

TOWN OF COVENTRY, VERMONT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS
JUNE 30, 2019

TOWN OF COVENTRY, VERMONT

JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

The Select Board
Town of Coventry, 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 Coventry, Vermont, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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

Basis for Qualified Opinions on General Fund, Other Remaining Fund Information and Governmental Activities

We were unable to obtain sufficient appropriate audit evidence about the amount recognized for delinquent property tax receivables, as of June 30, 2019, due to potential deficiencies in the Town's Grand List and incomplete records from prior years. The amount by which this scope limitation could affect the assets, deferred outflows, liabilities, deferred inflows, fund balance, revenues and expenditures of the General Fund has not been determined. We were unable to obtain sufficient appropriate audit evidence about the amount recognized as a note and interest receivable in the other remaining fund information. The amount by which this scope limitation could affect the assets, deferred outflows, liabilities, deferred inflows, fund balance, revenues and expenditures of the other remaining fund information has not been determined. The amount by which the above scope limitations could affect the assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses of the governmental activities has not been determined.

Qualified Opinions

In our opinion, except for the effects of the matters described in the “Basis for Qualified Opinions on General Fund, Other Remaining Fund Information and Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund, other remaining fund information and governmental activities of the Town of Coventry, VT, as of June 30, 2019, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund other than the General Fund, of the Town of Coventry, VT as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the proportionate share of the net pension liability and schedule of pension contributions on pages 21 to 28 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.

Management has omitted the management’s discussion and analysis 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 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. 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 of Coventry, Vermont’s basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Select Board
Town of Coventry, Vermont

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2020, on our consideration of the Town of Coventry, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Coventry, VT'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 of Coventry, Vermont's internal control over financial reporting and compliance.

Pace & Hawley, LLC

Berlin, VT
March 16, 2020

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

	Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,588,296
Investments	7,791,320
Landfill host fees receivable	383,823
Grants receivable	12,762
Property taxes, penalties and and interest receivable, net	46,468
Notes receivable	86,500
Interest receivable on notes	24,297
Prepaid expenses	13,657
Total current assets	10,947,123
Noncurrent assets:	
Capital assets	3,474,283
(Accumulated depreciation)	(1,198,009)
Total noncurrent assets	2,276,274
Total assets	13,223,397
Deferred outflows of resources	
Pension related - VMERS	33,647
Liabilities	
Current liabilities:	
Accounts payable	36,816
Accrued payroll and benefits	7,320
Other liabilities	219
Due to fiduciary activities	1,080
Total current liabilities	45,435
Noncurrent liabilities:	
Net pension liability - VMERS	56,861
Total liabilities	102,296
Deferred inflows of resources	
Property taxes received in advance	4,277
Pension related - VMERS	909
Total deferred inflows of resources	5,186
Net position	
Net investment in capital assets	2,276,274
Restricted	127,307
Unrestricted	10,745,981
Total net position	\$ 13,149,562

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

TOWN OF COVENTRY, VERMONT
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
General government	\$ 366,505	\$ 15,591	\$ 5,814	\$ (345,100)
Highways	559,434	-	94,770	(464,664)
Public safety	79,779	-	-	(79,779)
Solid waste	13,444	-	-	(13,444)
Culture and recreation	28,523	-	-	(28,523)
Cemetery	13,004	-	-	(13,004)
Total governmental activities	\$ 1,060,689	\$ 15,591	\$ 100,584	(944,514)
General revenues				
				19,870
				1,509,920
				270,410
				(5,086)
				15,496
Total general revenues				1,810,610
				866,096
				12,283,466
				\$ 13,149,562

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

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

	General Fund	Highway Fund	Building and Maintenance Fund	Roads and Bridges Fund	Non-major Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 1,205,175	\$ -	\$ 694,926	\$ 422,413	\$ 265,782	\$ 2,588,296
Investments	7,664,013	-	-	-	127,307	7,791,320
Landfill host fees receivable	383,823	-	-	-	-	383,823
Grants receivable	-	12,762	-	-	-	12,762
Property taxes, penalties and interest receivable, net	46,468	-	-	-	-	46,468
Notes receivable	-	-	-	-	86,500	86,500
Interest receivable on notes	-	-	-	-	24,297	24,297
Prepaid expenditures	13,657	-	-	-	-	13,657
Due from other funds	-	-	315,164	-	881,088	1,196,252
Total assets	<u>\$ 9,313,136</u>	<u>\$ 12,762</u>	<u>\$ 1,010,090</u>	<u>\$ 422,413</u>	<u>\$ 1,384,974</u>	<u>\$ 12,143,375</u>
Liabilities, deferred inflows of resources and fund balances						
Liabilities:						
Accounts payable	\$ 36,816	\$ -	\$ -	\$ -	\$ -	\$ 36,816
Accrued payroll & benefits	7,175	145	-	-	-	7,320
Other liabilities	219	-	-	-	-	219
Due to other funds	696,037	78,882	-	422,413	-	1,197,332
Total liabilities	<u>740,247</u>	<u>79,027</u>	<u>-</u>	<u>422,413</u>	<u>-</u>	<u>1,241,687</u>
Deferred inflows of resources:						
Property taxes received in advance	4,277	-	-	-	-	4,277
Unavailable grant revenue	-	-	-	-	110,797	110,797
Total deferred inflows of resources	<u>4,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,797</u>	<u>115,074</u>
Fund balance:						
Nonspendable	13,657	-	-	-	-	13,657
Restricted	-	-	-	-	127,307	127,307
Committed	-	-	1,010,090	-	1,173,442	2,183,532
Unassigned	8,554,955	(66,265)	-	-	(26,572)	8,462,118
Total fund balance	<u>8,568,612</u>	<u>(66,265)</u>	<u>1,010,090</u>	<u>-</u>	<u>1,274,177</u>	<u>10,786,614</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,313,136</u>	<u>\$ 12,762</u>	<u>\$ 1,010,090</u>	<u>\$ 422,413</u>	<u>\$ 1,384,974</u>	<u>\$ 12,143,375</u>

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

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

Total fund balances - governmental funds		\$ 10,786,614
<p>Amounts reported for governmental activities in the government-wide statement of net position are different because:</p>		
<p>Capital assets used in governmental funds are not current financial resources and therefore are not reported in the governmental funds balance sheet:</p>		
Capital assets		3,474,283
(Accumulated depreciation)		(1,198,009)
<p>Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the governmental funds balance sheet:</p>		
		110,797
<p>Deferred outflows of resources, deferred inflows of resources and the net pension liability related to the Town's proportionate share of the VMERS pension plan are not reported in the governmental funds balance sheet</p>		
		<u>(24,123)</u>
Net position - governmental activities		\$ <u>13,149,562</u>

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

TOWN OF COVENTRY, VERMONT
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Highway Fund	Building and Maintenance Fund	Roads and Bridges Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues						
Interest & penalties on delinquent taxes	\$ 19,870	\$ -	\$ -	\$ -	\$ -	\$ 19,870
Intergovernmental	5,152	94,770	-	-	5,814	105,736
Charges for services	10,439	-	-	-	-	10,439
Landfill host fees	1,292,954	216,966	-	-	-	1,509,920
Investment income (loss)	237,671	-	11,438	6,887	14,414	270,410
Miscellaneous	14,682	1,314	-	-	-	15,996
Total revenues	<u>1,580,768</u>	<u>313,050</u>	<u>11,438</u>	<u>6,887</u>	<u>20,228</u>	<u>1,932,371</u>
Expenditures						
Current:						
General government	315,037	-	2,677	-	25,000	342,714
Appropriations	15,790	-	-	-	-	15,790
Highways	-	365,640	470	1,802	10	367,922
Public safety	79,779	-	-	-	-	79,779
Solid waste	13,444	-	-	-	-	13,444
Culture and recreation	5,389	-	-	-	-	5,389
Cemetery	12,596	-	-	-	-	12,596
Capital outlay	-	13,675	17,519	10,550	-	41,744
Total expenditures	<u>442,035</u>	<u>379,315</u>	<u>20,666</u>	<u>12,352</u>	<u>25,010</u>	<u>879,378</u>
Excess of revenues or (expenditures)	<u>1,138,733</u>	<u>(66,265)</u>	<u>(9,228)</u>	<u>(5,465)</u>	<u>(4,782)</u>	<u>1,052,993</u>
Other financing sources (uses)						
Transfers in (out)	<u>5,232,918</u>	<u>-</u>	<u>(2,237,146)</u>	<u>(3,011,212)</u>	<u>15,440</u>	<u>-</u>
Net change in fund balances	6,371,651	(66,265)	(2,246,374)	(3,016,677)	10,658	1,052,993
Fund balances, beginning of year	<u>2,196,961</u>	<u>-</u>	<u>3,256,464</u>	<u>3,016,677</u>	<u>1,263,519</u>	<u>9,733,621</u>
Fund balances, end of year	<u>\$ 8,568,612</u>	<u>\$ (66,265)</u>	<u>\$ 1,010,090</u>	<u>\$ -</u>	<u>\$ 1,274,177</u>	<u>\$ 10,786,614</u>

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

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

Net change in fund balances - governmental funds \$ 1,052,993

Amounts reported for governmental activities in the government-wide statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is depreciated over their estimated useful lives:

Expenditures for capital assets	41,744
Current year depreciation	(213,604)
Gain (loss) on disposal of capital assets	(5,086)

Change in other assets not available to pay for current period and, therefore, reported as deferred inflows in the governmental funds balance sheet:	(500)
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The Town's contribution to VMERS is recorded as an expenditure in the governmental funds. However, in the statement of activities pension expense is actuarially determined.	<u>(9,451)</u>
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Change in net position - governmental activities \$ 866,096

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

TOWN OF COVENTRY, VERMONT
Statement of Fiduciary Net Position
June 30, 2019

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ 29,519
Investments	80,376	-
Due from other funds	1,080	-
Total assets	81,456	29,519
 Liabilities and net position		
Due to others	-	29,519
 Net position:		
Restricted for:		
Edmunds-Douglas-Price Trust	\$ 81,456	\$ -

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

TOWN OF COVENTRY, VERMONT
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2019

	Private Purpose Trust Funds
Additions	
Investment income	\$ <u>22,290</u>
Deductions	<u>-</u>
Change in net position	22,290
Net position, beginning of year	<u>59,166</u>
Net position, end of year	\$ <u>81,456</u>

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

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2019

1. Summary of significant accounting policies

The Town of Coventry, Vermont (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town operates under a Select Board form of government and provides the following services: public safety, streets and highways, public improvements, planning and zoning, and general administrative services.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the Town have been prepared in conformity with generally accepted accounting principles as applied to governmental entities. The following is a summary of the Town's more significant accounting policies:

A. Reporting entity - The Town is a primary government under reporting criteria established by the GASB. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units and evaluated them against the criteria established by the GASB. Based on these criteria, there are no other entities that are considered to be component units of the Town that should be included in these financial statements.

B. Basis of presentation

Fund accounting: The accounts of the Town are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

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. The effect of interfund activity has been removed from these statements. Governmental activities include programs, which normally are supported by taxes and intergovernmental revenues. The Town has no business-type activities that rely to a significant extent on fees charged for support.

Fund financial statements: Fund financial statements are presented according to each fund category; governmental and fiduciary. Separate financial statements are provided for each of these categories. Major governmental funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund - This fund is used to account for the primary activity of the Town. Property tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Highway Fund - This special revenue fund is used to account for activities related to the highway department.

Building and Maintenance Fund - This special revenue fund is used to account for resources held by the Town for building repairs and maintenance.

Roads and Bridges Fund - This special revenue fund is used to account for resources held by the Town for street and bridge repairs and maintenance.

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2019

1. Summary of significant accounting policies (continued)

The Town also reports fiduciary activities for the Edmunds-Douglas-Price Endowment Trust.

- C. Measurement focus and basis of accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus refers to what items are reported on the financial statements. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported 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 they occur, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this model, revenues are recognized when both measurable and available for use. Expenditures are recorded when the liability has occurred if measurable. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the fiscal year and other revenues to be available if they are collected within 6 months of the end of the fiscal year. Expenditures related to principal and interest on long-term debt that has not matured, compensated absences, and claims and judgments are recorded only when payment is due.

Fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Additions are recorded when they occur and deductions when a liability has occurred, regardless of the related cash flows.

- D. Governmental fund equity - In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – Resources which cannot be spent because they are either a) not in spendable form; or b) legally or contractually required to be maintained intact.

Restricted – Resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – Resources which are subject to limitations the government imposes upon itself at its highest level of decision-making, and that remain binding unless removed in the same manner. For the purposes of defining the committed fund balance category, the Town considers the taxpayers, through voted Town articles, its highest level of decision-making authority.

Assigned – Resources neither restricted nor committed for which a government has a stated intended use as established by the Select Board or a body or official to which the Select Board has delegated the authority to assign amounts for specific purposes.

Unassigned – Resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include any negative residual balance resulting from expenditures exceeded amounts restricted, committed or assigned for a specific purpose.

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2019

1. Summary of significant accounting policies (continued)

For the classification of governmental fund balances, the Town does not have a formal policy regarding which classification should be reduced first when more than one classification is available. However, the Town has generally considered an expenditure to be made from the most restrictive first when more than one classification is available unless specifically determined.

- E. Budgetary accounting - The operating budget of the General Fund and the Highway Fund is prepared by the Town on the modified accrual basis of accounting. The budget is approved at Town Meeting and the Select Board sets the municipal property tax rate based on the grand list and approved budget.
- F. Estimates - The preparation of the financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and, disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues, expenditures, or expenses, during the reported period. Actual results could differ from those estimates.
- G. Cash and cash equivalents - Cash and cash equivalents consists of cash and short-term investments with an original maturity of three months or less.
- H. Investments - Investments are recorded at fair value based on quoted market prices. Unrealized gains and losses in the value of investments are included in revenue.
- I. Receivables - The Town has recorded an allowance for doubtful accounts of \$10,000.
- J. Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide statements and in the proprietary fund financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Town does not have a formal policy establishing criteria above which assets are capitalized. However, major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Donated capital assets are recorded at acquisition value at the date of donation. Capital assets of the Town are depreciated using the straight-line method over the following useful lives:

Building and improvements	40 years
Equipment, machinery and vehicles	5 years
Infrastructure	40 years
- K. Property tax calendar - Property taxes attach as an enforceable lien on property as of April 1st. Property taxes for fiscal year 2019 were payable in one installment due on November 1, 2018. Taxes not paid by the due date were declared delinquent and turned over to the Delinquent Tax Collector.
- L. Interfund balances and transfers – Interfund receivables and payables represent transactions incurred within the fund for other funds. These accounts are expected to be eliminated in the normal course of operations. Interfund transfers represent flows of cash or goods from one fund to another without a requirement for repayment.
- M. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources and deferred inflows of resources, if applicable, are reported as separate sections in the government-wide statement of net position and the balance sheet - governmental funds. A deferred outflow of resources is a consumption of net assets by the Town that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the Town that is applicable to a future reporting period.

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2019

1. Summary of significant accounting policies (continued)

N. Notes receivable - The Town has received grants and advanced funds to upgrade and construct affordable housing. Until repaid, loans of grant awards, are offset by deferred inflows, which are taken into revenue as payments are received.

2. Cash and cash equivalents

As of June 30, 2019, the carrying amount of all Town deposits was \$2,617,815, including \$29,519 held in an agency capacity and reported as fiduciary activities.

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposits might not be recovered. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2019, the Town’s bank balance was \$2,612,256. Of this amount, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), \$2,250,000 was collateralized through participation in a public unit deposit and backed by a letter of credit from the Federal Home Loan Bank of Boston and \$112,256 was uninsured and uncollateralized.

3. Investments

As of June 30, 2019, the classification and fair value of investments were as follows:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Money market funds	\$ 335,981	\$ -	\$ -	\$ 335,981
Corporate equity	80,376	-	-	80,376
Mutual funds/ETFs - equity	3,861,413	-	-	3,861,413
Mutual funds/ETFs - int'l equity	1,111,222	-	-	1,111,222
Mutual funds/ETFs - fixed income	2,023,859	-	-	2,023,859
Mutual funds/ETFs - other	<u>458,845</u>	<u>-</u>	<u>-</u>	<u>458,845</u>
	<u>\$ 7,871,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,871,696</u>

The Town classifies its investments into Level 1, which refers to investments traded in an active market; Level 2, which refers to investments not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to investments not traded in an active market and for which no significant observable market inputs are available. Generally, Level 3 investments are valued based upon information provided by fund managers, including audited financial statements of the investment fund. The levels relate to valuation only and do not necessarily indicate a measure of risk.

Interest rate risk - Changes in market interest rate will affect the fair value of an interest-earning investment over time. The Town does not have a specific policy regarding interest rate risk. Maturities of interest-earning investments held in mutual funds and ETFs can be found in the annual report of each investment.

Credit risk - The Town’s investment in fixed income bonds are subject to credit risk. Credit risk is the risk that the bond issuer will not fulfill its obligation. The Town does not have a specific investment policy regarding credit risk. The credit rating of interest-earning investments held in mutual funds and ETFs can be found in the annual report of each investment.

Foreign currency risk – The Town’s investments in international equity mutual funds and exchange traded funds (ETFs) are subject to foreign currency risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2019

3. Investments (continued)

Investment policy -The Town adopted a formal investment policy on August 14, 2018 to provide transparent guidelines for the investment advisory relationship between the Town and its investment advisor. The policy identifies that the portfolio objectives are focused on total return and growth with no special considerations or preferences from an investment selection or asset allocation perspective.

4. Capital assets

Changes in governmental activities capital assets consisted of the following:

	Balance July 1, <u>2018</u>	<u>Increase</u>	<u>Decrease</u>	Balance June 30, <u>2019</u>
Capital assets, not depreciated:				
Land	\$ <u>374,694</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>374,694</u>
Capital assets, depreciated:				
Buildings and improvements	1,861,942	-	5,354	1,856,588
Furniture and equipment	790,092	31,194	-	821,286
Infrastructure	411,165	10,550	-	421,715
	<u>3,063,199</u>	<u>41,744</u>	<u>5,354</u>	<u>3,099,589</u>
Less accumulated depreciation for:				
Buildings and improvements	393,506	48,387	268	441,625
Furniture and equipment	580,888	154,938	-	735,826
Infrastructure	10,279	10,279	-	20,558
	<u>984,673</u>	<u>213,604</u>	<u>268</u>	<u>1,198,009</u>
Total capital assets depreciated, net	<u>2,078,526</u>	<u>(171,860)</u>	<u>5,086</u>	<u>1,901,580</u>
Capital assets, net, governmental activities	\$ <u>2,453,220</u>	\$ <u>(171,860)</u>	\$ <u>5,086</u>	\$ <u>2,276,274</u>

Depreciation expense in the governmental activities totaling \$213,604 was allocated to the following functions: general government \$3,275, highways and streets \$186,787, cemetery \$408, culture and recreation \$23,134.

5. Risk management

The Town is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Town manages these risks through commercial insurance packages and participation in public entity risk pools covering each of those risks of loss.

6. Notes receivable

As of June 30, 2019, the Town reported a note receivable in the principal amount of \$50,000 and accrued interest of \$24,298. Terms of the note require principal and interest repayment of \$376 monthly commencing October 2017 through September 2037. Interest accrues at a rate of 2.0% compounding annually. As of June 30, 2019, the Town reported a note receivable in the principal amount of \$36,500 due in one installment, September 2037 with no interest.

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2019

7. Interfund balances

Interfund receivable and payable balances at June 30, 2019 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 696,037
Highway Fund	-	78,882
Building and Maintenance Fund	315,164	-
Roads and Bridges Fund	-	422,413
Nonmajor Governmental Funds	881,088	-
Fiduciary - Trust Fund	1,080	-
	<u>\$ 1,197,332</u>	<u>\$ 1,197,332</u>

The interfund receivable and payable from the General Fund and Highway Fund to the Building and Maintenance Fund and Nonmajor Governmental Funds resulted from the pooling of cash in a common bank account. The interfund payable from the Roads and Bridges Fund to the Nonmajor Governmental Funds resulted from accruing a transfer to close the fund as approved by voters at the 2019 Town Meeting.

8. Interfund transfers

Interfund transfers for the year ended June 30, 2019 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 5,232,918	\$ -
Building and Maintenance Fund	-	2,237,146
Roads and Bridges Fund	-	3,011,212
Nonmajor Governmental Funds	15,440	-
	<u>\$ 5,248,358</u>	<u>\$ 5,248,358</u>

The transfer from the Building and Maintenance Fund and Roads and Bridges Fund to the General Fund was to record the transfer of investments previously reserved by voters for a specific purpose but superseded by 2019 Town Meeting Article 18 to be held for future income. Note 13 describes the reservation for future income as a stabilization agreement.

9. Contingencies

The Town receives significant financial assistance from the State of Vermont and Federal Government through grants and other forms of state aid. Entitlement to these resources is generally based on compliance with terms and conditions of grant agreements and applicable regulations, including the expenditure of the resources for eligible purposes. These funds are subject to audit by the granting authority in order to ensure compliance. Any disallowance as a result of these audits becomes a liability of the Town. Management believes that there are no significant contingent liabilities relating to compliance with grant agreements and applicable state regulations.

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2019

10. Pension plan - Vermont Municipal Employees' Retirement System

Plan description – The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer, defined benefit pension plan that is administered by the Vermont State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975. The State statutory provisions, found in Title 24, V.S.A. Chapter 125, govern eligibility for benefits, service requirements, contribution requirements and benefit provisions. 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. All assets are held in a single trust and are available to pay retirement benefits to all members. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State of Vermont's Department of Finance and Management's website.

Benefits – Full-time employees of participating municipalities are covered under VMERS. Municipalities elect coverage under Groups A, B, C or D provisions. VMERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on average final compensation, years of creditable service, age upon retirement, and on the benefit structure of the Group. Vesting occurs upon the attainment of five years of creditable service.

Contributions – Municipal employees participating in the plan were required to contribute 2.625%, 5.000%, 10.125%, and 11.475% of gross wages for Groups A, B, C and D, respectively, for the year ended June 30, 2019. Municipal employers were required to contribute 4.125%, 5.625%, 7.375%, and 9.975% of gross wages for Groups A, B, C and D, respectively.

Employees of the Town are covered under Group B. Town employees contributed \$8,065 to VMERS for the year ended June 30, 2019. The Town contributed \$9,073 to VMERS for the year ended June 30, 2019.

The State of Vermont has provided the following information to all employers participating in VMERS; net pension liability, each Town's proportionate share of the net pension liability, expected rate of return on investments and discount rates. The information specific to the Town is based on its proportionate share of VMERS relative to all participating employers. Actuarial reports and schedules of employer allocations can be obtained by visiting the office of the Vermont State Treasurer at the following internet address: www.vermonttreasurer.gov.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – As of June 30, 2019, the Town reported a liability of \$56,861 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The Town's proportion of the net pension liability was based on the Town's proportionate share of employer contributions to the total contributions to VMERS during the fiscal year. At June 30, 2017, the Town's proportion was 0.04040%, which was an increase of 0.00599% from its proportion measured as of June 30, 2017.

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2019

10. Pension plan - Vermont Municipal Employees' Retirement System (continued)

For the year ended June 30, 2019, the Town recognized pension expense of \$18,523, related to VMERS. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to VMERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 4,939	\$ 909
Changes in assumptions	6,297	-
Net difference between projected and actual earnings on pension plan investments	6,590	-
Changes in proportional share of contributions	6,748	-
Town contributions subsequent to the measurement date	9,073	-
	<u>\$ 33,647</u>	<u>\$ 909</u>

\$9,073 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized in pension expense over a period of 5 years.

Actuarial assumptions – The total pension liability, measured as of June 30, 2018, was based on a June 30, 2017 actuarial valuation using the following actuarial assumptions: investment rate of return 7.50%, salary increases 5.00%, inflation 2.50%, cost of living adjustments 1.15% to 1.30%. Mortality rates were based on RP-2006 and RP-2014 tables.

The long-term expected rate of return of 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 expenses 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 by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
US equity	18.00%	6.10%
Non-US equity	16.00%	7.45%
Global equity	9.00%	6.74%
Fixed income	26.00%	2.25%
Real estate	8.00%	5.11%
Private markets	15.00%	7.60%
Hedge funds	8.00%	3.86%
	100.00%	

Discount rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions would continue to be made in accordance with the current funding policy at the rates set by the Board of Trustees.

TOWN OF COVENTRY, VERMONT
Notes to Financial Statements
June 30, 2019

10. Pension plan - Vermont Municipal Employees' Retirement System (continued)

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

	1 % Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1 % Increase <u>(8.50%)</u>
Town's proportionate share of the net pension liability	\$ 96,310	\$ 56,861	24,778

11. Agency funds

The Town acts in an agency capacity for the State of Vermont for the purpose of collecting and distributing property taxes which are used to pay for public education. During the year ended June 30, 2019, the Town collected and distributed \$1,433,977 in education property taxes as instructed by the State of Vermont.

12. Governmental fund equity

As of June 30, 2019, governmental fund balances consisted of the following:

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Building and Maintenance Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Funds</u>
Nonspendable for:					
Prepays	\$ 13,657	\$ -	\$ -	\$ -	\$ 13,657
Restricted for:					
Cemetery	-	-	-	127,307	127,307
Committed for:					
Building and maintenance	-	-	1,010,090	-	1,010,090
Road infrastructure	-	-	-	791,993	791,993
Reappraisal	-	-	-	181,449	181,449
Flood recovery	-	-	-	100,000	100,000
Economic development	-	-	-	100,000	100,000
	<u>-</u>	<u>-</u>	<u>1,010,090</u>	<u>1,173,442</u>	<u>2,183,532</u>
Unassigned	<u>8,554,955</u>	<u>(66,265)</u>	<u>-</u>	<u>(26,572)</u>	<u>8,462,118</u>
	<u>\$ 8,568,612</u>	<u>\$ (66,265)</u>	<u>\$ 1,010,090</u>	<u>\$ 1,274,177</u>	<u>\$ 10,786,614</u>

Amounts defined as committed in the Building and Maintenance Fund and Nonmajor Governmental Funds have been established under the authority of taxpayer voted articles. Additions to these amounts may be authorized by subsequent taxpayer voted articles.

13. Stabilization agreement

On March 5, 2019 the taxpayers of the Town of Coventry approved Article 18 as written; "Shall all investment funds as accrued and invested to provide future income to the Town be accounted for as a single entity?" As of June 30, 2019, such investments totaled \$7,664,013 and were reported as unassigned fund balance in the General Fund. There are no specific requirements for additions to the stabilization amount. Conditions under which the investments may be spent have not been established.

TOWN OF COVENTRY, VERMONT
Schedule of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2019
(Page 1 of 4)

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Interest & penalties on delinquent taxes	\$ 9,500	\$ 9,500	\$ 19,870	\$ 10,370
Intergovernmental	6,127	6,127	5,152	(975)
Charges for services	10,700	10,700	10,439	(261)
Landfill host fees	945,588	945,588	1,292,954	347,366
Investment income (loss)	4,400	4,400	237,671	233,271
Miscellaneous	50	50	14,682	14,632
Total revenues	<u>976,365</u>	<u>976,365</u>	<u>1,580,768</u>	<u>604,403</u>
Expenditures				
Salaries				
Town Clerk	18,554	18,554	18,554	-
Assistant Clerk	4,824	4,824	781	4,043
Town Treasurer	9,277	9,277	9,277	-
Assistant Treasurer	250	250	-	250
Select Board	2,400	2,400	2,400	-
Select Board Bookkeeper	-	-	5,505	(5,505)
Town Administrator	46,350	46,350	46,350	-
Delinquent Tax Collector	-	-	405	(405)
Delinquent tax penalty due	5,000	5,000	7,682	(2,682)
Health Officer	200	200	200	-
Dog Warden	1,200	1,200	1,200	-
Moderator	100	100	100	-
Ballot Clerks and Board of Civil Authority	3,000	3,000	2,610	390
Recreation Committee Director	7,800	7,800	630	7,170
E-911	-	-	1,950	(1,950)
FICA	7,532	7,532	9,266	(1,734)
Retirement	2,619	2,619	3,478	(859)
Health insurance	15,772	15,772	8,005	7,767
Unemployment	-	-	69	(69)
Total salaries	<u>124,878</u>	<u>124,878</u>	<u>118,462</u>	<u>6,416</u>
Administration				
Audit services	17,000	17,000	12,851	4,149
Investment advisor	6,000	6,000	9,484	(3,484)
Legal services	15,000	15,000	15,382	(382)
Equipment repairs	1,000	1,000	543	457
Postage	2,000	2,000	2,082	(82)
Telephone	1,250	1,250	2,242	(992)
Advertising	750	750	634	116
Town Report	1,500	1,500	5,406	(3,906)
Office supplies	3,500	3,500	5,250	(1,750)
NEMRC and information technology	2,000	2,000	4,490	(2,490)
Equipment and furniture	7,000	7,000	6,331	669
Internet and website	500	500	830	(330)
<i>continued</i>				

TOWN OF COVENTRY, VERMONT
Schedule of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2019
(Page 2 of 4)

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<i>continued</i>				
Dues and fees	5,000	5,000	5,130	(130)
Seminars and workshops	5,000	5,000	3,643	1,357
Gifts and donations	500	500	1,405	(905)
Meals and event hosting	-	-	511	(511)
Restoration and preservation	500	500	-	500
Miscellaneous	100	100	225	(125)
Total administration	<u>68,600</u>	<u>68,600</u>	<u>76,439</u>	<u>(7,839)</u>
Listers office				
Salaries	23,000	23,000	12,415	10,585
Assessor - contracted services	-	-	9,240	(9,240)
Assessing Clerk - salary	-	-	4,320	(4,320)
Assessing Clerk - retirement	-	-	278	(278)
FICA	1,760	1,760	492	1,268
Education	1,982	1,982	465	1,517
Postage	200	200	50	150
Supplies	100	100	103	(3)
Equipment	500	500	-	500
Dues and fees	50	50	261	(211)
Tax mapping update	1,200	1,200	3,200	(2,000)
Mileage	500	500	1,378	(878)
Miscellaneous	50	50	178	(128)
Total Listers office	<u>29,342</u>	<u>29,342</u>	<u>32,380</u>	<u>(3,038)</u>
Insurance				
Workers compensation	9,078	9,078	407	8,671
Property casualty	22,087	22,087	28,552	(6,465)
Total insurance	<u>31,165</u>	<u>31,165</u>	<u>28,959</u>	<u>2,206</u>
Utilities				
Street lights	2,250	2,250	2,538	(288)
Community Center building				
Utilities	7,500	7,500	7,598	(98)
Cleaning services	8,000	8,000	8,400	(400)
Repairs and maintenance	3,500	3,500	2,159	1,341
Equipment and supplies	1,000	1,000	2,617	(1,617)
Total Community Center building	<u>20,000</u>	<u>20,000</u>	<u>20,774</u>	<u>(774)</u>
Emergency shelter				
Emergency shelter	500	500	3,185	(2,685)
Recreation department				
Supplies and decoration	3,000	3,000	1,723	1,277
Advertising and postage	1,000	1,000	105	895
<i>continued</i>				

TOWN OF COVENTRY, VERMONT
Schedule of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2019
(Page 3 of 4)

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<i>continued</i>				
Coventry Day	17,000	17,000	118	16,882
Events & sponsorships	-	-	500	(500)
Total recreation department	<u>21,000</u>	<u>21,000</u>	<u>2,446</u>	<u>18,554</u>
Fire department				
Newport City Fire Department	37,000	37,000	39,727	(2,727)
Orleans Fire Department	12,000	12,000	14,185	(2,185)
Coventry Fire District	-	-	60	(60)
Newport Ambulance Service	31,287	31,287	15,644	15,643
Sheriff's Department	7,500	7,500	6,978	522
Dry hydrants	250	250	-	250
Total fire department	<u>88,037</u>	<u>88,037</u>	<u>76,594</u>	<u>11,443</u>
Planning Commission				
Stipend	1,500	1,500	1,294	206
Administrative Assistant	-	-	-	-
Mailings	-	-	100	(100)
Training	300	300	541	(241)
Postage	100	100	-	100
Town Plan	-	-	2,435	(2,435)
Miscellaneous	50	50	220	(170)
Economic development plan	30,000	30,000	12,046	17,954
Total planning commission	<u>31,950</u>	<u>31,950</u>	<u>16,636</u>	<u>15,314</u>
Miscellaneous				
Village Common maintenance	500	500	214	286
Newport Veterinary Hospital	-	-	-	-
Health clubs	3,000	3,000	2,943	57
Orleans County Tax	18,500	18,500	18,283	217
Appropriations	15,790	15,790	15,790	-
Animal control expenses	250	250	120	130
911 signs	250	250	231	19
Miscellaneous	250	250	-	250
Total miscellaneous	<u>38,540</u>	<u>38,540</u>	<u>37,581</u>	<u>959</u>
Solid waste implementation plan committee				
Household hazardous waste days	9,000	9,000	10,042	(1,042)
School outreach	6,500	6,500	3,000	3,500
Business outreach	1,500	1,500	51	1,449
Office and other expense	900	900	352	548
Total solid waste	<u>17,900</u>	<u>17,900</u>	<u>13,445</u>	<u>4,455</u>
Cemetery Association				
General	3,000	3,000	240	2,760
Salaries	6,700	6,700	6,680	20
FICA	513	513	511	2
Equipment and maintenance	550	550	365	185
<i>continued</i>				

TOWN OF COVENTRY, VERMONT
Schedule of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2019
(Page 4 of 4)

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<i>continued</i>				
Cemetery tree removal	-	-	4,800	(4,800)
Miscellaneous	125	125	-	125
Total cemetery association	<u>10,888</u>	<u>10,888</u>	<u>12,596</u>	<u>(1,708)</u>
Total expenditures	<u>485,050</u>	<u>485,050</u>	<u>442,035</u>	<u>43,015</u>
Excess of revenues or (expenditures)	491,315	491,315	1,138,733	647,418
Other financing sources (uses)				
Transfers in (out)	-	-	5,232,918	5,232,918
Net change in fund balances	\$ <u>491,315</u>	\$ <u>491,315</u>	\$ <u>6,371,651</u>	\$ <u>5,880,336</u>

TOWN OF COVENTRY, VERMONT
Schedule of Revenues and Expenditures
Budget and Actual - Highway Fund
For the Year Ended June 30, 2019
(Page 1 of 2)

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Intergovernmental	\$ 83,000	\$ 83,000	\$ 94,770	\$ 11,770
Landfill host fees	216,966	216,966	216,966	-
Miscellaneous	-	-	1,314	1,314
Total revenues	<u>299,966</u>	<u>299,966</u>	<u>313,050</u>	<u>13,084</u>
Expenditures				
Highway				
FICA	8,281	8,281	7,973	308
Health insurance	7,886	7,886	8,005	(119)
Retirement	5,667	5,667	5,321	346
Life insurance	738	738	738	-
Unemployment insurance	-	-	24	(24)
Road permit fee	3,000	3,000	1,990	1,010
Equipment repairs	14,000	14,000	18,732	(4,732)
Building repairs	3,000	3,000	1,228	1,772
Gravel pit permitting	2,000	2,000	460	1,540
Supplies	2,000	2,000	3,911	(1,911)
Utilities - Main Street garage	3,600	3,600	5,343	(1,743)
Utilities - Route 14 garage	5,000	5,000	9,293	(4,293)
Propane	250	250	-	250
Uniforms	2,600	2,600	2,747	(147)
Road signs	600	600	-	600
Flood mitigation	-	-	18,743	(18,743)
Miscellaneous	400	400	(1,270)	1,670
Total highway	<u>59,022</u>	<u>59,022</u>	<u>83,238</u>	<u>(24,216)</u>
Highway department - winter				
Road Commissioner salary	28,414	28,414	30,145	(1,731)
Full-time road crew salary	21,959	21,959	22,804	(845)
Part-time road crew salary	5,000	5,000	12,601	(7,601)
Equipment leases/rentals	-	-	542	(542)
Road maintenance	23,000	23,000	18,606	4,394
Fuel	11,500	11,500	24,393	(12,893)
Equipment	7,500	7,500	2,291	5,209
Parts	2,500	2,500	3,021	(521)
Miscellaneous	300	300	382	(82)
Total highway department - winter	<u>100,173</u>	<u>100,173</u>	<u>114,785</u>	<u>(14,612)</u>
Highway department - summer				
Road Commissioner salary	28,414	28,414	30,145	(1,731)
Full-time road crew salary	21,959	21,959	21,115	844
Part-time road crew salary	2,500	2,500	2,346	154
Equipment leases/rentals	500	500	8,250	(7,750)
Other contracted services	7,500	7,500	4,988	2,512
<i>continued</i>				

TOWN OF COVENTRY, VERMONT
Schedule of Revenues and Expenditures
Budget and Actual - Highway Fund
For the Year Ended June 30, 2019
(Page 2 of 2)

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<i>continued</i>				
Road maintenance	60,000	60,000	87,198	(27,198)
Fuel	12,000	12,000	10,413	1,587
Equipment	5,000	5,000	16,220	(11,220)
Parts	2,600	2,600	617	1,983
Miscellaneous	298	298	-	298
Total highway department - summer	<u>140,771</u>	<u>140,771</u>	<u>181,292</u>	<u>(40,521)</u>
Total expenditures	<u>299,966</u>	<u>299,966</u>	<u>379,315</u>	<u>(79,349)</u>
Net change in fund balances	\$ <u> -</u>	\$ <u> -</u>	\$ <u> (66,265)</u>	\$ <u> (66,265)</u>

TOWN OF COVENTRY, VERMONT
Schedule of Proportionate Share of the Net Pension Liability
June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
VMERS					
Town's proportion of the net pension liability	0.04040%	0.03441%	0.02908%	0.02660%	0.01665%
Town's proportionate share of the net pension liability	\$ 56,861	\$ 41,692	\$ 37,419	\$ 20,506	\$ 1,520
Town's covered payroll	\$ 128,720	\$ 102,181	\$ 80,345	\$ 69,172	\$ 39,957
Town's proportionate share of the net pension liability as a percentage of its covered payroll	44.17%	40.80%	46.57%	29.64%	3.80%
Plan fiduciary net position as a percentage of the total pension liability	82.60%	83.64%	80.95%	87.42%	98.32%

Notes to schedule:

Data presented as of the measurement date. Historical information prior to implementation of GASB 68 is not required.

The plan provisions used in the measurement of the net pension liability are the same as those used in the actuarial valuation as of June 30, 2017, except for the changes in member contribution rates.

TOWN OF COVENTRY, VERMONT
Schedule of Pension Contributions
For the year ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
VMERS					
Contractually required contribution	\$ 9,073	\$ 7,080	\$ 5,620	\$ 4,419	\$ 3,718
Contributions in relation to the contractually required contribution	<u>(9,073)</u>	<u>(7,080)</u>	<u>(5,620)</u>	<u>(4,419)</u>	<u>(3,718)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Town's covered payroll	<u>161,300</u>	<u>128,720</u>	<u>102,181</u>	<u>80,345</u>	<u>69,172</u>
Contributions as a percentage of covered payroll	5.625%	5.500%	5.500%	5.500%	5.375%

Notes to schedule:

Historical information prior to implementation of GASB 68 is not required.

TOWN OF COVENTRY, VERMONT
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2019
(Page 1 of 2)

	Special Revenue Funds				
	Solid Waste Fund	Reappraisal Fund	Flood Recovery Fund	Economic Development Fund	Grader Fund
Assets					
Cash and cash equivalents	\$ 14,094	\$ 150,106	\$ -	\$ -	\$ 53,259
Notes receivable	-	-	-	-	-
Interest receivable	-	-	-	-	-
Investments	-	-	-	-	-
Due from other funds	-	31,343	100,000	100,000	-
Total assets	<u>\$ 14,094</u>	<u>\$ 181,449</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 53,259</u>
Liabilities, deferred inflows and fund balances					
Liabilities:					
Due to other funds	\$ 40,666	\$ -	\$ -	\$ -	\$ 53,259
Deferred inflows of resources:					
Unavailable grant revenue	-	-	-	-	-
Fund balances:					
Restricted	-	-	-	-	-
Committed	-	181,449	100,000	100,000	-
Unassigned	(26,572)	-	-	-	-
Total fund balances	<u>(26,572)</u>	<u>181,449</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 14,094</u>	<u>\$ 181,449</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 53,259</u>

See accompanying independent auditor's report

TOWN OF COVENTRY, VERMONT
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2019
(Page 2 of 2)

	Special Revenue Funds				Total Non-major Governmental Funds
	Gravel Pit Fund	Road Infrastructure Fund	Cemetery Fund	Gilman Housing Fund	
Assets					
Cash and cash equivalents	\$ 48,323	\$ -	\$ -	\$ -	\$ 265,782
Notes receivable	-	-	-	86,500	86,500
Interest receivable	-	-	-	24,297	24,297
Investments	-	-	127,307	-	127,307
Due from other funds	-	791,993	-	-	1,023,336
Total assets	\$ 48,323	\$ 791,993	\$ 127,307	\$ 110,797	\$ 1,527,222
Liabilities, deferred inflows and fund balances					
Liabilities:					
Due to other funds	\$ 48,323	\$ -	\$ -	\$ -	\$ 142,248
Deferred inflows of resources:					
Unavailable grant revenue	-	-	-	110,797	110,797
Fund balances:					
Restricted	-	-	127,307	-	127,307
Committed	-	791,993	-	-	1,173,442
Unassigned	-	-	-	-	(26,572)
Total fund balances	-	791,993	127,307	-	1,274,177
Total liabilities, deferred inflows and fund balances	\$ 48,323	\$ 791,993	\$ 127,307	\$ 110,797	\$ 1,527,222

See accompanying independent auditor's report

TOWN OF COVENTRY, VERMONT
Combining Schedule of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2019

(Page 1 of 2)

	Special Revenue Funds				
	Solid Waste Fund	Reappraisal Fund	Flood Recovery Fund	Economic Development Fund	Grader Fund
Revenues					
Intergovernmental	\$ -	\$ 5,814	\$ -	\$ -	\$ -
Investment income (loss)	<u>205</u>	<u>2,792</u>	<u>-</u>	<u>-</u>	<u>857</u>
Total revenues	<u>205</u>	<u>8,606</u>	<u>-</u>	<u>-</u>	<u>857</u>
Expenditures					
Current:					
General government	-	25,000	-	-	-
Highways, streets & bridges	<u>10</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>10</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues or (expenditures)	195	(16,394)	-	-	857
Other financing sources					
Transfers in (out)	<u>(53,494)</u>	<u>(78,415)</u>	<u>100,000</u>	<u>100,000</u>	<u>(76,816)</u>
Net change in fund balances	(53,299)	(94,809)	100,000	100,000	(75,959)
Fund balances, beginning of year	<u>26,727</u>	<u>276,258</u>	<u>-</u>	<u>-</u>	<u>75,959</u>
Fund balances, end of year	\$ <u><u>(26,572)</u></u>	\$ <u><u>181,449</u></u>	\$ <u><u>100,000</u></u>	\$ <u><u>100,000</u></u>	\$ <u><u>-</u></u>

See accompanying independent auditor's report

TOWN OF COVENTRY, VERMONT
Combining Schedule of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2019

(Page 2 of 2)

	Special Revenue Funds				Total Non-major Governmental Funds
	Gravel Pit Fund	Road Infrastructure Fund	Cemetery Fund	Gilman Housing Fund	
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 5,814
Investment income (loss)	<u>778</u>	<u>-</u>	<u>9,782</u>	<u>-</u>	<u>14,414</u>
Total revenues	<u>778</u>	<u>-</u>	<u>9,782</u>	<u>-</u>	<u>20,228</u>
Expenditures					
Current:					
General government	-	-	-	-	25,000
Highways, streets & bridges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,010</u>
Excess of revenues or (expenditures)	778	-	9,782	-	(4,782)
Other financing sources					
Transfers in (out)	<u>(767,828)</u>	<u>791,993</u>	<u>-</u>	<u>-</u>	<u>15,440</u>
Net change in fund balances	(767,050)	791,993	9,782	-	10,658
Fund balances, beginning of year	<u>767,050</u>	<u>-</u>	<u>117,525</u>	<u>-</u>	<u>1,263,519</u>
Fund balances, end of year	\$ <u><u>-</u></u>	\$ <u><u>791,993</u></u>	\$ <u><u>127,307</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,274,177</u></u>

See accompanying independent auditor's report

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

The Select Board
Town of Coventry, VT

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Coventry, Vermont, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Coventry, Vermont's basic financial statements and have issued our report thereon dated March 16, 2020, in which our opinions were qualified and unmodified.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, we did identify certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings as 2019-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings as 2019-002 to be a significant deficiency.

Compliance and Other Matters

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

The Select Board
Town of Coventry, Vermont

Response to Findings

Town of Coventry, VT's response to the findings identified in our audit is described in the accompanying schedule of findings. The Town of Castleton, VT's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Pace & Hawley, LLC

Berlin, VT
March 16, 2020

TOWN OF COVENTRY, VERMONT
Schedule of Findings
For the Year Ended June 30, 2019

2019-001: Balance Sheet Accounts

Condition: The following general ledger balance sheet accounts were not properly reconciled and adjusted at fiscal year-end; cash, property tax receivables, host fees receivables, grants receivable, investments capital assets, accounts payable, and school taxes liabilities. We proposed numerous material audit adjustments to properly reflect these balances as of June 30, 2019.

Criteria: Reconciling general ledger balance sheet accounts is a critical control to ensure that the Town's financial statements are properly reported in accordance with Generally Accepted Accounting Principles.

Cause: Town personnel did not have enough time to devote to this matter.

Effect: Without reconciliation, and correction of any identified discrepancies, the Town's financial statements would be misstated.

Recommendation: We recommend that the Town formulate and document end-of-year procedures to ensure that all significant balance sheet accounts are reconciled at least annually. The process should include procedures to identify and correct differences between known documentation and the general ledger. For example, a listing of invoices paid after June 30th for services incurred in the prior year should be created and reconciled to the end-of-year accounts payable balances. Transactions should be posted to properly reflect the accounts payable balance at year-end. Additionally, a proper bank reconciliation should be completed monthly that reconciles the end-of-month bank balance to the end-of-month general ledger balance.

Management's response: Per your recommendation, we will attempt to formulate and document end-of-year procedures to ensure annual reconciliation of all significant balance sheet accounts. Regarding your specific example of "a proper bank reconciliation should be completed monthly that reconciles the end-of-month bank balance to the end-of-month general ledger balance", we will need your assistance to get this process implemented, including working through some examples with you. We have identified issues in NEMRC that impede this reconciliation and have not been able to consistently work through this reconciliation process.

2019-002: Treasurer's Responsibilities

Condition: The Treasurer has bank signature authority and access to the Town's general ledger accounting system. Generally, these are duties that should be segregated to separate individuals.

Criteria: Best practice related to internal control over financial statements.

Cause: The Town is currently in the process of redefining roles and responsibilities of Town personnel.

Effect: Town assets could potentially be misappropriated without detection.

Recommendation: We recommend that the Treasurer retain bank signature authority but only have read-only access to the Town's general ledger. Absent such segregation of duties, we recommend that extensive mitigating controls be implemented. Such controls could include, but are not limited to, a separate individual receiving unopened bank statements and reviewing the bank statements and testing disbursements for propriety. Procedures performed should be documented on the bank statement or other permanent record.

Management's response: Unfortunately, we lack the manpower to further subdivide the Treasurer's responsibilities. However, we believe that changes we have made to internal financial processes have addressed your concern. We look forward to reviewing these changes with you at the earliest opportunity.