

**TOWN OF SHAFTSBURY, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2022**

TOWN OF SHAFTSBURY, VERMONT  
AUDIT REPORT  
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JUNE 30, 2022

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Independent Auditor's Report

Selectboard  
Town of Shaftsbury, Vermont  
P.O. Box 409  
61 Buck Hill Road  
Shaftsbury, Vermont 05262-0409

***Report on the Audit of the Financial Statements***

***Adverse Opinion***

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Town of Shaftsbury, Vermont as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Shaftsbury, Vermont's basic financial statements as listed in the Table of Contents.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole section of our report, the financial statements referred to above do not present fairly the financial position of the Town of Shaftsbury, Vermont, as of June 30, 2022, or the changes in financial position, or, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Adverse Opinion on the Financial Statements as a Whole***

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and business-type activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements of the Town of Shaftsbury, Vermont's governmental activities have not been determined.

In addition, we did not audit the transfer station revenues because of inadequacies in the Town's controls over transfer station revenues. We were unable to obtain sufficient appropriate audit evidence about the completeness of the transfer station revenues in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund (stated at \$52,201) by other auditing procedures.

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Shaftsbury, Vermont and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

### ***Change in Accounting Principles***

As described in Note I.F. to the financial statements, effective June 30, 2022, the Town implemented GASB Statement No. 87, “Leases”.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Shaftsbury, Vermont’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor’s Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and “Government Auditing Standards” will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and “Government Auditing Standards”, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Shaftsbury, Vermont’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Shaftsbury, Vermont’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Management has omitted 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability on Schedule 2 and the Schedule of Contributions on Schedule 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Shaftsbury, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

***Other Reporting Required by "Government Auditing Standards"***

In accordance with "Government Auditing Standards", we have also issued our report dated (DATE) on our consideration of the Town of Shaftsbury, Vermont'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 of Shaftsbury, Vermont'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 Shaftsbury, Vermont's internal control over financial reporting and compliance.

(DATE)  
Montpelier, Vermont  
VT Lic. #92-000180

TOWN OF SHAFTSBURY, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2022

	General Fund	Cemetery Fund	Class 3 Road Improvement Fund	ARPA Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 1,410,845	\$ 68,178	\$ 0	\$ 0	\$ 9,493	\$ 1,488,516
Investments	105,567	216,295	0	0	264,673	586,535
Receivables	132,163	0	0	0	1,949	134,112
Due from Other Funds	0	18,207	0	512,906	571,509	1,102,622
Prepaid Items	<u>24,695</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>24,695</u>
Total Assets	<u>\$ 1,673,270</u>	<u>\$ 302,680</u>	<u>\$ 0</u>	<u>\$ 512,906</u>	<u>\$ 847,624</u>	<u>\$ 3,336,480</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 80,877	\$ 0	\$ 0	\$ 1,067	\$ 3,847	\$ 85,791
Accrued Payroll and Benefits Payable	14,876	0	0	0	0	14,876
Due to Other Funds	1,116,530	0	63,578	0	11,620	1,191,728
Unearned Revenue	0	0	0	511,626	0	511,626
Due to Delinquent Tax Collector	<u>5,714</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,714</u>
Total Liabilities	<u>1,217,997</u>	<u>0</u>	<u>63,578</u>	<u>512,693</u>	<u>15,467</u>	<u>1,809,735</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable Property Taxes and Interest	48,500	0	0	0	0	48,500
Unavailable Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,949</u>	<u>1,949</u>
Total Deferred Inflows of Resources	<u>48,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,949</u>	<u>50,449</u>
<u>FUND BALANCES/(DEFICIT)</u>						
Nonspendable	24,695	87,888	0	0	0	112,583
Restricted	0	214,792	0	0	197,709	412,501
Committed	0	0	0	0	316,398	316,398
Assigned	192,677	0	0	213	330,157	523,047
Unassigned/(Deficit)	<u>189,401</u>	<u>0</u>	<u>(63,578)</u>	<u>0</u>	<u>(14,056)</u>	<u>111,767</u>
Total Fund Balances/(Deficit)	<u>406,773</u>	<u>302,680</u>	<u>(63,578)</u>	<u>213</u>	<u>830,208</u>	<u>1,476,296</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,673,270</u>	<u>\$ 302,680</u>	<u>\$ 0</u>	<u>\$ 512,906</u>	<u>\$ 847,624</u>	<u>\$ 3,336,480</u>

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



TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Cemetery Fund	Class 3 Road Improvement Fund	ARPA Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property Taxes	\$ 1,869,688	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,869,688
Penalties and Interest on Delinquent Taxes	37,262	0	0	0	0	37,262
Intergovernmental	608,523	0	83,490	1,067	55,784	748,864
Charges for Services	71,912	9,795	0	0	0	81,707
Permits, Licenses and Fees	61,861	0	0	0	11,780	73,641
Fines and Forfeits	8,788	0	0	0	0	8,788
Investment Income/(Loss)	(9,254)	(21,395)	(20)	213	(2,936)	(33,392)
Donations	13,177	0	0	0	0	13,177
Other	422	0	0	0	0	422
<b>Total Revenues</b>	<b>2,662,379</b>	<b>(11,600)</b>	<b>83,470</b>	<b>1,280</b>	<b>64,628</b>	<b>2,800,157</b>
<b>Expenditures:</b>						
General Government	578,114	0	0	1,067	28,775	607,956
Public Safety	102,903	0	0	0	0	102,903
Public Works	958,806	0	0	0	10,028	968,834
Culture and Recreation	51,045	0	0	0	3,969	55,014
Community Development	340,131	0	0	0	0	340,131
Cemetery	40,610	2,168	0	0	5,045	47,823
Solid Waste	215,985	0	0	0	0	215,985
Capital Outlay:						
Public Safety	11,407	0	0	0	40,700	52,107
Public Works	0	0	338,624	0	115,714	454,338
Debt Service:						
Principal	72,000	0	0	0	11,933	83,933
Interest	32,090	0	0	0	0	32,090
<b>Total Expenditures</b>	<b>2,403,091</b>	<b>2,168</b>	<b>338,624</b>	<b>1,067</b>	<b>216,164</b>	<b>2,961,114</b>
Excess/(Deficiency) of Revenues Over Expenditures	<u>259,288</u>	<u>(13,768)</u>	<u>(255,154)</u>	<u>213</u>	<u>(151,536)</u>	<u>(160,957)</u>
<b>Other Financing Sources/(Uses):</b>						
Insurance Proceeds	7,422	0	0	0	0	7,422
Proceeds from Sale of Equipment	22,930	0	0	0	0	22,930
Issuance of Long-term Debt	0	0	0	0	166,300	166,300
Transfers In	8,819	0	100,000	0	276,101	384,920
Transfers Out	<u>(339,000)</u>	<u>(45,920)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(384,920)</u>
<b>Total Other Financing Sources/(Uses)</b>	<b>(299,829)</b>	<b>(45,920)</b>	<b>100,000</b>	<b>0</b>	<b>442,401</b>	<b>196,652</b>
Net Change in Fund Balances	(40,541)	(59,688)	(155,154)	213	290,865	35,695
Fund Balances - July 1, 2021	<u>447,314</u>	<u>362,368</u>	<u>91,576</u>	<u>0</u>	<u>539,343</u>	<u>1,440,601</u>
Fund Balances/(Deficit) - June 30, 2022	<u>\$ 406,773</u>	<u>\$ 302,680</u>	<u>\$ (63,578)</u>	<u>\$ 213</u>	<u>\$ 830,208</u>	<u>\$ 1,476,296</u>

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

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2022

	Water Fund
<u>ASSETS</u>	
Current Assets:	
Investments	\$ 25,535
Receivables	55,533
Due from Other Funds	88,368
Total Current Assets	169,436
Noncurrent Assets:	
Construction in Progress	62,118
Pumping Station	30,000
Meters & Meter Upgrades	40,000
Distribution System	443,000
Less: Accumulated Depreciation	(97,600)
Total Noncurrent Assets	477,518
Total Assets	\$ 646,954
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 5,108
General Obligation Bonds Payable - Current Portion	10,776
Total Current Liabilities	15,884
Noncurrent Liabilities:	
General Obligation Bonds Payable - Noncurrent Portion	143,873
Total Noncurrent Liabilities	143,873
Total Liabilities	159,757
<u>NET POSITION</u>	
Net Investment in Capital Assets	322,869
Unrestricted	164,328
Total Net Position	487,197
Total Liabilities and Net Position	\$ 646,954

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

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2022

	Water Fund
Operating Revenues:	
Charges for Services	\$ 160,642
Total Operating Revenues	160,642
Operating Expenses:	
Salary and Wages	22,130
Outside Services	24,365
Repairs and Maintenance	1,968
North Bennington Water Charges	83,049
Water Testing	2,055
Operating Supplies	131
Utilities	1,645
Depreciation	7,900
Other Operating Expenses	43
Total Operating Expenses	143,286
Operating Income	17,356
Non-Operating Revenues/(Expenses):	
Investment Income	120
Interest Expense	(3,598)
Total Non-Operating Revenues/(Expenses)	(3,478)
Change in Net Position	13,878
Net Position - July 1, 2021	473,319
Net Position - June 30, 2022	\$ 487,197

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

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2022

	Water Fund
Cash Flows From Operating Activities:	
Receipts from Customers and Users	\$ 148,728
Payments for Goods and Services	(196,715)
Payments for Wages and Benefits	<u>(22,130)</u>
Net Cash Provided/(Used) by Operating Activities	<u>(70,117)</u>
Cash Flows from Noncapital Financing Activities:	
(Increase)/Decrease in Due from Other Funds	<u>81,871</u>
Net Cash Provided by Noncapital Financing Activities	<u>81,871</u>
Cash Flows From Capital and Related Financing Activities:	
Proceeds from Long-term Debt	3,700
Acquisition and Construction of Capital Assets	(1,456)
Principal Paid on General Obligation Bonds Payable	(10,463)
Interest Paid on General Obligation Bonds Payable	<u>(3,598)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(11,817)</u>
Cash Flows From Investing Activities:	
Receipt of Interest and Dividends	120
Net (Increase)/Decrease in Investments	<u>(57)</u>
Net Cash Provided by Investing Activities	<u>63</u>
Net Increase in Cash	0
Cash - July 1, 2021	<u>0</u>
Cash - June 30, 2022	<u><u>\$ 0</u></u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 17,356
Depreciation	7,900
(Increase)/Decrease in Receivables	(11,914)
Increase/(Decrease) in Accounts Payable	<u>(83,459)</u>
Net Cash Provided/(Used) by Operating Activities	<u><u>\$ (70,117)</u></u>

There was \$1,456 of capital acquisitions in the Water Fund included in accounts payable at June 30, 2021.

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

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2022

	Private-Purpose Trust Funds	Custodial Fund Education Tax Fund
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 59,243	\$ 0
Investments	179,354	0
Due from Other Funds	738	0
Total Assets	\$ 239,335	\$ 0
<u>LIABILITIES AND NET POSITION</u>		
Liabilities:	\$ 0	\$ 0
Net Position:		
Restricted:		
Held in Trust for Other Purposes	239,335	0
Total Net Position	239,335	0
Total Liabilities and Net Position	\$ 239,335	\$ 0

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

TOWN OF SHAFTSBURY, VERMONT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	Private-Purpose Trust Funds	Custodial Fund Education Tax Fund
Additions:		
Investment Income/(Loss)	\$ (17,587)	\$ 0
Education Taxes Collected for Other Governments	0	4,117,726
Total Additions	(17,587)	4,117,726
Deductions:		
Mary Monroe Hawkins Memorial Library Expenses	984	0
Recreation Project Expenses	4,265	0
School Expenses	1,286	0
Investment Fees	1,662	0
Education Taxes Distributed to Other Governments	0	4,117,726
Total Deductions	8,197	4,117,726
Change in Net Position	(25,784)	0
Net Position - July 1, 2021	265,119	0
Net Position - June 30, 2022	\$ 239,335	\$ 0

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

The Town of Shaftsbury, Vermont, (herein the "Town") operates under a Selectboard form of government and provides the following services: public safety, highways and streets, culture and recreation, cemetery, solid waste, water, health and social services, public improvements, planning and zoning, and general administrative services.

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

Except as noted as follows, the accounting policies adopted by the Town of Shaftsbury, Vermont conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental and business-type activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Town's governmental activities are not reasonably determinable.

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

This report includes all of the activity of the Town of Shaftsbury, Vermont. The financial reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other entities that should be combined with the financial statements of the Town.

### **B. Basis of Presentation**

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the Town include fund financial statements. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town and present a shorter-term view of how operations were financed and what remains available for future spending.

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

The Town reports on the following major governmental funds:

General Fund – This is the Town's main operating fund. It accounts for all financial resources of the Town except those accounted for in another fund.

Cemetery Fund – This fund accounts for the fees paid to the Town for future costs associated with the cemeteries.

Class 3 Road Improvement Fund – This fund accounts for the resources to be used for class 3 road improvement expenditures.

ARPA Fund – This fund accounts for the resources from the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program used to support the Town's response to and recovery from the COVID-19 public health emergency.

The Town reports on the following major enterprise fund:

Water Fund – This fund accounts for the operations of the Water Department.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Additionally, the Town reports the following fund types:

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

Custodial Fund – This fund is used to report resources held by the Town in a purely custodial capacity for other governments, private organizations or individuals.



### **C. Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., total net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

### **D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under financed purchases and sales of capital assets are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

Recognition of revenues on funds received in connection with loan programs are recognized when loans are awarded and expenses incurred in excess of current grants and program income. An offsetting deferred inflows of resources is recognized for all loans receivable. Loan repayment revenue is recognized as the loans are repaid.

### **E. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows and inflows of resources and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **F. New Pronouncement – Leases**

Effective June 30, 2022, the Town implemented GASB Statement No. 87, "Leases". GASB Statement No. 87 increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees. This Statement replaces the previous lease accounting methodology and establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset. The Town currently has no lease arrangements applicable to this Statement.

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

#### **1. Cash**

Cash balances of most Town funds are deposited with and invested by the Town Treasurer. The Town considers all short-term investments of ninety (90) days or less to be cash equivalents.

Excess cash of individual funds are shown as due from other funds and excess cash withdrawals are shown as due to other funds. Interest income is allocated based on the due from/to other funds balances.

#### **2. Investments**

The Town invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

### **3. Receivables**

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

### **4. Internal Balances**

Activity between funds that are representative of lending/borrowing arrangement that are outstanding at the end of the fiscal year are referred to as “advances to/from other funds.” All other outstanding balances between funds are reported as “due from/to other funds.”

### **5. Inventories and Prepaid Expenses/Items**

Inventory quantities are determined by physical count and are valued at the lower of cost or market.

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

Reported inventories and prepaid items of governmental funds in the fund financial statements are offset by a nonspendable fund balance as they are not in spendable form.

### **6. Pensions**

For purposes of measuring the proportionate share of the net pension liability and the related deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Vermont Municipal Employees’ Retirement System (VMERS) plan and additions to/deductions from the VMERS’ fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

**8. Capital Assets**

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated acquisition value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Capital assets reported in the proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Service Life</u>
Pumping Station	\$ 10,000	50 Years
Meters & Meter Upgrades	\$ 10,000	30 Years
Distribution System	\$ 10,000	50-75 Years

**9. Compensated Absences**

It is the Town's policy to permit employees to accumulate earned but unused leave time. The accrual for unused compensated absences time, based on current pay rates, is recorded in the proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental fund financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

**10. Long-term Liabilities**

Long-term liabilities include bonds and notes payable, financed purchases and other obligations such as the Town's net pension liability. Long-term liabilities are reported in the proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current liabilities on their balance sheets.

**11. Fund Equity**

Fund equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in the proprietary fund financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances of governmental funds are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget changes during the year. The budget presented herein is for the Town’s “General Fund” only and does not include the Economic Development Fund, the Landfill Fund, the Professional Audit Reserve Fund and the G.W. Hawkins Fund activity that is included with the General Fund, unbudgeted grant income and related expenses and unbudgeted transfers.

**B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2022, expenditures in the General Fund exceeded appropriations by \$116,316. These over expenditures were funded by excess revenues and available fund balance.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash, Cash Equivalents and Investments**

The Town’s cash, cash equivalents and investments as of June 30, 2022 consisted of the following:

Cash and Cash Equivalents:	
Deposits with Financial Institutions	\$1,376,480
Deposits held by Investment Company	60,241
Money Market Mutual Funds – U.S. Government Securities	110,433
Cash on Hand	<u>605</u>
Total Cash and Cash Equivalents	<u>1,547,759</u>
Investments:	
Certificates of Deposit	254,183
Mutual Funds – Mixed Holdings	<u>537,241</u>
Total Investments	<u>791,424</u>
Total Cash, Cash Equivalents and Investments	<u>\$2,339,183</u>

The Town has three (3) certificates of deposit at M&T Bank ranging from \$10,536 to \$228,648 with interest rates ranging from 0.15% to 0.20%. All certificates of deposit will mature by fiscal year 2024.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit the exposure to custodial credit risk. The money market mutual funds and mutual funds are in the name of the Town and are not exposed to custodial credit risk. The following table shows the custodial credit risk of the Town’s cash and certificates of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 560,241	\$ 560,241
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution’s Agent	<u>1,130,663</u>	<u>1,191,733</u>
Total	<u>\$1,690,904</u>	<u>\$1,751,974</u>

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$1,376,480
Cash – Deposits held by Investment Company	60,241
Investments – Certificates of Deposit	<u>254,183</u>
Total	<u>\$1,690,904</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. The Town’s certificates of deposit are exempt from interest rate risk disclosure. The Town’s money market mutual funds and mutual funds are open-ended and, therefore, are also exempt from interest rate risk disclosure.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. These organizations look at a number of factors in order to evaluate the risk of an obligation and rate the risk. The rating allows the investor to make informed buying and selling decisions. The Town does not have any policy to limit the exposure to credit risk. The Town’s certificates of deposit are exempt from credit risk analysis. The Town’s money market mutual funds and mutual funds are open-ended and are, therefore, also exempt from credit risk analysis.

**Concentration of Credit Risk**

Concentration of credit risk is the risk that a large percentage of the Town’s investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town has no investments subject to concentration of credit risk.

**Fair Value**

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application.” The hierarchy is based on the valuation inputs used to measure fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The Town’s certificates of deposit are not subject to fair value disclosures.

Level 1 – Unadjusted quoted prices for identical instruments in active markets

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

The Town has the following fair value measurements as of June 30, 2022:

Description	Total	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual Funds - Mixed Holdings	\$ 537,241	\$ 537,241	\$ 0	\$ 0
Total	\$ 537,241	\$ 537,241	\$ 0	\$ 0

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**B. Receivables**

Receivables as of June 30, 2022 are as follows:

	General Fund	Non-Major Governmental Funds	Water Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Delinquent Taxes Receivable	\$ 67,217	\$ 0	\$ 0	\$ 67,217
Penalties and Interest Receivable	12,143	0	0	12,143
Grants Receivable	0	1,949	0	1,949
Due from Other Entities	52,803	0	0	52,803
Billed Services	0	0	30,533	30,533
Unbilled Services	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>
 Total	 <u>\$ 132,163</u>	 <u>\$ 1,949</u>	 <u>\$ 55,533</u>	 <u>\$ 189,645</u>

**C. Capital Assets – Water Fund**

Capital asset activity in the Water Fund for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 62,118	\$ 0	\$ 0	\$ 62,118
Total Capital Assets, Not Being Depreciated	<u>62,118</u>	<u>0</u>	<u>0</u>	<u>62,118</u>
Capital Assets, Being Depreciated:				
Pumping Station	30,000	0	0	30,000
Meters & Meter Upgrades	40,000	0	0	40,000
Distribution System	<u>443,000</u>	<u>0</u>	<u>0</u>	<u>443,000</u>
Totals	<u>513,000</u>	<u>0</u>	<u>0</u>	<u>513,000</u>
Less Accumulated Depreciation for:				
Pumping Station	4,800	600	0	5,400
Meters & Meter Upgrades	18,664	1,333	0	19,997
Distribution System	<u>66,236</u>	<u>5,967</u>	<u>0</u>	<u>72,203</u>
Totals	<u>89,700</u>	<u>7,900</u>	<u>0</u>	<u>97,600</u>
Total Capital Assets, Being Depreciated	<u>423,300</u>	<u>(7,900)</u>	<u>0</u>	<u>415,400</u>
Water Fund Capital Assets, Net	<u>\$ 485,418</u>	<u>\$ (7,900)</u>	<u>\$ 0</u>	<u>\$ 477,518</u>



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**D. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2022 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 1,116,530
Cemetery Fund	18,207	0
Class 3 Road Improvement Fund	0	63,578
ARPA Fund	512,906	0
Non-Major Governmental Funds	571,509	11,620
Water Fund	88,368	0
Private-Purpose Trust Fund - Florence Beebe Memorial Fund	738	0
Total	\$ 1,191,728	\$ 1,191,728

Interfund transfers during the year ended June 30, 2022 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Professional Audit Reserve Fund	\$ 15,000	* Appropriation
General Fund	Class 3 Road Improvement Fund	100,000	Appropriation
General Fund	Equipment Replacement Fund	115,000	Appropriation
General Fund	Paving Fund	18,000	Appropriation
General Fund	Culvert Fund	10,000	Appropriation
General Fund	Fire Equipment Replacement Fund	96,000	Appropriation
G.W. Hawkins Fund	General Fund	10,287	* Fund Capital Projects
Cemetery Fund	General Fund	8,819	Transfer Interest Earnings
Cemetery Fund	Cemetery Capital Fund	37,101	Fund Future Capital Projects
Total		\$ 410,207	

\* The transfer from the General Fund to the Professional Audit Reserve Fund and the transfer from the G.W. Hawkins Fund to the General Fund are netted within the General Fund as these funds are consolidated within the General Fund to comply with GASB Statement No. 54.

**E. Unearned Revenue**

Unearned revenue in the ARPA Fund consists of \$511,626 of grant revenue received in advance.

**F. Deferred Inflows of Resources**

Deferred inflows of resources in the General Fund consists of \$48,500 of delinquent property taxes and interest on those taxes not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$1,949 of grant revenues not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

**G. Long-term Liabilities – Water Fund**

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for the Water Fund.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 20 year bonds.

The State of Vermont offers a number of low and no interest revolving loan programs to utilize for predetermined purposes. The Town has borrowed money from the Vermont Special Environmental Revolving Fund for water projects.

The long-term liabilities outstanding as of June 30, 2022 for the Water Fund was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal and Interest Payments of \$3,118 Payable on December 1 Annually, Interest at 1%, 2% Administration Fee, Due December, 2030	\$ 26,592	\$ 0	\$ 2,320	\$ 24,272
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal and Interest Payments of \$10,943 Payable on December 1 Annually, Interest at 1%, 2% Administration Fee, Due December, 2030	93,348	0	8,143	85,205
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Authorized to \$65,000, Principal Payments of \$13,000 Payable on January 1 Annually Beginning January 1, 2026, 0% Interest, Due January, 2030	<u>41,472</u>	<u>3,700</u>	<u>0</u>	<u>45,172</u>
Total	<u>\$161,412</u>	<u>\$3,700</u>	<u>\$10,463</u>	<u>\$154,649</u>

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Debt service requirements to maturity in the Water Fund are as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 10,776	\$ 3,285	\$ 14,061
2024	11,100	2,961	14,061
2025	11,433	2,628	14,061
2026	24,776	2,285	27,061
2027	25,129	1,932	27,061
2028-2031	71,435	4,981	76,416
Total	\$ 154,649	\$ 18,072	\$ 172,721

**H. Fund Balances**

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard’s intended use of the resources); and unassigned.

Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Town does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Town does not have any minimum fund balance policies.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town’s policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

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

Major Funds

General Fund:	
Nonspendable Prepaid Items	\$ 24,695
Cemetery Fund:	
Nonspendable Cemetery Fund Principal	<u>87,888</u>
Total Nonspendable Fund Balances	<u>\$112,583</u>

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

Major Funds

Cemetery Fund:	
Restricted for Cemetery Expenses by Sale of Lots and Donations (Source of Revenue is Sale of Lots and Donations)	<u>\$214,792</u>

Non-Major Funds

Special Revenue Funds:	
Restricted for Municipal Grants Expenses by Grant Agreements (Source of Revenue is Grant Revenue)	<u>90</u>
Capital Projects Funds:	
Restricted for Tractor Purchase by Unspent Bond Proceeds (Source of Revenue is Bond Proceeds)	110,000
Restricted for Dog Park Expenditures by Donations (Source of Revenue is Donations)	5,000
Restricted for Cemetery Capital Expenditures by Donations (Source of Revenue is Donations)	37,101
Restricted for Howard Park Expenditures by Bequest (Source of Revenue is Donations)	<u>45,518</u>
Total Capital Projects Funds	<u>197,619</u>
Total Non-Major Funds	<u>197,709</u>
Total Restricted Fund Balances	<u>\$412,501</u>

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

Non-Major Funds

Capital Projects Funds:

Committed for Highway Equipment Expenditures by the Voters	\$ 91,238
Committed for Paving Expenditures by the Voters	41,126
Committed for Park Expenditures by the Voters	13,644
Committed for Hooke Memorial Expenditures by the Voters	45,339
Committed for Cemetery Capital Expenditures by the Voters	31,170
Committed for Cole Hall Renovation and Garage Expenditures by the Voters	419
Committed for Fire Equipment Expenditures by the Voters	<u>93,462</u>

Total Committed Fund Balances \$316,398

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

Major Funds

General Fund:

Assigned for Economic Development Study Expenses	\$ 2,659
Assigned for Landfill Expenses	50,471
Assigned for Community Improvement Expenses – G.W. Hawkins Fund	<u>139,547</u>

Total General Fund 192,677

ARPA Fund:

Assigned for ARPA Expenses	<u>213</u>
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Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses	<u>330,157</u>
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Total Assigned Fund Balances \$523,047

The unassigned deficit of \$63,578 in the Class 3 Road Improvement Fund will be funded with a transfer from the General Fund.

The unassigned deficit of \$634 in the Restoration Fund will be funded with the collection of restoration fees.

The unassigned deficit of \$10,986 in the Culvert Fund will be funded with a transfer from the General Fund.

The unassigned deficit of \$2,436 in the Sidewalk Fund will be funded with the collection of grant revenues and a transfer from the General Fund.

### **I. Net Position Held in Trust for Various Purposes**

The net position held in Trust for various purposes in the Town's Private-Purpose Trust Funds as of June 30, 2022 consisted of the following:

Restricted for School Expenses by Bequests	\$ 31,427
Restricted for Recreation Project Expenses by Donations	141,524
Restricted for Elderly Citizens by Bequest	41,121
Restricted for Mary Monroe Hawkins Memorial Library Expenses by Bequests	24,525
Restricted for Florence Beebe Memorial Expenses by Bequests	<u>738</u>
Total Private-Purpose Trust Funds	<u>\$239,335</u>

## **IV. OTHER INFORMATION**

### **A. Pension Plans**

#### **Defined Benefit Plan**

#### **The Vermont Municipal Employees' Retirement System (VMERS)**

##### **Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. As of June 30, 2021, the measurement date selected by the State of Vermont, 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.

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

As of June 30, 2021, the measurement date selected by the State of Vermont, VMERS was funded at 86.29% and had a plan fiduciary net position of \$926,034,330 and a total pension liability of \$1,073,218,528 resulting in a net position liability of \$147,184,198. As of June 30, 2022, the Town's proportionate share of this was 0.1133% resulting in a net pension liability of \$166,781. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Town's proportion of 0.1133% was an increase of 0.0029 from its proportion measured as of the prior year.

### **Summary of System Provisions**

Membership – Full time employees of participating municipalities. Municipalities can elect coverage under Groups A, B, C or D provisions. The Town elected coverage under Group B.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Group A – Average annual compensation during highest five (5) consecutive years. Groups B and C – Average annual compensation during highest three (3) consecutive years. Group D – Average annual compensation during highest two (2) consecutive years.

Service Retirement Allowance:

Eligibility – Group A – The earlier of age 65 with five (5) years of service or age 55 with thirty-five (35) years of service. Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service. Groups C and D – Age 55 with five (5) years of service.

Amount – Group A – 1.4% of AFC times service. Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC. Group D – 2.5% of AFC times service as a Group D member plus percentage earned as a Group A, B or C member times AFC.

Maximum benefit is 60% of AFC for Groups A and B and 50% of AFC for Groups C and D. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Groups A and B. Age 50 with twenty (20) years of service for Group D.

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Groups A and B members, and payable without reduction to Group D members.

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

Amount – Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

Disability Retirement Allowance:

Eligibility – Five (5) years of service and disability as determined by Retirement Board.

Amount – Immediate allowance based on AFC and service to date of disability; children’s benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

Death Benefit:

Eligibility – Death after five (5) years of service.

Amount – For Groups A, B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus children’s benefit.

Optional Benefit and Death after Retirement – For Groups A, B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.

Refund of Contribution – Upon termination, if the member so elects or if no other benefit is payable, the member’s accumulated contributions are refunded.

Post-Retirement Adjustments – Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 2% for Group A and 3% for Groups B, C and D.

Member Contributions – Group A – 3.25%. Group B – 5.625%. Group C – 10.75%. Group D – 12.10%.

Employer Contributions – Group A – 4.75%. Group B – 6.25%. Group C – 8.00%. Group D – 10.60%.



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

### **Significant Actuarial Assumptions and Methods**

Investment Rate of Return: 7.00%, net of pension plan investment expenses, including inflation.

Salary increases: Varying service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.

Mortality:

Pre-Retirement: Groups A, B and C – 40% PubG-2010 General Employee Amount-Weighted below-median and 60% of PubG-2010 General Employee Amount-Weighted, with generational projection using scale MP-2019. Group D – PubG-2010 General Employee Amount-Weighted above-median, with generational projection using scale MP-2019.

Healthy Post-retirement – Retirees: Groups A, B and C – 104% of 40% PubG-2010 General Healthy Retiree Amount-Weighted below-median and 60% of PubG-2010 General Healthy Retiree Amount-Weighted, with generational projection using scale MP-2019. Group D – PubG-2010 General Healthy Retiree Amount-Weighted, with generational projection using scale MP-2019.

Healthy Post-retirement – Beneficiaries: Groups A, B and C – 70% Pub-2010 Contingent Survivor Amount-Weighted below-median and 30% of Pub-2010 Contingent Survivor Amount-Weighted, with generational projection using scale MP-2019. Group D – Pub-2010 Contingent Survivor Amount-Weighted, with generational projection using scale MP-2019.

Disabled Post-retirement: All Groups – PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2019.

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

Cost-of-Living Adjustments: 1.10% for Group A members and 1.20% for Groups B, C and D members. The January 1, 2021 COLA is 0.40% for all groups. The January 1, 2022 COLA is 2.00% for Group A members and 2.30% for Groups B, C and D members.

Actuarial Cost Method: Entry age actuarial cost method. Entry age is the age at date of employment or, if date is unknown, current age minus years of service. Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary, with normal cost determined using the plan of benefits applicable to each participant.

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

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Inflation: 2.30%

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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Passive Global Equities	24%	5.05%
Active Global Equities	5%	5.05%
Large Cap US Equities	4%	4.00%
Small/Mid Cap US Equities	3%	4.50%
Non-US Developed Market Equities	7%	5.50%
Private Equity	10%	6.75%
Emerging Market Debt	4%	3.00%
Private & Alternate Credit	10%	4.75%
Non-Core Real Estate	4%	5.75%
Core Fixed Income	19%	0.00%
Core Real Estate	4%	3.75%
US TIPS	3%	(0.50)%
Infrastructure/Farmland	3%	4.25%

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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). The Board voted to authorize employer contribution rate increases of 0.50% each year for a period of four years beginning July 1, 2022, to be offset by any increases in the employee contribution rates as negotiated with employee groups and approved by Legislature. 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, 2021. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$329,653	\$166,781	\$32,853

**Additional Information**

Additional information regarding the State of Vermont Municipal Employees’ Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

**Deferred Compensation Plan**

The Town also offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The Town is the administrator of the plan. The plan permits employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Town has no liability for losses under this plan, but does have the duty of due care that would be required of an ordinary prudent investor. All of the investments are self-directed by each employee.

**B. Property Taxes**

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes were levied in October and were due November 10, 2021. The penalty is eight percent (8%). Interest is charged at one percent (1%) per month for the first three months and one and one-half percent (1-1/2%) per month for each month thereafter. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale. The tax rates for 2022 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Town	.4514	.4514
Local Agreement	.0047	.0047
Education	<u>1.3481</u>	<u>1.5503</u>
Total	<u>1.8042</u>	<u>2.0064</u>

**C. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through a local broker. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The Town is a member of the Vermont League of Cities and Towns Employment Resource and Benefits Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employment benefits for Vermont municipalities and is owned by the participating members. The agreement does not permit the Trust to make additional assessments to its members.

The Town has only elected unemployment coverage with the Trust.

**D. Compensated Absences**

It is the policy of the Town to permit employees to accumulate earned but unused vacation benefits, personal leave and sick time. Amounts not expected to be liquidated with expendable available financial resources are not reported in the governmental funds. No expenditure is reported for these amounts until paid. The total accrued leave time as of June 30, 2022 was \$5,079. As of June 30, 2022, there was no accrued leave time liability for the Water Fund.

**E. Long-term Debt – Governmental Funds**

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 20 year bonds.

The Town has a note payable to finance a capital purchase through the State of Vermont Municipal Equipment Loan Fund.

The Town enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as financed purchases for accounting purposes (even though they may include clauses that allow for cancellation of the lease in the event the Town does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date of the leases.

The long-term debt outstanding as of June 30, 2022 for the Governmental Funds was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Town Garage, Principal Payments of \$50,000 Payable on November 1 Annually, Interest Ranging from 1.78% to 3.87% Payable on May 1 and November 1, Due November, 2039	\$950,000	\$ 0	\$50,000	\$ 900,000
Note Payable, State of Vermont Municipal Equipment Loan Fund, Tractor, Principal Payments of \$22,000 Plus Interest Payable on June 30 Annually, Interest at 2%, Due June, 2026	0	110,000	22,000	88,000
Financed Purchase, Caterpillar Financial, Excavator, Principal and Interest Payments of \$11,933 Payable on October 15 Annually, Interest at 2.99%, Due October, 2025	<u>0</u>	<u>56,300</u>	<u>11,933</u>	<u>44,367</u>

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Total Governmental Funds	<u>\$950,000</u>	<u>\$166,300</u>	<u>\$83,933</u>	<u>\$1,032,367</u>
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Debt service requirements to maturity in the Governmental Funds are as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 82,606	\$ 31,857	\$ 114,463
2024	82,924	29,907	112,831
2025	83,250	27,873	111,123
2026	83,587	25,754	109,341
2027	50,000	23,550	73,550
2028-2032	250,000	94,291	344,291
2033-2037	250,000	51,317	301,317
2038-2040	150,000	8,666	158,666
Total	\$ 1,032,367	\$ 293,215	\$ 1,325,582

**F. Landfill Post-Closure Costs**

State and Federal laws and regulations required the Town to close its landfill in 2006. These laws and regulations required the Town to perform certain maintenance and monitoring at the site. The Town has estimated that they will continue for another five (5) years. The Town’s estimated liability is \$87,000. This amount is based on what it would cost to perform all post closure care now. Actual costs may vary due to changes in the cost of living, changes in technology, changes in regulations or variances between estimated and actual amounts.

**G. Commitments and Contingencies**

There is an ongoing dispute with the North Bennington Water Department over water rates. The Town is seeking to enter into formal mediation with the North Bennington Water Department to resolve cost-related disputes over water that the Village supplies to customers in part of Shaftsbury. The dispute is in the early stages, so therefore, the likelihood of or the amount of a negative outcome is unknown at this time.

**H. Related Party Transactions**

A Selectboard member is an owner of a trucking company which performed services for the Town during the year. The amount paid to his trucking company for the fiscal year ending June 30, 2022 was \$19,734.

**I. Subsequent Events**

Subsequent to year-end, the Town will receive the second half of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program funds in the amount of \$512,693.

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Current Tax Revenue	\$ 1,861,076	\$ 1,869,688	\$ 8,612
Late Homestead Penalty	2,051	5,683	3,632
Delinquent Tax Interest	10,000	16,516	6,516
Education Billing Fee Retained	9,000	9,766	766
Railroad Tax	900	992	92
State Land Use	42,000	45,128	3,128
State PILOT Program	14,500	11,327	(3,173)
Federal Land PILOT Program	3,600	3,745	145
Vermont State Highway Aid	165,508	183,823	18,315
Miscellaneous Grant Income	0	19,636	19,636
Water Charge for Labor	2,500	0	(2,500)
Miscellaneous Transfer Station Fees	125	863	738
Access Permits	9,000	7,706	(1,294)
Pay-As-You-Throw Revenues	62,000	52,201	(9,799)
Zoning Permits	6,000	8,243	2,243
Dog Licenses	3,750	2,104	(1,646)
Beer and Liquor Licenses	130	0	(130)
Marriage Licenses	100	0	(100)
Dog Fines	400	0	(400)
Civil Fines	2,000	3,105	1,105
Interest Income	2,700	876	(1,824)
Trustees of Public Funds	5,000	4,265	(735)
Park Fees	100	100	0
Administrative Burial Fees & Permits	1,500	3,300	1,800
Lot Fees	3,600	7,845	4,245
Cemetery Perpetual Trusts	5,000	5,935	935
Corner Markers	1,800	150	(1,650)
Grandview Cemetery Lot Fees	0	1,950	1,950
Grandview Cemetery Perpetual Trusts	3,500	2,884	(616)
Grandview Cemetery Other Revenues	2,000	2,000	0
Town Clerk Fees	42,000	39,115	(2,885)
Miscellaneous Clerk Fees	300	430	130
Insurance Proceeds	0	7,422	7,422
Proceeds from Sale of Equipment	0	22,930	22,930
Donations	0	6,912	6,912
Miscellaneous Income	0	422	422
Total Revenues	<u>2,262,140</u>	<u>2,347,062</u>	<u>84,922</u>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures:			
Administration:			
Select Board Stipend	\$ 3,250	\$ 3,250	\$ 0
Town Administrator Salary	77,520	77,520	0
Health Plan Administration	1,000	694	306
Aflac Administration	927	669	258
FICA & Medicare	5,620	6,071	(451)
Liability Insurance & Bonds	64,000	64,288	(288)
Retirement Contribution	4,457	4,845	(388)
Unemployment Insurance	333	2,840	(2,507)
Professional Services	12,000	25,106	(13,106)
Postage	1,200	2,323	(1,123)
Meetings/Training	500	48	452
IT and Website Support	4,800	3,970	830
Advertising & Legal Notices	2,500	1,958	542
Dues & Subscriptions	13,388	12,712	676
Office Supplies	2,000	2,769	(769)
Office Equipment/Leases	2,500	13,678	(11,178)
Miscellaneous Expenses	1,200	987	213
<b>Total Administration</b>	<b>197,195</b>	<b>223,728</b>	<b>(26,533)</b>
Cole Hall - Town Offices:			
Contract Services	6,552	6,372	180
Repairs and Maintenance	3,000	6,627	(3,627)
Operating Supplies	2,300	1,274	1,026
Utilities	5,100	9,077	(3,977)
Heating Fuel	4,000	3,166	834
<b>Total Cole Hall - Town Offices</b>	<b>20,952</b>	<b>26,516</b>	<b>(5,564)</b>
Elections & Vital Statistics:			
Assistant Town Clerk	10,885	12,767	(1,882)
Town Clerk Salary	44,370	44,381	(11)
Poll Worker Wages	2,000	590	1,410
Town Clerk Health Insurance Premium	7,790	6,681	1,109
Town Clerk Health Insurance Deductible	2,000	869	1,131
Short-term Disability	618	365	253
FICA & Medicare	4,006	4,365	(359)
Retirement Contribution	2,551	2,807	(256)
Travel and Meetings - Clerk	500	2,484	(1,984)
Travel and Meetings - Elections	500	489	11
Machine Equipment/Supplies - Elections	3,000	3,617	(617)
Operating Equipment/Supplies - Clerk	4,000	537	3,463
<b>Total Elections &amp; Vital Statistics</b>	<b>82,220</b>	<b>79,952</b>	<b>2,268</b>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Accounting/Payroll:			
Bookkeeping Wages	\$ 8,574	\$ 5,695	\$ 2,879
FICA & Medicare	622	436	186
Payroll Services	3,250	2,829	421
Miscellaneous	0	37	(37)
Total Accounting/Payroll	<u>12,446</u>	<u>8,997</u>	<u>3,449</u>
Auditing:			
Auditor Wages	1,700	582	1,118
FICA & Medicare	130	45	85
Travel and Meetings	200	0	200
Town Report	3,500	755	2,745
Total Auditing	<u>5,530</u>	<u>1,382</u>	<u>4,148</u>
Delinquent Tax Collection:			
FICA & Medicare	1,300	1,566	(266)
Supplies	800	317	483
Total Delinquent Tax Collection	<u>2,100</u>	<u>1,883</u>	<u>217</u>
Treasurer Services:			
Treasurer's Salary	24,480	24,480	0
Other Services	250	0	250
Bank Service Charge	660	660	0
Billing Supplies	3,000	3,607	(607)
FICA & Medicare	1,775	1,873	(98)
Total Treasurer Services	<u>30,165</u>	<u>30,620</u>	<u>(455)</u>
Listers:			
Lister Wages	13,798	18,300	(4,502)
FICA & Medicare	998	1,383	(385)
Professional Services	16,600	27,793	(11,193)
Tax Maps	2,500	4,615	(2,115)
IT Support and Computer Maintenance	500	1,200	(700)
Travel and Meetings	250	50	200
Dues and Subscriptions	300	682	(382)
Operating Supplies	400	150	250
Total Listers	<u>35,346</u>	<u>54,173</u>	<u>(18,827)</u>
Animal Control:			
ACO Wages	600	5,745	(5,145)
Contracted Services/Monthly Stipends	6,624	612	6,012
FICA & Medicare	46	318	(272)
Veterinary Expense	750	0	750
Tags/Miscellaneous	450	281	169
Total Animal Control	<u>8,470</u>	<u>6,956</u>	<u>1,514</u>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
Emergency Management:			
Travel and Meetings	\$ 200	\$ 0	\$ 200
Operating Supplies	400	0	400
Equipment Maintenance	800	694	106
Total Emergency Management	<u>1,400</u>	<u>694</u>	<u>706</u>
Fire Department:			
Chief's Stipends	2,600	2,600	0
FICA & Medicare	189	0	189
Insurance & Bonds	2,550	2,067	483
Firehouse Maintenance	5,000	4,756	244
Fire Truck Maintenance	8,000	5,019	2,981
Communications	4,500	5,173	(673)
Training	2,000	395	1,605
Operating Supplies	750	210	540
Utilities	10,000	14,850	(4,850)
Firehouse Heating Fuel (Fuel Oil)	11,016	6,416	4,600
Gas, Oil and Diesel (Trucks)	4,000	1,125	2,875
Extrication Equipment	2,000	1,864	136
Equipment Replacement	20,000	11,407	8,593
Total Fire Department	<u>72,605</u>	<u>55,882</u>	<u>16,723</u>
Fire Warden:			
Operating Supplies	250	0	250
Vehicle & Equipment	1,500	1,500	0
Total Fire Warden	<u>1,750</u>	<u>1,500</u>	<u>250</u>
Sheriff Services:	<u>35,430</u>	<u>25,234</u>	<u>10,196</u>
Bennington Rescue:	<u>22,500</u>	<u>22,500</u>	<u>0</u>
Highway Administration:			
Highway Wages - Regular	295,188	293,257	1,931
Highway Wages - Overtime	38,246	26,698	11,548
Employee Health Insurance - Premium	74,936	59,091	15,845
Employee Health Insurance - Deductible	16,000	4,480	11,520
Short-term Disability	4,635	2,411	2,224
FICA & Medicare	24,174	24,805	(631)
Retirement Contribution	19,172	19,504	(332)
Uniform Cleaning	0	2,500	(2,500)
Travel and Meetings	300	0	300
Steel Toe Footwear	600	300	300
CDL Physicals and Drug Testing	800	115	685
Clothing Allowance	3,000	0	3,000
Total Highway Administration	<u>477,051</u>	<u>433,161</u>	<u>43,890</u>

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	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Highway Construction &amp; Maintenance:</b>			
Subcontract Costs	\$ 0	\$ 522	\$ (522)
Signs	4,000	6,704	(2,704)
Tree Removal	17,500	7,550	9,950
Paving	0	1,849	(1,849)
Operating Supplies	5,000	14,934	(9,934)
Gravel	90,000	93,336	(3,336)
Chloride (Dust Control)	60,000	49,488	10,512
Winter Salt	48,800	64,397	(15,597)
Winter Sand	52,000	66,420	(14,420)
Level & Sealing	0	2,865	(2,865)
Rentals	3,000	22,235	(19,235)
Culverts	2,000	4,607	(2,607)
State MRGP Fees	2,043	1,590	453
	<u>284,343</u>	<u>336,497</u>	<u>(52,154)</u>
<b>Highway Equipment Maintenance:</b>			
Truck #1 International	3,075	4,547	(1,472)
Truck #2-2012 International	3,075	4,639	(1,564)
Truck #3-15 International	3,075	17,170	(14,095)
Truck #4-13 International Tandem Axle	3,075	13,435	(10,360)
Truck #5-06 One Ton	3,075	8,124	(5,049)
Truck #6-95 International/Chloride	3,075	678	2,397
Truck #7-02 One Ton	3,075	302	2,773
Truck #8-IH 4300	3,075	0	3,075
Truck #9A.M. General Military Surplus	3,075	634	2,441
Truck #10 17 Dodge 3500	3,075	1,084	1,991
John Deere Backhoe 2011	3,075	4,279	(1,204)
John Deere Loader 1991	3,075	4,572	(1,497)
Cat Excavator	3,075	426	2,649
Cat Grader 1987	3,075	617	2,458
John Deere Tractor/Mower 1988	3,075	1,155	1,920
Plows & Sanders	2,350	2,741	(391)
Sidewalk Machine 2002	2,350	701	1,649
John Deere Grader 2010	3,075	3,600	(525)
Cat Traxcavator	3,075	0	3,075
Communications	500	2,044	(1,544)
Gas, Diesel and Oil	50,000	77,279	(27,279)
Small Machinery and Equipment	12,000	18,876	(6,876)
	<u>119,475</u>	<u>166,903</u>	<u>(47,428)</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SHAFTSBURY, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway Garage:			
Professional Services	\$ 1,500	\$ 4,158	\$ (2,658)
Repairs and Maintenance	1,000	4,745	(3,745)
Operating Supplies	4,000	1,344	2,656
Utilities	7,200	6,743	457
Heating Fuel	6,500	3,449	3,051
Small Machinery and Equipment	2,000	1,806	194
Total Highway Garage	<u>22,200</u>	<u>22,245</u>	<u>(45)</u>
Solid Waste Facility:			
Attendant Wages	17,143	32,203	(15,060)
FICA & Medicare	1,243	2,401	(1,158)
Professional Services	2,000	12,261	(10,261)
Management Contract	74,539	57,842	16,697
Methane Well Monitoring	400	0	400
Solid Waste Implementation Plan	21,500	35,139	(13,639)
Groundwater Monitoring	26,000	23,777	2,223
Solid Waste Removal	26,000	43,275	(17,275)
Repairs & Maintenance	1,000	8,197	(7,197)
Operating Supplies	1,000	44	956
Sticker Cost	2,000	529	1,471
Transfer Station Utilities	500	317	183
Landfill Utilities	300	0	300
Total Solid Waste Facility	<u>173,625</u>	<u>215,985</u>	<u>(42,360)</u>
Street Lights:			
Hawks Avenue	500	306	194
S. Shaftsbury Village	10,000	11,288	(1,288)
Total Street Lights	<u>10,500</u>	<u>11,594</u>	<u>(1,094)</u>
Parks and Recreation:			
Professional Services	2,000	2,625	(625)
Building Construction, Maintenance and Repairs	2,000	1,314	686
Operating Supplies	500	153	347
Utilities	500	453	47
Total Parks and Recreation	<u>5,000</u>	<u>4,545</u>	<u>455</u>
Cemetery Expenditures:			
Superintendent Salary	7,650	7,650	0
Cemetery Assistant	3,246	0	3,246
FICA & Medicare	790	707	83
Contract Services	27,000	30,463	(3,463)
Repairs and Maintenance	5,000	998	4,002
Travel and Meetings	400	224	176
Corner Marker Installation	200	0	200
(New) Corner Marker Purchases	1,300	0	1,300
Miscellaneous	0	568	(568)
Total Cemetery Expenditures	<u>45,586</u>	<u>40,610</u>	<u>4,976</u>

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TOWN OF SHAFTSBURY, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Development Review Board:			
Board Member Stipends	\$ 500	\$ 400	\$ 100
Professional Services	1,900	0	1,900
Travel and Meetings	500	0	500
Advertising and Legal	1,000	788	212
Operating Supplies	100	0	100
Total Development Review Board	<u>4,000</u>	<u>1,188</u>	<u>2,812</u>
Planning:			
Board Member Stipends	500	400	100
Zoning Administrator Wages	11,557	10,622	935
FICA & Medicare	838	818	20
Professional Services	500	20,650	(20,150)
Travel and Meetings	250	48	202
Advertising and Legal	500	0	500
Operating Supplies	200	0	200
Total Planning	<u>14,345</u>	<u>32,538</u>	<u>(18,193)</u>
County Tax:	<u>31,106</u>	<u>27,173</u>	<u>3,933</u>
Debt Service Expenditures:			
Tax Anticipation Note - Interest	1,000	0	1,000
Garage Bond Payment	79,890	79,890	0
2021 Mower Loan	24,000	24,200	(200)
Total Debt Service Expenditures	<u>104,890</u>	<u>104,090</u>	<u>800</u>
Transfer to Reserves:			
Equipment Reserve Fund	115,000	115,000	0
Fire Warden Truck Reserve Fund	1,000	1,000	0
Fire Truck Reserve Fund	85,000	85,000	0
Paving Reserve Fund	18,000	18,000	0
Culvert Reserve Fund	10,000	10,000	0
Audit Reserve Fund	15,000	15,000	0
Class 3 Road Capital Improvement Reserve Fund	100,000	100,000	0
Airpack Reserve Fund	10,000	10,000	0
Total Transfer to Reserves	<u>354,000</u>	<u>354,000</u>	<u>0</u>
Community Appropriations:			
Bennington Free Library	18,000	18,000	0
John G. McCullough Library	24,000	24,000	0
Arlington Rescue Squad	8,500	8,500	0
VNA & Hospice of S.V.H.C.	5,225	5,225	0
Bennington Project Independence	4,560	4,560	0
Martha Canfield Library	2,000	2,000	0
Paran Recreation, Inc.	2,500	2,500	0
Shaftsbury History Society	2,500	2,500	0
Habitat for Humanity	1,850	1,850	0

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TOWN OF SHAFTSBURY, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Community Appropriations/(Cont'd):			
BROC	\$ 1,700	\$ 1,700	\$ 0
SWVT Council on Aging	1,100	1,100	0
Bennington Coalition Homeless	1,000	1,000	0
Bennington County Child Advocacy Center	500	500	0
Little League	600	600	0
Sunrise Family Resource	1,000	1,000	0
Bennington Free Clinic	1,000	1,000	0
Park McCullough House	1,500	1,500	0
Vermont Center for Independent Living	1,000	1,000	0
RSVP	950	950	0
Tutorial Center, Inc.	900	900	0
Center for Restorative Justice	600	600	0
Bennington County Conservation District	475	475	0
PAVE	450	450	0
Vermont Association Blind & Visually Impaired	300	300	0
Green Up Vermont	200	200	0
Shires Media Partnership - WBTV	5,000	5,000	0
Shires Kids	500	500	0
	87,910	87,910	0
Total Community Appropriations			
	2,262,140	2,378,456	(116,316)
Total Expenditures			
Excess/(Deficiency) of Revenues Over Expenditures	\$ 0	(31,394)	\$ (31,394)
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Economic Development Fund Expenses		(91)	
Landfill Fund Investment Income		25	
Professional Audit Reserve Fund Expenses		(16,806)	
Professional Audit Reserve Fund Transfer In		15,000	
G.W. Hawkins Fund Investment Income/(Loss)		(10,155)	
G.W. Hawkins Fund Expenses		(952)	
G.W. Hawkins Fund Transfers Out		(10,287)	
Unbudgeted Shires Housing Grant Income		343,872	
Unbudgeted Shires Housing Grant Expenses		(340,040)	
Unbudgeted Transfers from G.W. Hawkins Fund		10,287	
Net Change in Fund Balance		(40,541)	
Fund Balance - July 1, 2021		447,314	
Fund Balance - June 30, 2022		\$ 406,773	

The reconciling items are due to combining four (4) funds, the Economic Development Fund, the Landfill Fund, the Professional Audit Reserve Fund and the G.W. Hawkins Fund with the General Fund in order to comply with GASB Statement No. 54, unbudgeted grant income and related expenses and unbudgeted transfers.

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TOWN OF SHAFTSBURY, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 VMERS DEFINED BENEFIT PLAN  
 JUNE 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 147,184,198	\$ 252,974,064	\$ 173,491,807	\$ 140,675,892	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.1133%	0.1104%	0.1075%	0.1071%	0.1046%	0.0965%	0.1163%	0.1120%
Town's Proportionate Share of the Net Pension Liability	\$ 166,781	\$ 279,177	\$ 186,447	\$ 150,711	\$ 126,727	\$ 124,141	\$ 89,672	\$ 10,218
Town's Covered Employee Payroll	\$ 434,498	\$ 419,892	\$ 397,777	\$ 367,078	\$ 341,190	\$ 310,577	\$ 266,557	\$ 302,481
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	38.3848%	66.4878%	46.8722%	41.0569%	37.1426%	39.9711%	33.6408%	3.3781%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.29%	74.52%	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

**Notes to Schedule**

Benefit Changes: None.

Changes in Assumptions and Methods: None.

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

TOWN OF SHAFTSBURY, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 VMERS DEFINED BENEFIT PLAN  
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 27,156	\$ 25,194	\$ 22,873	\$ 20,648	\$ 18,765	\$ 17,082	\$ 14,661	\$ 16,258
Contributions in Relation to the Actuarially Determined Contributions	<u>27,156</u>	<u>25,194</u>	<u>22,873</u>	<u>20,648</u>	<u>18,765</u>	<u>17,082</u>	<u>14,661</u>	<u>16,258</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 434,498	\$ 419,892	\$ 397,777	\$ 367,078	\$ 341,190	\$ 310,577	\$ 266,557	\$ 302,481
Contributions as a Percentage of Town's Covered Employee Payroll	6.250%	6.000%	5.750%	5.625%	5.500%	5.500%	5.500%	5.375%

**Notes to Schedule**

Valuation Date: June 30, 2021

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





TOWN OF SHAFTSBURY, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue Funds	Capital Project Funds	Total
Revenues:			
Intergovernmental	\$ 17,252	\$ 38,532	\$ 55,784
Permits, Licenses and Fees	11,780	0	11,780
Investment Income/(Loss)	402	(3,338)	(2,936)
	<u>29,434</u>	<u>35,194</u>	<u>64,628</u>
Total Revenues			
Expenditures:			
General Government	28,775	0	28,775
Public Works	0	10,028	10,028
Culture and Recreation	0	3,969	3,969
Cemetery	0	5,045	5,045
Capital Outlay:			
Public Safety	0	40,700	40,700
Public Works	0	115,714	115,714
Debt Service:			
Principal	0	11,933	11,933
	<u>28,775</u>	<u>187,389</u>	<u>216,164</u>
Total Expenditures			
Excess/(Deficiency) of Revenues Over Expenditures	<u>659</u>	<u>(152,195)</u>	<u>(151,536)</u>
Other Financing Sources:			
Issuance of Long-term Debt	0	166,300	166,300
Transfers In	0	276,101	276,101
	<u>0</u>	<u>442,401</u>	<u>442,401</u>
Total Other Financing Sources			
Net Changes in Fund Balances	659	290,206	290,865
Fund Balances - July 1, 2021	<u>328,954</u>	<u>210,389</u>	<u>539,343</u>
Fund Balances - June 30, 2022	<u>\$ 329,613</u>	<u>\$ 500,595</u>	<u>\$ 830,208</u>

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TOWN OF SHAFTSBURY, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2022

	Municipal Grants Fund	Restoration Fund	Listers' Reappraisal Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>ASSETS</u>				
Investments	\$ 0	\$ 0	\$ 228,648	\$ 228,648
Due from Other Funds	<u>90</u>	<u>0</u>	<u>101,509</u>	<u>101,599</u>
Total Assets	<u>\$ 90</u>	<u>\$ 0</u>	<u>\$ 330,157</u>	<u>\$ 330,247</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to Other Funds	<u>\$ 0</u>	<u>\$ 634</u>	<u>\$ 0</u>	<u>\$ 634</u>
Total Liabilities	<u>0</u>	<u>634</u>	<u>0</u>	<u>634</u>
Fund Balances/(Deficit):				
Restricted	90	0	0	90
Assigned	0	0	330,157	330,157
Unassigned/(Deficit)	<u>0</u>	<u>(634)</u>	<u>0</u>	<u>(634)</u>
Total Fund Balances/(Deficit)	<u>90</u>	<u>(634)</u>	<u>330,157</u>	<u>329,613</u>
Total Liabilities and Fund Balances	<u>\$ 90</u>	<u>\$ 0</u>	<u>\$ 330,157</u>	<u>\$ 330,247</u>

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TOWN OF SHAFTSBURY, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2022

	Municipal Grants Fund	Restoration Fund	Listers' Reappraisal Fund	Total
Revenues:				
Intergovernmental	\$ 0	\$ 0	\$ 17,252	\$ 17,252
Permits, Licenses and Fees	0	11,780	0	11,780
Investment Income	0	12	390	402
Total Revenues	<u>0</u>	<u>11,792</u>	<u>17,642</u>	<u>29,434</u>
Expenditures:				
General Government	<u>0</u>	<u>28,775</u>	<u>0</u>	<u>28,775</u>
Total Expenditures	<u>0</u>	<u>28,775</u>	<u>0</u>	<u>28,775</u>
Net Changes in Fund Balances	0	(16,983)	17,642	659
Fund Balances - July 1, 2021	<u>90</u>	<u>16,349</u>	<u>312,515</u>	<u>328,954</u>
Fund Balances/(Deficit) - June 30, 2022	<u>\$ 90</u>	<u>\$ (634)</u>	<u>\$ 330,157</u>	<u>\$ 329,613</u>

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TOWN OF SHAFTSBURY, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2022

	Equipment Replacement Fund	Paving Fund	Park Fund	Hooke Memorial Fund	Culvert Fund	Cemetery Capital Fund	Howard Park Fund	Cole Hall Renovation and Garage Fund	Fire Equipment Replacement Fund	Sidewalk Fund	Total
<b>ASSETS</b>											
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,493	\$ 0	\$ 0	\$ 0	\$ 9,493
Investments	0	0	0	0	0	0	36,025	0	0	0	36,025
Receivables	0	0	0	0	0	0	0	0	0	1,949	1,949
Due from Other Funds	<u>201,238</u>	<u>41,126</u>	<u>18,644</u>	<u>45,339</u>	<u>0</u>	<u>69,682</u>	<u>0</u>	<u>419</u>	<u>93,462</u>	<u>0</u>	<u>469,910</u>
Total Assets	<u>\$ 201,238</u>	<u>\$ 41,126</u>	<u>\$ 18,644</u>	<u>\$ 45,339</u>	<u>\$ 0</u>	<u>\$ 69,682</u>	<u>\$ 45,518</u>	<u>\$ 419</u>	<u>\$ 93,462</u>	<u>\$ 1,949</u>	<u>\$ 517,377</u>
<b>LIABILITIES</b>											
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,411	\$ 0	\$ 0	\$ 0	\$ 2,436	\$ 3,847
Due to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,986</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,986</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,986</u>	<u>1,411</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,436</u>	<u>14,833</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>											
Unavailable Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,949</u>	<u>1,949</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,949</u>	<u>1,949</u>
<b>FUND BALANCES/(DEFICIT)</b>											
Restricted	110,000	0	5,000	0	0	37,101	45,518	0	0	0	197,619
Committed	91,238	41,126	13,644	45,339	0	31,170	0	419	93,462	0	316,398
Unassigned/(Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(10,986)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,436)</u>	<u>(13,422)</u>
Total Fund Balances/(Deficit)	<u>201,238</u>	<u>41,126</u>	<u>18,644</u>	<u>45,339</u>	<u>(10,986)</u>	<u>68,271</u>	<u>45,518</u>	<u>419</u>	<u>93,462</u>	<u>(2,436)</u>	<u>500,595</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 201,238</u>	<u>\$ 41,126</u>	<u>\$ 18,644</u>	<u>\$ 45,339</u>	<u>\$ 0</u>	<u>\$ 69,682</u>	<u>\$ 45,518</u>	<u>\$ 419</u>	<u>\$ 93,462</u>	<u>\$ 1,949</u>	<u>\$ 517,377</u>

TOWN OF SHAFTSBURY, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2022

	Equipment Replacement Fund	Paving Fund	Park Fund	Hooke Memorial Fund	Culvert Fund	Cemetery Capital Fund	Howard Park Fund	Cole Hall Renovation and Garage Fund	Fire Equipment Replacement Fund	Sidewalk Fund	Total
Revenues:											
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,532	\$ 0	\$ 38,532
Investment Income/(Loss)	75	16	11	23	10	17	(3,517)	4	23	0	(3,338)
Total Revenues	75	16	11	23	10	17	(3,517)	4	38,555	0	35,194
Expenditures:											
Public Works	0	2,028	0	0	0	0	0	8,000	0	0	10,028
Culture and Recreation	0	0	3,654	0	0	0	315	0	0	0	3,969
Cemetery	0	0	0	0	0	5,045	0	0	0	0	5,045
Capital Outlay:											
Public Safety	0	0	0	0	0	0	0	0	40,700	0	40,700
Public Works	70,244	0	0	0	43,034	0	0	0	0	2,436	115,714
Debt Service:											
Principal	11,933	0	0	0	0	0	0	0	0	0	11,933
Total Expenditures	82,177	2,028	3,654	0	43,034	5,045	315	8,000	40,700	2,436	187,389
Excess/(Deficiency) of Revenues Over Expenditures	(82,102)	(2,012)	(3,643)	23	(43,024)	(5,028)	(3,832)	(7,996)	(2,145)	(2,436)	(152,195)
Other Financing Sources:											
Issuance of Long-term Debt	166,300	0	0	0	0	0	0	0	0	0	166,300
Transfers In	115,000	18,000	0	0	10,000	37,101	0	0	96,000	0	276,101
Total Other Financing Sources	281,300	18,000	0	0	10,000	37,101	0	0	96,000	0	442,401
Net Changes in Fund Balances	199,198	15,988	(3,643)	23	(33,024)	32,073	(3,832)	(7,996)	93,855	(2,436)	290,206
Fund Balances/(Deficit) - July 1, 2021	2,040	25,138	22,287	45,316	22,038	36,198	49,350	8,415	(393)	0	210,389
Fund Balances/(Deficit) - June 30, 2022	\$ 201,238	\$ 41,126	\$ 18,644	\$ 45,339	\$ (10,986)	\$ 68,271	\$ 45,518	\$ 419	\$ 93,462	\$ (2,436)	\$ 500,595

TOWN OF SHAFTSBURY, VERMONT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 PRIVATE-PURPOSE TRUST FUNDS  
 JUNE 30, 2022

	Trustees of Public Funds Fund	Florence Beebe Memorial Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 59,243	\$ 0	\$ 59,243
Investments	179,354	0	179,354
Due from Other Funds	<u>0</u>	<u>738</u>	<u>738</u>
Total Assets	<u>\$ 238,597</u>	<u>\$ 738</u>	<u>\$ 239,335</u>
<u>LIABILITIES AND NET POSITION</u>			
Liabilities:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Position:			
Restricted	<u>238,597</u>	<u>738</u>	<u>239,335</u>
Total Net Position	<u>238,597</u>	<u>738</u>	<u>239,335</u>
Total Liabilities and Net Position	<u>\$ 238,597</u>	<u>\$ 738</u>	<u>\$ 239,335</u>

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TOWN OF SHAFTSBURY, VERMONT  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE-PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2022

	Trustees of Public Funds Fund	Florence Beebe Memorial Fund	Total
Additions:			
Investment Income/(Loss)	\$ (17,588)	\$ 1	\$ (17,587)
Total Additions	<u>(17,588)</u>	<u>1</u>	<u>(17,587)</u>
Deductions:			
Mary Monroe Hawkins Memorial			
Library Expenses	984	0	984
Recreation Project Expenses	4,265	0	4,265
School Expenses	1,286	0	1,286
Investment Fees	<u>1,662</u>	<u>0</u>	<u>1,662</u>
Total Deductions	<u>8,197</u>	<u>0</u>	<u>8,197</u>
Change in Net Position	(25,785)	1	(25,784)
Net Position - July 1, 2021	<u>264,382</u>	<u>737</u>	<u>265,119</u>
Net Position - June 30, 2022	<u>\$ 238,597</u>	<u>\$ 738</u>	<u>\$ 239,335</u>

See Disclaimer in 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”

Selectboard  
Town of Shaftsbury, Vermont  
P.O. Box 409  
61 Buck Hill Road  
Shaftsbury, Vermont 05262-0409

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 each major fund and the aggregate remaining fund information of the Town of Shaftsbury, Vermont as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Shaftsbury, Vermont’s basic financial statements and have issued our report thereon dated (DATE). The report on the financial statements is adverse because of the omission of the government-wide financial statements and the inadequacies in the Town’s controls over transfer station revenues.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of Shaftsbury, Vermont’s internal control over financial reporting (internal control) as a basis for designing 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 Shaftsbury, Vermont’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Shaftsbury, Vermont’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified certain deficiencies that we consider to be material weaknesses and another deficiency that we consider to be 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 Town of Shaftsbury, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2022-01 through 2022-04 to be material weaknesses.

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 and Deficiencies in Internal Control as Item 2022-05 to be a significant deficiency.

### ***Report on Compliance and Other Matters***

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

### ***Town of Shaftsbury, Vermont's Response to Findings***

"Government Auditing Standards" requires the auditor to perform limited procedures on the Town of Shaftsbury, Vermont's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Deficiencies in Internal Control. Town of Shaftsbury, Vermont's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### ***Purpose of this Report***

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

(DATE)  
Montpelier, Vermont  
VT Lic. #92-000180

TOWN OF SHAFTSBURY, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2022

DRAFT

Deficiencies in Internal Control:

Material Weaknesses:

2022-01 Governmental Fixed Assets Accounting and Reporting

*Criteria:*

Internal controls should be in place to provide for complete and accurate recording of the Town's governmental fixed assets. Complete and accurate records are vital to the effective safeguarding of fixed assets owned by a government. They are needed to maintain individual accountability for resources, to develop the insurable value of government-owned property and equipment, and to document proof of loss for claims. In addition, fixed asset records are essential for effective long-range management planning for replacement of existing property and equipment.

Fixed asset and depreciation accounting are also necessary for the setting of the cost of individual services provided by governments. Finally, the proper reporting of fixed assets is essential for the fair presentation of a government's financial position and the results of its operations in conformity with generally accepted accounting principles (GAAP).

*Condition:*

The Town has not maintained a complete schedule of its governmental fixed assets at historical cost.

*Cause:*

Unknown

*Effect:*

The Town is not in compliance with Governmental Accounting Standards Board (GASB) requirements. In addition, the Town is not safeguarding its fixed assets from potential loss.

*Recommendation:*

We recommend that the Town implement controls to account for and record fixed assets at historical cost in accordance with generally accepted accounting principles. A property management system is accomplished by preparing a list of assets, date acquired, location, and cost. If historical cost is not available, alternative methods can be used (i.e. estimated historical cost). Once a list is established, only additions and deletions need to be entered each year.

TOWN OF SHAFTSBURY, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2022

DRAFT

There are a number of ways to initiate this process. The Town needs to determine a dollar threshold individually and in the aggregate above which assets will be tracked. A complete inventory then needs to be taken. The assets then need to be valued at cost. This can be done through a review of original invoices and contracts, if available. If purchase price cannot be established, then fair market value needs to be determined and discounted using price indexes to the year of acquisition. This is an acceptable method of estimating cost and will self-correct over time as assets are replaced. Once established, periodic inventories need to be taken to verify the accuracy of the records.

2022-02 Transfer Station Revenue

*Criteria:*

Internal controls should be in place at the transfer station over revenue to ensure that all customers have paid, that all the cash that is received is recorded and deposited and that the Town maintains supporting documentation for the cash collected.

*Condition:*

The Town does not have adequate internal controls over transfer station revenues. The transfer station does not require that a receipt be given for all cash collected nor is there a sign that indicates that customers must take a receipt nor is there any procedure in place to ensure that every person has paid. Therefore, the Town cannot be sure that all of the cash collected is being handed over to them by the transfer station employees.

*Cause:*

Unknown.

*Effect:*

The Town has left itself open to the threat of misappropriation of its assets.

*Recommendation:*

Our primary recommendation is that the Town consider selling transfer station coupons off-site at the Town Treasurer's office and/or at local businesses. If sales take place at the transfer station, we recommend that the Town require prenumbered cash receipts to be issued to all customers. We also recommend that a sign requiring customers to take a receipt be placed where they can see it.

In addition, management should implement procedures to reconcile the receipts to the actual cash collected and to account for the sequence of the prenumbered receipts if they are used. Furthermore, the transfer station staff should periodically verify that the deposits turned over to the Town were deposited in full.

2022-03 Reconciliation of Balance Sheet Accounts

*Criteria:*

Internal controls should be in place to provide for the reconciliation of all balance sheet accounts to supporting documentation in order to detect and correct errors in account balances.

*Condition:*

A number of balance sheet accounts such as accounts receivable, prepaid expenses/items, accumulated depreciation, accounts payable, accrued payroll and benefits payable, unearned revenue, bonds payable and deferred inflows of resources were not reconciled prior to the audit to the actual balances at year end which resulted in various adjustments to revenue and expenses.

*Cause:*

Unknown.

*Effect:*

The Town's account balances were not completely reconciled which resulted in various adjustments to revenue and expenses.

*Recommendation:*

We recommend that all balance sheet accounts be reconciled to supporting documentation at least monthly in order to detect and correct errors.

2022-04 Property Tax Reconciliation

*Criteria:*

Internal controls should be in place to ensure property taxes have been reconciled to the general ledger at year-end.

*Condition:*

The Town did not have controls in place to ensure property taxes were reconciled to the general ledger at year-end.

*Cause:*

Unknown.

TOWN OF SHAFTSBURY, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
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*Effect:*

The Town's property tax account balances were not completely reconciled which resulted in various adjustments to correct account balances.

*Recommendation:*

We recommend that the Town implement controls to ensure property taxes are reconciled to the general ledger at year-end.

Significant Deficiencies:

2022-05 Signed Board Warrants

*Criteria:*

Internal controls should be in place to ensure that the Town retains signed Board warrants for all expenditures.

*Condition:*

The Town has a policy in place to approve warrants at the virtual Selectboard meetings and have the Selectboard Chair review and sign the warrants. However, the Town could not locate the signed Board warrants for several payments during the year.

*Cause:*

Unknown.

*Effect:*

The Town could be paying for items that were not approved by the Town.

*Recommendation:*

We recommend that the Town retain signed Board warrants for all expenditures.