Fund into separate Capital Project and Special Revenue Funds. We issued unmodified opinions related to the other opinion units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

FOTHERGILL SEGALE & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

August 31, 2021