

TOWN OF EAST MONTPELIER, VERMONT

AUDIT REPORT

JUNE 30, 2021

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AUDIT REPORT
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Independent Auditor's Report

Selectboard
Town of East Montpelier, Vermont
P.O. Box 157
East Montpelier, Vermont 05651

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of East Montpelier, Vermont, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of East Montpelier, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of East Montpelier, Vermont, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note I.F. to the financial statements, effective June 30, 2021, the Town implemented GASB Statement No. 84, "Fiduciary Activities".

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, 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 East Montpelier, 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 do not express an 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 October 18, 2021 on our consideration of the Town of East Montpelier, Vermont’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 East Montpelier, Vermont’s internal control over financial reporting and compliance.

October 18, 2021
Montpelier, Vermont
VT Lic. #92-000180

Sullivan, Powers & Company

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Our discussion and analysis of the Town of East Montpelier, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the Town's financial statements that begin on Exhibit A. This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives.

Financial Highlights

Government-Wide Financial Statements:

- The Town's Net Position increased as a result of this year's operations by \$639,406, compared to \$846,134 in fiscal year 2020.
- The cost of all of the Town's operations for the fiscal year ended June 30, 2021 was \$2,229,390 compared to \$2,225,026 in fiscal year 2020, a 0.2% increase.

Fund Financial Statements:

- The Town's General Fund fund balance increased by \$157,764 to \$747,637.
- The Capital Reserve Fund fund balance increased by \$572,288 to \$1,490,132.
- The Community Development Fund fund balance increased by \$7,958 to \$74,140.
- The Village Projects Grant Fund fund balance increased by \$161,739 to \$(66,029).
- The various non-major governmental funds fund balances decreased by \$11,626, from \$354,123 to \$342,497.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits A and B) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start with Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

Our analysis of the Town as a whole is reflected on Exhibit A & B. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets (net of depreciation), deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Continued)

These two statements report the Town's Net Position and changes in them. You can think of the Town's Net Position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's Net Position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

All of the Town's basic services are governmental activities, including the general administration. Property taxes, state and federal grants finance most of these activities.

Reporting the Town's Most Significant Funds

Our analysis of the financial statements of the Town's major governmental funds is reflected on Exhibits C and D. Some funds are required to be established by State law and by bond covenants. However, the Town's Selectboard establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. Major funds in the Town fund statements are the General Fund, which contains most of the Town's operations, the Capital Reserve Fund, which contains the activity for general Town capital expenses, the Community Development Fund, which deals with the activity of the community development program, and the Village Projects Grant Fund, which contains the grant activity for the Village projects. All other funds are considered non-major funds. There is one category for all funds, as follows:

Governmental Funds

The Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities and governmental funds in Exhibits C and E.

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Continued)

The Town as a Whole (Government-Wide Financial Analysis)

Our analysis below focuses on the Net Position (Table 1) and change in Net Position (Table 2) of the Town's governmental activities:

Table 1 - Net Position

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>Net Change</u>
Current and other assets	\$ 3,020,602	\$ 2,674,545	\$ 346,057
Capital assets	5,686,581	5,735,803	(49,222)
Total assets	<u>8,707,183</u>	<u>8,410,348</u>	<u>296,835</u>
Deferred outflows of resources	<u>132,008</u>	<u>85,468</u>	<u>46,540</u>
Current liabilities	67,129	315,915	(248,786)
Long-term liabilities due within one year	112,915	144,836	(31,921)
Long-term liabilities due after one year	1,370,886	1,390,027	(19,141)
Total liabilities	<u>1,550,930</u>	<u>1,850,778</u>	<u>(299,848)</u>
Deferred inflows of resources	<u>11,265</u>	<u>7,448</u>	<u>3,817</u>
Net investment in capital assets	4,650,401	4,562,687	87,714
Restricted	411,147	394,643	16,504
Unrestricted	2,215,448	1,680,260	535,188
Total net position	<u>\$ 7,276,996</u>	<u>\$ 6,637,590</u>	<u>\$ 639,406</u>

Table 2 - Change in Net Position

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>Net Change</u>
REVENUES			
General revenue:			
Property taxes	\$ 1,978,345	\$ 1,876,908	\$ 101,437
Penalties and Interest on delinquent taxes	50,037	23,612	26,425
General state grants	104,412	105,389	(977)
Earnings on investments	6,463	26,302	(19,839)
Other general revenues	1,068	702	366
Program revenues:			
Charges for services	80,255	132,077	(51,822)
Operating grants and contributions	222,213	222,612	(399)
Capital grants and contributions	426,003	683,558	(257,555)
Total revenues	<u>2,868,796</u>	<u>3,071,160</u>	<u>(202,364)</u>
PROGRAM EXPENSES			
General government	658,431	642,097	16,334
Public safety	370,031	329,411	40,620
Highways and streets	1,064,570	1,104,465	(39,895)
Culture and recreation	64,361	64,494	(133)
Cemetery	20,870	27,822	(6,952)
Interest on long-term debt	51,127	56,737	(5,610)
Total program expenses	<u>2,229,390</u>	<u>2,225,026</u>	<u>4,364</u>
Increase (decrease) in net position	<u>\$ 639,406</u>	<u>\$ 846,134</u>	<u>\$ (206,728)</u>

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Continued)

Unrestricted Net Position is the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. This also includes funds with tax revenues that have been assigned for a certain type of expenses. The unrestricted Net Position changed from a \$1,680,260 balance at June 30, 2020, to a \$2,215,448 balance at June 30, 2021 for the governmental activities.

The Town's combined Net Position increased by \$639,406 as a result of the current year operations.

Table 3 presents the cost of each of the Town's programs as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Table 3 - Governmental Activities

	6/30/2021		6/30/2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 658,431	\$ 560,461	\$ 642,097	\$ 569,013
Public safety	370,031	317,118	329,411	274,511
Highways and streets	1,064,570	509,785	1,104,465	226,542
Culture and recreation	64,361	54,538	64,494	56,768
Community development	0	(7,130)	0	(16,219)
Cemetery	20,870	15,020	27,822	19,427
Interest on long-term debt	51,127	51,127	56,737	56,737
Total	<u>\$ 2,229,390</u>	<u>\$ 1,500,919</u>	<u>\$ 2,225,026</u>	<u>\$ 1,186,779</u>

The Town's Funds (*Fund Financial Statement Analysis*)

As the Town completed the fiscal year June 30, 2021, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$2,588,377, which is approximately 52% higher than fiscal year ended June 30, 2020 total fund balance of \$1,700,254.

General Fund Budgetary Highlights

Monthly financial reports reviewed by the Selectboard served as the vehicle for monitoring the actual results compared to budget for the year. Over the course of the year, the Town's management did not adjust the budget.

Schedule 1 compares actual to budget which shows the favorable and unfavorable variances that arose during the fiscal year in the General Fund. Revenues exceeded the budget by \$223,396 and expenditures were \$90,133 under the budget.

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Continued)

The larger variances are as follows:

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues and other sources:			
Property Taxes	\$ 1,974,619	\$ 2,066,845	\$ 92,226
State Aid to Highways	144,000	189,017	45,017
Expenditures:			
Roadside Management Grant Expenses	0	26,665	(26,665)
Highways and Streets - Diesel	58,000	29,182	28,818

The reasons for these variances are as follows:

Property Taxes: The Town's deferred property taxes decreased \$89,000 from the prior year.

State Aid to Highways: The Town received a supplementary payment of \$38,795 from the State of Vermont due to the COVID-19 pandemic.

Roadside Management Grant Expenses: This unbudgeted expense, mostly to proactively protect the town's infrastructure and the traveling public from the anticipated devastation of ash trees by the Emerald Ash Borer, is offset to a degree by unbudgeted grant income of \$11,666 from the State of Vermont. This type of grant is received, work completed, and reimbursed within a relatively short window of time that does not fit budget cycles.

Highways and streets – Diesel: Once again a somewhat gentle winter coupled with a continuation of relatively low fuel costs as a result of the COVID-19 pandemic resulted in another year of lower-than-expected diesel fuel budget utilization.

Capital Reserve Contribution: In June 2021, the Selectboard authorized an unbudgeted transfer of \$50,000 of fund balance to the Capital Reserve Fund.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2021, the Town had \$5,686,581 investment in capital assets, net of depreciation, including buildings, equipment, vehicles and infrastructure (See table below). This represents a net decrease of \$49,222 since June 30, 2020.

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(Continued)

Capital Assets at Year-End
(Net of depreciation)

	<u>Governmental Activities</u>	
	<u>6/30/2021</u>	<u>6/30/2020</u>
Land	\$ 408,702	\$ 608,702
Construction in progress	36,069	320,049
Buildings and building improvements	2,404,772	2,404,772
Vehicles, machinery and equipment	1,766,423	1,667,907
Infrastructure	4,068,075	3,366,157
Accumulated depreciation	<u>(2,997,460)</u>	<u>(2,631,784)</u>
Totals	<u>\$ 5,686,581</u>	<u>\$ 5,735,803</u>

The Town spent \$516,454 on capital asset additions during the fiscal year. Some of the notable additions include the following: the central portion of the EM Village sidewalk network was completed at a total cost of just under \$800,000, of which state grants provided nearly \$700,000 with the net town expense expected to come in at approximately \$100,000; a small tractor with a snowblower attachment was bought for \$29,600 to keep the sidewalks clear; a used 6-wheeler Freightliner truck was purchased for \$38,000 from Barre Town to essentially replace our balky International 6-wheeler for the regular winter maintenance of the paved roads; and, two specialized tools, a roadside shoulder disc attachment for the roadside mower purchased at a net-after-grant cost of \$4,500 and a log grapple attachment for the excavator bought for \$7,500.

Debt - At June 30, 2021, the Town had \$1,050,000 in notes outstanding versus \$1,186,921 on June 30, 2020 – a decrease of \$136,921. As of June 30, 2021, the Town owed \$1,050,000 on the Emergency Services Facility bond.

Economic Factors and Next Year's Budget and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2022 budget for Town operations. The Selectboard brought forth a budget calling for a 2.6% increase in expenditures which, coupled with a small increase in revenues (0.3%) and a rising Grand List (0.94%), resulted in a municipal tax rate increase of 2.2%. Once again, the board included \$100,000 of available fund balance to minimize any tax rate fluctuation. The largest contributing factor to budget growth was an increase of \$32,918 (17.3%) in the East Montpelier Fire Department ambulance service line as the town continues to support a concerted effort to shift the service closer to full-time paid staffing.

Contacting the Town's Financial Management

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

TOWN OF EAST MONTPELIER, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 2,266,232
Investments	313,049
Receivables	169,784
Loan Receivable	233,012
Prepaid Expenses	38,525
Capital Assets:	
Land	408,702
Construction in Progress	36,069
Other Capital Assets, (Net of Accumulated Depreciation)	5,241,810
Total Assets	8,707,183
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows of Resources Related to the Town's Participation in VMERS	132,008
Total Deferred Outflows of Resources	132,008
<u>LIABILITIES</u>	
Accounts Payable	40,925
Accrued Payroll and Benefits Payable	18,019
Accrued Interest Payable	8,185
Noncurrent Liabilities:	
Due within One Year	112,915
Due in More than One Year	1,370,886
Total Liabilities	1,550,930
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Prepaid Property Taxes	2,148
Deferred Inflows of Resources Related to the Town's Participation in VMERS	9,117
Total Deferred Inflows of Resources	11,265
<u>NET POSITION</u>	
Net Investment in Capital Assets	4,650,401
Restricted For:	
Culture and Recreation	54,802
Community Development	240,953
Cemetery	99,900
Other	15,492
Unrestricted	2,215,448
Total Net Position	\$ 7,276,996

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

TOWN OF EAST MONTPELIER, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

		Program Revenues				Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities
	Expenses					
Functions/Programs:						
Primary Government:						
Governmental Activities:						
General Government	\$ 658,431	\$ 65,245	\$ 24,577	\$ 8,148	\$	(560,461)
Public Safety	370,031	837	0	52,076		(317,118)
Highways and Streets	1,064,570	0	193,202	361,583		(509,785)
Culture and Recreation	64,361	1,193	4,434	4,196		(54,538)
Community Development	0	7,130	0	0		7,130
Cemetery	20,870	5,850	0	0		(15,020)
Interest on Long-term Debt	51,127	0	0	0		(51,127)
Total Primary Government	\$ <u>2,229,390</u>	\$ <u>80,255</u>	\$ <u>222,213</u>	\$ <u>426,003</u>		(1,500,919)
General Revenues:						
Property Taxes						1,978,345
Penalties and Interest on Delinquent Taxes						50,037
General State Grants						104,412
Unrestricted Investment Earnings						6,463
Other Revenues						<u>1,068</u>
Total General Revenues						<u>2,140,325</u>
Change in Net Position						639,406
Net Position - July 1, 2020						<u>6,637,590</u>
Net Position - June 30, 2021					\$	<u><u>7,276,996</u></u>

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

TOWN OF EAST MONTPELIER, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Capital Reserve Fund	Community Development Fund	Village Projects Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 2,266,232	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,266,232
Investments	162,082	0	0	0	150,967	313,049
Receivables	125,097	6,400	0	0	38,287	169,784
Loan Receivable	0	0	233,012	0	0	233,012
Due from Other Funds	0	1,490,132	82,097	0	231,551	1,803,780
Prepaid Items	38,525	0	0	0	0	38,525
Total Assets	<u>\$ 2,591,936</u>	<u>\$ 1,496,532</u>	<u>\$ 315,109</u>	<u>\$ 0</u>	<u>\$ 420,805</u>	<u>\$ 4,824,382</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 32,384	\$ 0	\$ 7,957	\$ 0	\$ 584	\$ 40,925
Accrued Payroll and Benefits Payable	16,869	0	0	0	1,150	18,019
Due to Other Funds	1,699,464	0	0	66,029	38,287	1,803,780
Total Liabilities	<u>1,748,717</u>	<u>0</u>	<u>7,957</u>	<u>66,029</u>	<u>40,021</u>	<u>1,862,724</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Prepaid Property Taxes	2,148	0	0	0	0	2,148
Unavailable Property Taxes, Penalties and Interest	89,000	0	0	0	0	89,000
Unavailable Loan Receivable	0	0	233,012	0	0	233,012
Unavailable Grants	4,434	6,400	0	0	38,287	49,121
Total Deferred Inflows of Resources	<u>95,582</u>	<u>6,400</u>	<u>233,012</u>	<u>0</u>	<u>38,287</u>	<u>373,281</u>
<u>FUND BALANCES/(DEFICIT)</u>						
Nonspendable	38,525	0	0	0	149,900	188,425
Restricted	0	0	74,140	0	34,114	108,254
Committed	0	1,490,132	0	0	61,287	1,551,419
Assigned	180,906	0	0	0	135,483	316,389
Unassigned/(Deficit)	<u>528,206</u>	<u>0</u>	<u>0</u>	<u>(66,029)</u>	<u>(38,287)</u>	<u>423,890</u>
Total Fund Balances/(Deficit)	<u>747,637</u>	<u>1,490,132</u>	<u>74,140</u>	<u>(66,029)</u>	<u>342,497</u>	<u>2,588,377</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,591,936</u>	<u>\$ 1,496,532</u>	<u>\$ 315,109</u>	<u>\$ 0</u>	<u>\$ 420,805</u>	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:						
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.						5,686,581
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.						371,133
Long-term and Accrued Liabilities, Including Bonds Payable, Amounts Due to the State of Vermont and the Net Pension Liability, are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds.						(1,491,986)
Deferred Outflows and Inflows of Resources related to the Town's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.						<u>122,891</u>
Net Position of Governmental Activities						<u>\$ 7,276,996</u>

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

TOWN OF EAST MONTPELIER, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Capital Reserve Fund	Community Development Fund	Village Projects Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$ 2,066,845	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,066,845
Penalties and Interest on Delinquent Taxes	50,037	0	0	0	0	50,037
Intergovernmental	394,486	0	0	543,608	11,288	949,382
Charges for Services	11,888	0	0	0	5,850	17,738
Permits, Licenses and Fees	44,150	0	0	0	10,400	54,550
Fines and Forfeits	837	0	0	0	0	837
Loan Repayments	0	0	8,698	0	0	8,698
Loan Interest Income	0	0	7,130	0	0	7,130
Investment Income	2,076	1,193	87	0	3,107	6,463
Other	1,068	0	0	0	0	1,068
Total Revenues	<u>2,571,387</u>	<u>1,193</u>	<u>15,915</u>	<u>543,608</u>	<u>30,645</u>	<u>3,162,748</u>
Expenditures:						
General Government	594,788	3,254	0	0	20,882	618,924
Public Safety	330,206	0	0	0	0	330,206
Highways and Streets	729,676	0	0	0	0	729,676
Culture and Recreation	63,860	0	0	0	0	63,860
Community Development	0	0	7,957	0	0	7,957
Cemetery	0	0	0	0	18,491	18,491
Capital Outlay:						
General Government	8,148	0	0	0	0	8,148
Highways and Streets	9,758	86,045	0	381,869	26,311	503,983
Culture and Recreation	4,323	0	0	0	0	4,323
Debt Service:						
Principal	105,000	31,921	0	0	0	136,921
Interest	51,230	906	0	0	0	52,136
Total Expenditures	<u>1,896,989</u>	<u>122,126</u>	<u>7,957</u>	<u>381,869</u>	<u>65,684</u>	<u>2,474,625</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>674,398</u>	<u>(120,933)</u>	<u>7,958</u>	<u>161,739</u>	<u>(35,039)</u>	<u>688,123</u>
Other Financing Sources/(Uses):						
Proceeds from Sale of Property	0	200,000	0	0	0	200,000
Transfers In	0	496,634	0	0	23,413	520,047
Transfers Out	(516,634)	(3,413)	0	0	0	(520,047)
Total Other Financing Sources/(Uses)	<u>(516,634)</u>	<u>693,221</u>	<u>0</u>	<u>0</u>	<u>23,413</u>	<u>200,000</u>
Net Change in Fund Balances	157,764	572,288	7,958	161,739	(11,626)	888,123
Fund Balances/(Deficit) - July 1, 2020	<u>589,873</u>	<u>917,844</u>	<u>66,182</u>	<u>(227,768)</u>	<u>354,123</u>	<u>1,700,254</u>
Fund Balances/(Deficit) - June 30, 2021	<u>\$ 747,637</u>	<u>\$ 1,490,132</u>	<u>\$ 74,140</u>	<u>\$ (66,029)</u>	<u>\$ 342,497</u>	<u>\$ 2,588,377</u>

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

TOWN OF EAST MONTPELIER, VERMONT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2021

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	\$ 888,123
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$516,454) is allocated over their estimated useful lives and reported as depreciation expense (\$365,676). This is the amount by which capital outlays exceeded depreciation in the current period.	150,778
The net effect of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to reduce net position.	(200,000)
The issuance of long-term debt (\$-0-) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$136,921) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	136,921
The issuance of loans receivable (\$-0-) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$8,698) provides current financial resources to governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of loans receivable.	(8,698)
Governmental funds report employer pension contributions as expenditures (\$26,422). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$71,220) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.	(44,798)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(285,254)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>2,334</u>
Change in net position of governmental activities (Exhibit B)	\$ <u><u>639,406</u></u>

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

TOWN OF EAST MONTPELIER, VERMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2021

	<u>Custodial Fund</u> <u>Education Tax</u> <u>Fund</u>
<u>ASSETS</u>	
Assets:	\$ <u>0</u>
<u>LIABILITIES</u>	
Liabilities:	<u>0</u>
<u>NET POSITION</u>	
Net Position:	\$ <u><u>0</u></u>

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

TOWN OF EAST MONTPELIER, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Custodial Fund</u> <u>Education Tax</u> <u>Fund</u>
<u>ADDITIONS</u>	
Education Taxes Collected for Other Governments	\$ <u>4,636,093</u>
Total Additions	<u>4,636,093</u>
<u>DEDUCTIONS</u>	
Education Taxes Distributed to Other Governments	<u>4,636,093</u>
Total Deductions	<u>4,636,093</u>
Change in Net Position	0
Net Position - July 1, 2020	<u>0</u>
Net Position - June 30, 2021	\$ <u><u>0</u></u>

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

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

The Town of East Montpelier, Vermont, (herein the "Town") operates under a Selectboard form of government and provides the following services: public safety, highways and streets, culture and recreation, community/economic development, health and social services, public improvements, planning and zoning and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Town of East Montpelier, Vermont (the "Town") 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.

A. The Financial Reporting Entity

This report includes all of the activity of the Town of East Montpelier, 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 both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole and present a longer-term view of the Town's finances. 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.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Capital Reserve Fund – This fund accounts for the general capital expenditures of the Town.

Community Development Fund – This fund accounts for the activity of the community development program.

Village Projects Grant Fund – This fund accounts for the capital expenditures related to Village grant projects.

Additionally, the Town reports the following fund type:

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. Government-wide 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.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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 government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when they are 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 property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, 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 capital leases 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.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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 – Fiduciary Activities

Effective June 30, 2021, the Town implemented GASB Statement No. 84, “Fiduciary Activities”. GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This required moving certain items previously recorded through a General Fund liability account to the newly established custodial fund that reports additions and deductions for these activities. No restatement of beginning net position/fund balance was required in either fund. As a result, the collection and remittance of education taxes on behalf of other governments are now presented in a Custodial Fund.

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

1. Cash

Cash balances of 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 fund balances.

2. Investments

The Town invests in investments as allowed by State statutes. Investments with readily determinable fair values are reported at fair value. 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.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

4. Due from/to Other Funds

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. 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.

6. 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.

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.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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. Infrastructure assets are reported starting with the fiscal year ended June 30, 2004. The Town has elected to not report major general infrastructure assets retroactively.

Capital assets reported in the government-wide 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:

	Capitalization Threshold	Estimated Service Life
Land	\$ 1,000	Not Depreciated
Buildings and Building Improvements	\$ 5,000	40-50 Years
Vehicles, Machinery and Equipment	\$ 2,500	4-20 Years
Infrastructure	\$ 10,000	10-50 Years

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are incurred.

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 government-wide 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 payable, capital leases, Community Development loan repayments due to the State of Vermont and other obligations such as compensated absences and the Town's net pension liability. Long-term liabilities are reported in the government-wide financial statements. Governmental fund financial statements do not include any long-term liabilities as those statements use the current financial resources measurement focus and only include current liabilities on their balance sheets.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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 government-wide 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 fund financial statements 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. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND AND GOVERNMENT-WIDE STATEMENTS

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, whereas government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as other financing sources, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report proceeds of long-term debt as other financing sources and principal payments as an expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

Pension-related differences arise because governmental funds report the current year's required employer contributions as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources. In addition, the accrual for the Town's proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The General Fund budget is approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget amendments during the year. The budget presented herein is for the Town's "General Fund" only and does not include the Recreation Committee Fund activity that is included with the General Fund and unbudgeted transfers.

B. Budgeted Deficit

The Town budgeted a current year's deficiency of revenues over expenditures in the General Fund in the amount of \$100,000 in order to utilize a portion of the previous year's surplus. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 1.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2021 consisted of the following:

Cash:

Deposits with Financial Institutions	\$2,266,107
Cash on Hand	<u>125</u>
Total Cash	2,266,232

Investments:

Certificates of Deposit	<u>313,049</u>
Total Cash and Investments	<u>\$2,579,281</u>

The Town has four (4) certificates of deposit at various banks ranging from \$21,508 to \$162,082 with interest rates ranging from 0.30% to 2.15%. All certificates of deposit mature by fiscal year 2023.

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 following table shows the custodial credit risk of the Town's cash and certificates of deposit.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured by FDIC	\$ 572,245	\$ 572,245
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	<u>2,006,911</u>	<u>2,032,475</u>
Total	<u>\$2,579,156</u>	<u>\$2,604,720</u>

The difference between the book balance and 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	\$2,266,107
Investments – Certificates of Deposit	<u>313,049</u>
Total	<u>\$2,579,156</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 has no exposure to interest rate risk as the Town's investment policy only permits investments in certificates of deposit and other evidences of deposit at financial institutions. The Town's certificates of deposit are not subject to 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. The Town has no exposure to credit risk as the Town's investment policy only permits investments in certificates of deposit and other evidences of deposit at financial institutions. The Town's certificates of deposit are not subject to credit risk disclosure.

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 has no exposure to concentration of credit risk as the Town's investment policy only permits investments in certificates of deposit and other evidences of deposit at financial institutions. The Town has no investments subject to concentration of credit risk disclosure.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

B. Receivables

Receivables as of June 30, 2021, as reported in the statement of net position, are as follows:

	<u>Governmental Activities</u>
Delinquent Taxes Receivable	\$ 106,162
Penalties and Interest Receivable	13,778
Grants Receivable	49,121
Accounts Receivable	<u>723</u>
Total	<u>\$ 169,784</u>

C. Loan Receivable

The Town obtained a \$318,900 federal grant through the Vermont Community Development Program and has loaned these funds to The Housing Foundation, Inc. for a septic system upgrade at Sandy Pines Mobile Home Park. The loan has an interest rate of 3% and requires monthly installments of \$1,319 until October 1, 2027 with a balloon payment of \$172,756 due on October 1, 2027 for the remaining balance. The balance of this loan receivable as of June 30, 2021 was \$233,012. Total principal payments received on this loan during the year were \$8,698.

D. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 608,702	\$ 0	\$ 200,000	\$ 408,702
Construction in Progress	<u>320,049</u>	<u>417,938</u>	<u>701,918</u>	<u>36,069</u>
Total Capital Assets, Not Being Depreciated	<u>928,751</u>	<u>417,938</u>	<u>901,918</u>	<u>444,771</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	2,404,772	0	0	2,404,772
Vehicles, Machinery and Equipment	1,667,907	98,516	0	1,766,423
Infrastructure	<u>3,366,157</u>	<u>701,918</u>	<u>0</u>	<u>4,068,075</u>
Totals	<u>7,438,836</u>	<u>800,434</u>	<u>0</u>	<u>8,239,270</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	590,688	49,093	0	639,781
Vehicles, Machinery and Equipment	461,085	114,215	0	575,300
Infrastructure	<u>1,580,011</u>	<u>202,368</u>	<u>0</u>	<u>1,782,379</u>
Totals	<u>2,631,784</u>	<u>365,676</u>	<u>0</u>	<u>2,997,460</u>
Total Capital Assets, Being Depreciated	<u>4,807,052</u>	<u>434,758</u>	<u>0</u>	<u>5,241,810</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,735,803</u>	<u>\$ 852,696</u>	<u>\$ 901,918</u>	<u>\$ 5,686,581</u>

TOWN OF EAST MONTPELIER, VERMONT
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Depreciation was charged as follows:

Governmental Activities:	
General Government	\$ 7,721
Public Safety	39,825
Highways and Streets	315,250
Culture and Recreation	501
Cemetery	<u>2,379</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 365,676</u>

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2021 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 1,699,464
Capital Reserve Fund	1,490,132	0
Community Development Fund	82,097	0
Village Projects Grant Fund	0	66,029
Non-Major Governmental Funds	<u>231,551</u>	<u>38,287</u>
Total	<u>\$ 1,803,780</u>	<u>\$ 1,803,780</u>

Interfund transfers during the year ended June 30, 2021 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Recreation Committee Fund	\$ 3,500	* Appropriation
General Fund	Capital Reserve Fund	446,634	Appropriation
General Fund	Capital Reserve Fund	50,000	Transfer Prior Year Surplus
General Fund	Cemetery Fund	20,000	Appropriation
Capital Reserve Fund	VLCT Safety Fund	782	Fund Local Match
Capital Reserve Fund	Paving & Structures Grant Fund	<u>2,631</u>	Fund Local Match
Total		<u>\$ 523,547</u>	

* The transfer from the General Fund to the Recreation Committee Fund is netted within the General Fund as this fund is consolidated within the General Fund in order to comply with GASB Statement No. 54.

TOWN OF EAST MONTPELIER, VERMONT
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F. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of \$27,937 from the difference between the expected and actual experience, \$29,668 from the difference between the projected and actual investment earnings, \$41,588 from changes in assumptions, and \$6,393 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$26,422 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$132,008.

G. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$919 from the difference between the expected and actual experience and \$8,198 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS). It also includes \$2,148 of prepaid property taxes. Total deferred inflows of resources in the governmental activities is \$11,265.

Deferred inflows of resources in the General Fund consists of \$89,000 of delinquent property taxes, penalties and interest on those taxes and \$4,434 of grant revenues not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$2,148 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$95,582.

Deferred inflows of resources in the Capital Reserve Fund consists of \$6,400 of grant revenues 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 Community Development Fund consists of \$233,012 of a loan receivable as this would not be available to liquidate current liabilities.

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$38,287 of grant revenues not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

H. Long-term Liabilities

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 enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations 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.

TOWN OF EAST MONTPELIER, VERMONT
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The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries.

The accrual for the Town's share of the net pension liability is recorded in the government-wide financial statements.

It is the policy of the Town to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements.

Long-term liabilities outstanding as of June 30, 2021 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, East Montpelier Fire Department Building, Principal Payments of \$105,000 Payable on December 1 Annually, Interest Ranging from 1.54% to 5.05% Payable on June 1 and December 1, Due December, 2030	\$1,155,000	\$ 0	\$105,000	\$1,050,000
Capital Lease Payable, Kansas StateBank, 2018 Mack Truck, Principal and Interest Payments of \$32,827 Payable on March 7 Annually, Interest at 2.84%, Due and Paid March, 2021	<u>31,921</u>	<u>0</u>	<u>31,921</u>	<u>0</u>
Total	<u>\$1,186,921</u>	<u>\$ 0</u>	<u>\$136,921</u>	<u>\$1,050,000</u>

Changes in long-term liabilities during the year were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 1,155,000	\$ 0	\$ 105,000	\$ 1,050,000	\$ 105,000
Capital Leases Payable	31,921	0	31,921	0	0
Compensated Absences Payable	50,766	6,632	0	57,398	0
Due to State of Vermont	74,156	0	7,957	66,199	7,915
Net Pension Liability	<u>223,020</u>	<u>87,184</u>	<u>0</u>	<u>310,204</u>	<u>0</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 1,534,863</u>	<u>\$ 93,816</u>	<u>\$ 144,878</u>	<u>\$ 1,483,801</u>	<u>\$ 112,915</u>

As part of the Town's community development loan program that was originally funded by the State of Vermont, the Town is required to repay the State based on loan repayments. The agreement requires the Town to repay one-half of the annual principal and interest repayments received to the State of Vermont up to a cumulative total of \$159,450, which is half of the \$318,900 original loan as described in Note IV.C. The current balance is \$66,199.

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Compensated absences and required contributions to the pension plans are paid by the applicable fund where the employee is charged.

The change in the net pension liability is allocated to the function where the employee is charged.

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	\$ 105,000	\$ 46,919
2023	105,000	42,467
2024	105,000	37,853
2025	105,000	33,096
2026	105,000	28,235
2027-2031	525,000	65,178
Total	<u>\$ 1,050,000</u>	<u>\$ 253,748</u>

I. 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.

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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.

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

Major Funds

General Fund:

Nonspendable Prepaid Items	\$ <u>38,525</u>
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Non-Major Funds

Special Revenue Funds:

Nonspendable Cemetery Fund Principal	99,900
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Permanent Fund:

Nonspendable C. Smith Recreation Fund Principal	<u>50,000</u>
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Total Non-Major Funds	<u>149,900</u>
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Total Nonspendable Fund Balances	\$ <u>188,425</u>
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The fund balances in the following funds are restricted as follows:

Major Funds

Community Development Fund:

Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	\$ <u>74,140</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Records Restoration Expenses by Statute (Source of Revenue is Restoration Fees)	13,871
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Restricted for Veteran's Memorial Expenses by Donations (Source of Revenue is Donations)	1,451
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Restricted for Rally Day Fund by Donations (Source of Revenue is Donations)	<u>170</u>
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Total Special Revenue Funds	<u>15,492</u>
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Capital Projects Funds:

Restricted for Emergency Services Facility Expenditures by Bond Proceeds (Source of Revenue is Bond Proceeds)	<u>13,820</u>
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TOWN OF EAST MONTPELIER, VERMONT
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Permanent Fund:

Restricted for C. Smith Fund by Trust Agreement – Expendable Portion	\$ <u>4,802</u>
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Total Non-Major Funds	<u>34,114</u>
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Total Restricted Fund Balances	<u>\$108,254</u>
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The fund balances in the following funds are committed as follows:

Major Funds

Capital Reserve Fund:

Committed for Capital Projects by the Voters	\$ <u>1,490,132</u>
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Non-Major Funds

Special Revenue Funds:

Committed for Town Forest Expenses by the Voters	27,200
Committed for Land Conservation Expenses by the Voters	20,667
Committed for Cemetery Expenses by the Voters	<u>13,420</u>

Total Special Revenue Funds	<u>61,287</u>
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Total Committed Fund Balances	<u>\$1,551,419</u>
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The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:

Assigned to Reduce Property Taxes in Fiscal Year 2022	\$100,000
Assigned for Compensated Absences Payments	55,000
Assigned for Treasurer Transition	25,000
Assigned for Recreation Committee Expenses	<u>906</u>

Total General Fund	<u>180,906</u>
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Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses	134,983
Assigned for Rally Day Expenses	<u>500</u>

Total Non-Major Funds	<u>135,483</u>
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Total Assigned Fund Balances	<u>\$316,389</u>
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TOWN OF EAST MONTPELIER, VERMONT
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The General Fund unassigned fund balance includes \$287,731 of emergency reserves as approved by the voters.

The unassigned deficit of \$66,029 in the Village Projects Grant Fund will be funded with a transfer from the Capital Reserve Fund.

The unassigned deficit of \$38,287 in the Paving & Structures Grant Fund will be funded with the collection of grant revenue.

J. Restricted Net Position

The restricted net position of the Town as of June 30, 2021 consisted of the following:

Governmental Activities:

Restricted for Community Development by Grant Agreements	\$240,953
Restricted for Records Restoration Expenses by Statute	13,871
Restricted for Veteran's Memorial Expenses by Donations	1,451
Restricted for Rally Day Expenses by Donations	170
Restricted for Cemetery by Trust Agreement	99,900
Restricted for C. Smith Recreation Fund by Trust Agreement – Non-Expendable Portion	50,000
Restricted for C. Smith Recreation Fund by Trust Agreement – Expendable Portion	<u>4,802</u>
Total Governmental Activities	<u>\$411,147</u>

V. OTHER INFORMATION

A. Pension Plan

Defined Benefit Plan

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, 2020, 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.

TOWN OF EAST MONTPELIER, VERMONT
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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, 2020, the measurement date selected by the State of Vermont, VMERS was funded at 74.52% and had a plan fiduciary net position of \$740,052,895 and a total pension liability of \$993,026,959 resulting in a net position liability of \$252,974,064. As of June 30, 2021, the Town's proportionate share of this was 0.1226% resulting in a net pension liability of \$310,204. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Town's proportion of 0.1226% was a decrease of 0.0059 from its proportion measured as of the prior year.

For the year ended June 30, 2021, the Town recognized pension expense of \$71,220.

As of June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 27,937	\$ 919
Difference between projected and actual investment earnings on pension assets	29,668	0
Changes in assumptions	41,588	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,393	8,198
Town's required employer contributions made subsequent to the measurement date	26,422	0
	\$ <u>132,008</u>	\$ <u>9,117</u>

TOWN OF EAST MONTPELIER, VERMONT
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The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$26,422 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2022	\$26,840
2023	28,671
2024	25,091
2025	<u>15,867</u>
Total	<u>\$96,469</u>

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 Groups B and C.

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.

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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 – 3.00%. Group B – 5.375%. Group C – 10.50%. Group D – 11.85%.

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Employer Contributions – Group A – 4.50%. Group B – 6.00%. Group C – 7.75%. Group D – 10.35%.

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, a decrease from 7.50% in the prior year.

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 below-median and 60% of PubG-2010 General Employee, with generational projection using scale MP-2019. Group D – PubG-2010 General Employee above-median, with generational projection using scale MP-2019.

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

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

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

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

Cost-of-Living Adjustments: 1.10% for Group A members and 1.20% for Groups B, C and D members. The January 1, 2020 and January 1, 2021 COLAs are 0.80% and 0.40%, respectively, for all groups.

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.

TOWN OF EAST MONTPELIER, VERMONT
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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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	29%	7.07%
US Equity – Large Cap	4%	6.19%
US Equity – Small/Mid Cap	3%	6.93%
Non-US Equity – Large Cap	5%	7.01%
Non-US Equity – Small Cap	2%	7.66%
Emerging Markets Debt	4%	3.66%
Core Bond	20%	0.39%
Private & Alternate Credit	10%	6.03%
US TIPS	3%	(0.20)%
Core Real Estate	5%	4.06%
Non-Core Real Estate	3%	6.43%
Private Equity	10%	11.27%
Infrastructure/Farmland	2%	5.44%

Discount Rate – The discount rate used to measure the total pension liability was 7.00%, a decrease from 7.50% in the prior year. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members) with scheduled increases through July 1, 2021. Further, based upon Board resolution, projected contributions beginning July 1, 2022, and each subsequent July 1, through 2025 include additional total contribution increases of 0.50% per year. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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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>
\$473,928	\$310,204	\$175,493

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.

B. 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 the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

The Town is also 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.

C. Property Taxes

The Town is responsible for assessing and collecting its own property taxes, as well as education 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 August and are due November 15 and May 15 of each year. The penalty is eight percent (8%). Interest is charged at one percent (1%) per month. The tax rates for 2021 were as follows:

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	<u>Homestead</u>	<u>Non-Homestead</u>
Town	.6422	.6422
Local Agreement	.0030	.0030
Education	<u>1.8929</u>	<u>1.7352</u>
Total	<u>2.5381</u>	<u>2.3804</u>

D. Commitments and Contingencies

On June 30, 2010, the Town signed a Financing and Land Use Agreement with the Town of Calais, Vermont related to the land and building constructed for the East Montpelier Volunteer Fire Department, Inc. The property is owned by the Town of East Montpelier and the bond payable, with a current balance of \$1,050,000, is a liability of the Town of East Montpelier. The Town of Calais, which also receives its public safety coverage from the East Montpelier Volunteer Fire Department, Inc., has agreed to reimburse the Town of East Montpelier one-third of the annual bond principal and interest payments for twenty (20) years. After full payment of the bond, if either town wishes to terminate this agreement, an appraisal will be done of the property and the buy-out amount between the two parties will be two-thirds of the fair market value to the Town of East Montpelier and one-third of the fair market value to the Town of Calais. On June 24, 2013, the Town signed a Cost Allocation Agreement with the Town of Calais in which all future improvements to the property will be split two-thirds by the Town of East Montpelier and one-third by the Town of Calais and must have consent from both Towns.

Future bond principal and interest reimbursements from the Town of Calais are as follows:

2022	\$ 50,640
2023	49,156
2024	47,618
2025	46,032
2026	44,412
2027-2031	<u>196,726</u>
Total	<u>\$434,584</u>

The Town is a participating member in the Central Vermont Solid Waste Management District. The Town, as a member, could be required to share in any special assessments.

TOWN OF EAST MONTPELIER, 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, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 1,974,619	\$ 2,066,845	\$ 92,226
Interest on Delinquent Taxes	9,000	19,446	10,446
Penalties on Delinquent Taxes	10,000	21,499	11,499
Interest on Late Taxes	6,000	9,092	3,092
Tax Sale Fees	0	1,341	1,341
Education Retention Fees	9,000	10,695	1,695
Current Use Hold Harmless	99,000	100,145	1,145
PILOT - Land	800	635	(165)
PILOT - Buildings	3,200	3,632	432
Dog Licenses	2,300	2,149	(151)
Excess Weight Fees	400	530	130
Liquor Licenses	100	345	245
Recording Fees	20,000	28,885	8,885
Vault Fees	4,000	4,085	85
Zoning Fees	4,000	6,815	2,815
ANR Municipal Roads Grant Income	0	11,682	11,682
Roadside Management Grant Income	0	11,666	11,666
Covid Response Grant Income	0	16,308	16,308
Election Equipment Grant Income	0	3,893	3,893
State Equalization Grant Income	0	1,236	1,236
Loan Reimbursement - Town of Calais	52,076	52,076	0
State Aid to Highways	144,000	189,017	45,017
Civil Fines	1,000	837	(163)
Interest	3,000	2,069	(931)
Miscellaneous	100	1,068	968
Total Revenues	2,342,595	2,565,991	223,396
Expenditures:			
Town Officers' Payroll:			
Municipal Employees	221,000	217,602	3,398
Health Officer	1,000	1,000	0
Selectboard	5,500	5,500	0
Planning Commission Stipend	4,750	4,750	0
Internal Auditor's	7,000	6,561	439
Listers Payroll	23,000	13,767	9,233
Animal Control Officers Stipend	1,500	1,500	0
Constable Stipend	1,500	1,500	0
Total Town Officers' Payroll	265,250	252,180	13,070

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TOWN OF EAST MONTPELIER, 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, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Employee Benefits/Insurances:			
Social Security/Medicare	\$ 39,500	\$ 36,592	\$ 2,908
Municipal Retirement	27,500	26,559	941
Unemployment	2,200	2,798	(598)
Health Insurance	136,000	130,736	5,264
Dental Insurance	3,300	2,864	436
Life, Long-Term and Short-Term Disability	3,600	3,263	337
Town Liability Insurance	5,500	4,702	798
Workers' Compensation	18,000	15,838	2,162
Total Employee Benefits/Insurances	235,600	223,352	12,248
Law Enforcement:			
Community Advisory Board	100	100	0
Vermont State Police	15,000	10,069	4,931
Total Law Enforcement	15,100	10,169	4,931
Professional Fees:			
Contracted Payroll Services	1,000	145	855
External Audit	15,000	14,800	200
Legal Fees	8,000	2,599	5,401
Total Professional Fees	24,000	17,544	6,456
Municipal Building:			
Custodial	2,700	2,580	120
Electricity	1,800	3,138	(1,338)
General Expenses	1,000	1,271	(271)
Heating Fuel	2,000	194	1,806
Repairs/Maintenance	3,000	465	2,535
Telephone	2,600	2,935	(335)
Water	1,000	801	199
Total Municipal Building	14,100	11,384	2,716
Municipal Operations:			
Advertising	2,000	1,049	951
Copier Lease	3,500	2,595	905
Education/Seminars	2,000	48	1,952
Equipment Purchases	1,000	8,148	(7,148)
Gifts/Special Occasions	700	0	700
Mileage/Travel Expense	1,800	615	1,185
Fees	1,800	1,562	238
Grounds Maintenance	11,500	10,503	997
Office Supplies	5,000	2,982	2,018

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TOWN OF EAST MONTPELIER, 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, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Municipal Operations/(Cont'd):			
Postage	\$ 3,700	\$ 3,559	\$ 141
Printing	1,300	1,692	(392)
Town Report Printing and Mailing	6,300	5,338	962
Property and Casualty Insurance	14,000	13,340	660
Public Records Management	10,000	8,349	1,651
Street Lights	6,000	5,966	34
Subscriptions/Memberships	450	342	108
Town Document Updates	5,000	0	5,000
Total Municipal Operations	76,050	66,088	9,962
Loans and Interest:			
Public Safety Building - Interest	51,230	51,230	0
Public Safety Building - Principal	105,000	105,000	0
Tax Anticipation Note - Interest	1,000	0	1,000
Total Loans and Interest	157,230	156,230	1,000
Computers:			
Equipment/Hardware Purchases	2,500	847	1,653
General Services/Maintenance	12,000	15,151	(3,151)
GIS Mapping Service	4,500	4,400	100
Software	1,500	4,296	(2,796)
Total Computers	20,500	24,694	(4,194)
Town Clerk and Elections:			
Ballot Clerks/Elections Workers	3,000	5,290	(2,290)
Dog Licensing - Tags and Licenses	350	310	40
Election Equipment	3,000	8,388	(5,388)
Record Restoration/Preservation	3,000	0	3,000
Vault Expenses/Town Records	1,000	0	1,000
Total Town Clerk and Elections	10,350	13,988	(3,638)
Dues and Fees:			
CV Economic Development	900	900	0
CV Regional Planning Commission	3,220	3,220	0
CV Solid Waste Management District	2,571	1,286	1,285
VT Association of Conservation Districts	100	100	0
VT League of Cities and Towns	4,280	4,280	0
Washington County Court Expense	25,641	25,641	0
Wrightsville Beach District	3,986	3,986	0
Total Dues and Fees	40,698	39,413	1,285

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TOWN OF EAST MONTPELIER, 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, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Transfers:			
Fire Department	\$ 129,796	\$ 129,796	\$ 0
Ambulance Service	190,241	190,241	0
Recreation Board	3,500	3,500	0
Cemetery Commission Transfer	20,000	20,000	0
Total Transfers	343,537	343,537	0
Grants and Special Projects:			
Invasive Species Control	300	85	215
Front Porch Forum	500	500	0
Roadside Management Grant Expenses	0	26,665	(26,665)
Better Back Roads Grant Expenses	0	9,758	(9,758)
Capital Reserve Contribution	446,634	446,634	0
Total Grants and Special Projects	447,434	483,642	(36,208)
Highway Operations:			
Chloride	27,000	24,770	2,230
Crack Sealant	12,000	8,000	4,000
Culverts	7,600	6,642	958
Diesel	58,000	29,182	28,818
Education/Seminars - Highway Personnel	600	0	600
Equipment Rentals	7,000	2,562	4,438
Erosion Stone	8,000	480	7,520
General Supplies	14,500	9,627	4,873
Gravel	110,000	118,324	(8,324)
Green Up Expenses	600	0	600
Guardrails	5,000	1,429	3,571
Hazardous Materials Disposal	750	0	750
Hydroseeder Mulch	2,000	200	1,800
Pavement Management	4,000	264	3,736
Pavement Markings	5,200	8,570	(3,370)
Permit Fees	2,000	1,590	410
Reciprocal Road Maintenance	1,300	1,312	(12)
Road Fabric	3,500	828	2,672
Salt	62,000	54,018	7,982
Sand	42,000	44,845	(2,845)
Signs	4,000	2,268	1,732
Stabilizations Fabric	0	200	(200)
Uniforms	5,800	5,892	(92)
Weather Reporting	1,000	800	200
Total Highway Operations	383,850	321,803	62,047

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TOWN OF EAST MONTPELIER, 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, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Garage Expenses:			
Electricity	\$ 1,400	\$ 1,754	\$ (354)
General Expenses	2,000	385	1,615
Heating Fuel	7,000	4,609	2,391
Building Repairs and Maintenance	3,000	1,040	1,960
Renovations	0	1,459	(1,459)
Rubbish	2,000	3,074	(1,074)
Security	400	759	(359)
Telephone/Communications	2,700	2,554	146
Total Town Garage Expenses	18,500	15,634	2,866
Vehicle Equipment/Repairs:	60,000	61,591	(1,591)
Highway Labor:	227,000	207,942	19,058
Voted Articles:			
Four Corners Schoolhouse	4,000	4,000	0
Kellogg-Hubbard Library	42,022	42,022	0
GMTA Route 2 Commuter Bus Service	8,333	8,333	0
Montpelier Senior Activity Center	9,000	9,000	0
Cross Vermont Trail Association	7,500	7,500	0
Twin Valley Seniors, Inc.	5,000	5,000	0
Central VT Home Health & Hospice	6,000	6,000	0
Total Voted Articles	81,855	81,855	0
Appropriations:			
American Red Cross	250	250	0
Big Heavy World	250	250	0
Capstone Community Action	500	500	0
Central Vermont Adult Basic Education	750	750	0
Central Vermont Council on Aging	1,875	1,875	0
Central Vermont Disaster Animal Response Team	200	200	0
Central Vermont Habitat for Humanity	250	250	0
Central Vermont Memorial Civic Center	1,000	1,000	0
Circle (Battered Women's Services and Shelter)	675	675	0
Community Connections	2,500	2,500	0
Community Harvest of Central Vermont	250	250	0
Downstreet Housing & Community Development	150	150	0
Family Center of Washington County	500	500	0
Friends of the Winooski River	200	200	0
Girls/Boyz First Mentoring	300	300	0
Central Vermont Good Beginnings	300	300	0
Good Samaritan Haven	750	750	0
Green Mountain Transit	1,366	1,366	0
Green Up Vermont	150	150	0

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TOWN OF EAST MONTPELIER, 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, 2021

	Budget	Actual	Variance Favorable/ (Unfavorable)
Appropriations/(Cont'd):			
Home Share Now	\$ 800	\$ 800	\$ 0
North Branch Nature Center	750	750	0
Onion River Food Shelf	1,000	1,000	0
Our House of Central Vermont	250	250	0
People's Health and Wellness Clinic, Inc.	1,250	1,250	0
Prevent Child Abuse of Vermont	300	300	0
Project Independence	125	0	125
Rural Community Transportation (RCT)	1,000	1,000	0
Sexual Assault Crisis Team	250	250	0
T.W. Wood Gallery	500	500	0
Vermont Association for Blind & Visually Impaired	150	150	0
Vermont Cares	150	150	0
Vermont Center for Independent Living	300	300	0
Vermont Family Network	200	200	0
Washington County Diversion Program	600	600	0
Washington County Mental Health Services	800	800	0
Winooski Natural Resources Conservation District	500	500	0
Washington County Youth Service Bureau	400	400	0
Total Appropriations	<u>21,541</u>	<u>21,416</u>	<u>125</u>
Total Expenditures	<u>2,442,595</u>	<u>2,352,462</u>	<u>90,133</u>
Excess/(Deficiency) of Revenues			
Over Expenditures	\$ <u>(100,000)</u>	213,529	\$ <u>313,529</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Recreation Committee Fund Income		5,396	
Recreation Committee Fund Transfer In		3,500	
Recreation Committee Fund Expenses		(14,661)	
Unbudgeted Prior Year Surplus Transfer to the Capital Reserve		<u>(50,000)</u>	
Net Change in Fund Balance		157,764	
Fund Balance - July 1, 2020		<u>589,873</u>	
Fund Balance - June 30, 2021		\$ <u>747,637</u>	

The reconciling items are due to combining one (1) fund, the Recreation Committee Fund, with the General Fund in order to comply with GASB Statement No. 54 and unbudgeted transfers.

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TOWN OF EAST MONTPELIER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
VMERS DEFINED BENEFIT PLAN
JUNE 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 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	0.1226%	0.1285%	0.1178%	0.1215%	0.1267%	0.1295%	0.1129%
Town's Proportionate Share of the Net Pension Liability	\$ 310,204	\$ 223,020	\$ 165,671	\$ 147,153	\$ 163,047	\$ 99,852	\$ 10,308
Town's Covered Employee Payroll	\$ 394,658	\$ 394,108	\$ 389,988	\$ 357,167	\$ 360,638	\$ 350,093	\$ 336,832
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	78.6007%	56.5885%	42.4811%	41.2001%	45.2107%	28.5216%	3.0603%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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: The following changes were effective for the June 30, 2020 valuation date:

- The investment return assumption was lowered from 7.50% to 7.00%.
- The inflation assumption was lowered from 2.50% to 2.30%.
- The COLA assumption was lowered from 1.15% to 1.10% for Group A members and from 1.30% to 1.20% for Groups B, C and D members.
- The mortality assumptions were updated as follows:
 - Pre-Retirement:
 - Groups A/B/C - 40% PubG-2010 General Employee below-median and 60% of PubG-2010 General Employee, with generational projection using scale MP-2019.
 - Group D - PubG-2010 General Employee above-median, with generational projection using scale MP-2019.
 - Healthy Post-Retirement - Retirees:
 - Groups A/B/C - 104% of 40% PubG-2010 General Healthy Retiree below-median and 60% of PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019.
 - Group D - PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019.
 - Healthy Post-Retirement - Beneficiaries:
 - Groups A/B/C - 70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor, with generational projection using scale MP-2019.
 - Group D - Pub-2010 Contingent Survivor, with generational projection using scale MP-2019.
 - Disabled Retirees:
 - All Groups - PubNS-2010 Non-Safety Disabled Retiree Mortality Table with generational projection using scale MP-2019.
- The salary scale assumption was revised for varying service based rates from 0-10 years of service, then a single rate of 2.20% for all subsequent years, plus revised inflation of 2.30%.
- The active retirement rates were updated as follows:
 - Group A: Decreased the rates throughout all ages.
 - Group B: For females, slightly decreased the rates at younger ages and then increased the rates at later ages. For males, slightly decreased the rates at most ages.
 - Group C: Simplified the assumption to a unisex table that more accurately aligns with the actual experience for both males and females.
 - Group D: For members with less than 20 years of service, increased the rates for ages 55-59.
- The inactive retirement assumption was updated to add a rate of 10% from early retirement age for each year until normal retirement age, then 100% at normal retirement age.
- The liability loan of accumulated contributions for Inactive Members was removed. Liabilities for Inactive Members are now based on 100% of the accumulated contributions. Inactive Members who are vested immediately become Deferred Members, and the liabilities for all Deferred Members are based on the accrued benefit.
- The termination rates were updated as follows:
 - Simplified female rates to one set of slightly reduced rates for all females.

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

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TOWN OF EAST MONTPELIER, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution (Actuarially Determined)	\$ 26,422	\$ 25,414	\$ 24,699	\$ 20,628	\$ 19,835	\$ 19,255	\$ 18,105
Contributions in Relation to the Actuarially Determined Contributions	<u>26,422</u>	<u>25,414</u>	<u>24,699</u>	<u>20,628</u>	<u>19,835</u>	<u>19,255</u>	<u>18,105</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>
Town's Covered Employee Payroll	\$ 394,658	\$ 394,108	\$ 389,988	\$ 357,167	\$ 360,638	\$ 350,093	\$ 336,832
Contributions as a Percentage of Town's Covered Employee Payroll	6.695%	6.448%	6.333%	5.775%	5.500%	5.500%	5.375%

Notes to Schedule

Valuation Date: June 30, 2020

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

TOWN OF EAST MONTPELIER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021

	Special Revenue Funds	Capital Projects Funds	Permanent Fund C. Smith Recreation Fund	Total
<u>ASSETS</u>				
Investments	\$ 98,838	\$ 0	\$ 52,129	\$ 150,967
Receivables	0	38,287	0	38,287
Due from Other Funds	<u>215,058</u>	<u>13,820</u>	<u>2,673</u>	<u>231,551</u>
Total Assets	\$ <u>313,896</u>	\$ <u>52,107</u>	\$ <u>54,802</u>	\$ <u>420,805</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 584	\$ 0	\$ 0	\$ 584
Accrued Payroll and Benefits Payable	1,150	0	0	1,150
Due to Other Funds	<u>0</u>	<u>38,287</u>	<u>0</u>	<u>38,287</u>
Total Liabilities	<u>1,734</u>	<u>38,287</u>	<u>0</u>	<u>40,021</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Grants	<u>0</u>	<u>38,287</u>	<u>0</u>	<u>38,287</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>38,287</u>	<u>0</u>	<u>38,287</u>
<u>FUND BALANCES/(DEFICIT)</u>				
Nonspendable	99,900	0	50,000	149,900
Restricted	15,492	13,820	4,802	34,114
Committed	61,287	0	0	61,287
Assigned	135,483	0	0	135,483
Unassigned/(Deficit)	<u>0</u>	<u>(38,287)</u>	<u>0</u>	<u>(38,287)</u>
Total Fund Balances/(Deficit)	<u>312,162</u>	<u>(24,467)</u>	<u>54,802</u>	<u>342,497</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>313,896</u>	\$ <u>52,107</u>	\$ <u>54,802</u>	\$ <u>420,805</u>

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TOWN OF EAST MONTPELIER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds	Capital Projects Funds	Permanent Fund C. Smith Recreation Fund	Total
Revenues:				
Intergovernmental	\$ 11,288	\$ 0	\$ 0	\$ 11,288
Charges for Services	5,850	0	0	5,850
Permits, Licenses and Fees	10,400	0	0	10,400
Investment Income	<u>1,992</u>	<u>15</u>	<u>1,100</u>	<u>3,107</u>
Total Revenues	<u>29,530</u>	<u>15</u>	<u>1,100</u>	<u>30,645</u>
Expenditures:				
General Government	20,882	0	0	20,882
Cemetery	18,491	0	0	18,491
Capital Outlay:				
Highways and Streets	<u>0</u>	<u>26,311</u>	<u>0</u>	<u>26,311</u>
Total Expenditures	<u>39,373</u>	<u>26,311</u>	<u>0</u>	<u>65,684</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(9,843)</u>	<u>(26,296)</u>	<u>1,100</u>	<u>(35,039)</u>
Other Financing Sources:				
Transfers In	<u>20,782</u>	<u>2,631</u>	<u>0</u>	<u>23,413</u>
Total Other Financing Sources	<u>20,782</u>	<u>2,631</u>	<u>0</u>	<u>23,413</u>
Net Change in Fund Balances	10,939	(23,665)	1,100	(11,626)
Fund Balances/(Deficit) - July 1, 2020	<u>301,223</u>	<u>(802)</u>	<u>53,702</u>	<u>354,123</u>
Fund Balances/(Deficit) - June 30, 2021	<u>\$ 312,162</u>	<u>\$ (24,467)</u>	<u>\$ 54,802</u>	<u>\$ 342,497</u>

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TOWN OF EAST MONTPELIER, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2021

	Reappraisal Fund	Restoration Fund	VLCT Safety Fund	Town Forest Fund	Veteran's Memorial Fund	Rally Day Fund	Land Conservation Fund	Cemetery Fund	Total
<u>ASSETS</u>									
Investments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 98,838	\$ 98,838
Due from Other Funds	<u>134,983</u>	<u>13,871</u>	<u>0</u>	<u>27,200</u>	<u>1,451</u>	<u>670</u>	<u>20,667</u>	<u>16,216</u>	<u>215,058</u>
Total Assets	<u>\$ 134,983</u>	<u>\$ 13,871</u>	<u>\$ 0</u>	<u>\$ 27,200</u>	<u>\$ 1,451</u>	<u>\$ 670</u>	<u>\$ 20,667</u>	<u>\$ 115,054</u>	<u>\$ 313,896</u>
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 584	\$ 584
Accrued Payroll and Benefits Payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,150</u>	<u>1,150</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,734</u>	<u>1,734</u>
Fund Balances:									
Nonspendable	0	0	0	0	0	0	0	99,900	99,900
Restricted	0	13,871	0	0	1,451	170	0	0	15,492
Committed	0	0	0	27,200	0	0	20,667	13,420	61,287
Assigned	<u>134,983</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>500</u>	<u>0</u>	<u>0</u>	<u>135,483</u>
Total Fund Balances	<u>134,983</u>	<u>13,871</u>	<u>0</u>	<u>27,200</u>	<u>1,451</u>	<u>670</u>	<u>20,667</u>	<u>113,320</u>	<u>312,162</u>
Total Liabilities and Fund Balances	<u>\$ 134,983</u>	<u>\$ 13,871</u>	<u>\$ 0</u>	<u>\$ 27,200</u>	<u>\$ 1,451</u>	<u>\$ 670</u>	<u>\$ 20,667</u>	<u>\$ 115,054</u>	<u>\$ 313,896</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF EAST MONTPELIER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Reappraisal Fund	Restoration Fund	VLCT Safety Fund	Town Forest Fund	Veteran's Memorial Fund	Rally Day Fund	Land Conservation Fund	Cemetery Fund	Total
Revenues:									
Intergovernmental	\$ 10,506	\$ 0	\$ 782	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,288
Charges for Services	0	0	0	0	0	0	0	5,850	5,850
Permits, Licenses and Fees	0	10,400	0	0	0	0	0	0	10,400
Investment Income	<u>143</u>	<u>17</u>	<u>0</u>	<u>31</u>	<u>2</u>	<u>1</u>	<u>24</u>	<u>1,774</u>	<u>1,992</u>
Total Revenues	<u>10,649</u>	<u>10,417</u>	<u>782</u>	<u>31</u>	<u>2</u>	<u>1</u>	<u>24</u>	<u>7,624</u>	<u>29,530</u>
Expenditures:									
General Government	0	19,318	1,564	0	0	0	0	0	20,882
Cemetery	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,491</u>	<u>18,491</u>
Total Expenditures	<u>0</u>	<u>19,318</u>	<u>1,564</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,491</u>	<u>39,373</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>10,649</u>	<u>(8,901)</u>	<u>(782)</u>	<u>31</u>	<u>2</u>	<u>1</u>	<u>24</u>	<u>(10,867)</u>	<u>(9,843)</u>
Other Financing Sources:									
Transfers In	<u>0</u>	<u>0</u>	<u>782</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000</u>	<u>20,782</u>
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>782</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,000</u>	<u>20,782</u>
Net Change in Fund Balances	10,649	(8,901)	0	31	2	1	24	9,133	10,939
Fund Balances - July 1, 2020	<u>124,334</u>	<u>22,772</u>	<u>0</u>	<u>27,169</u>	<u>1,449</u>	<u>669</u>	<u>20,643</u>	<u>104,187</u>	<u>301,223</u>
Fund Balances - June 30, 2021	<u>\$ 134,983</u>	<u>\$ 13,871</u>	<u>\$ 0</u>	<u>\$ 27,200</u>	<u>\$ 1,451</u>	<u>\$ 670</u>	<u>\$ 20,667</u>	<u>\$ 113,320</u>	<u>\$ 312,162</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF EAST MONTPELIER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2021

	Emergency Services Facility Fund	Paving & Structures Grant Fund	Total
<u>ASSETS</u>			
Receivables	\$ 0	\$ 38,287	\$ 38,287
Due from Other Funds	<u>13,820</u>	<u>0</u>	<u>13,820</u>
Total Assets	\$ <u>13,820</u>	\$ <u>38,287</u>	\$ <u>52,107</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$ <u>0</u>	\$ <u>38,287</u>	\$ <u>38,287</u>
Total Liabilities	<u>0</u>	<u>38,287</u>	<u>38,287</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Grants	<u>0</u>	<u>38,287</u>	<u>38,287</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>38,287</u>	<u>38,287</u>
<u>FUND BALANCES/(DEFICIT)</u>			
Restricted	13,820	0	13,820
Unassigned/(Deficit)	<u>0</u>	<u>(38,287)</u>	<u>(38,287)</u>
Total Fund Balances/(Deficit)	<u>13,820</u>	<u>(38,287)</u>	<u>(24,467)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>13,820</u>	\$ <u>38,287</u>	\$ <u>52,107</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF EAST MONTPELIER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Emergency Services Facility Fund	Paving & Structures Grant Fund	Total
Revenues:			
Investment Income	\$ 15	\$ 0	\$ 15
Total Revenues	<u>15</u>	<u>0</u>	<u>15</u>
Expenditures:			
Capital Outlay:			
Highways and Streets	<u>0</u>	<u>26,311</u>	<u>26,311</u>
Total Expenditures	<u>0</u>	<u>26,311</u>	<u>26,311</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>15</u>	<u>(26,311)</u>	<u>(26,296)</u>
Other Financing Sources:			
Transfers In	<u>0</u>	<u>2,631</u>	<u>2,631</u>
Total Other Financing Sources	<u>0</u>	<u>2,631</u>	<u>2,631</u>
Net Change in Fund Balances	15	(23,680)	(23,665)
Fund Balances/(Deficit) - July 1, 2020	<u>13,805</u>	<u>(14,607)</u>	<u>(802)</u>
Fund Balances/(Deficit) - June 30, 2021	<u>\$ 13,820</u>	<u>\$ (38,287)</u>	<u>\$ (24,467)</u>

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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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 East Montpelier, Vermont
P.O. Box 157
East Montpelier, Vermont 05651

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of East Montpelier, Vermont as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of East Montpelier, Vermont's basic financial statements and have issued our report thereon dated October 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of East Montpelier, Vermont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of East Montpelier, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of East Montpelier, 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified a certain deficiency that we consider to be a material weakness.

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 East Montpelier, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2021-01 to be a material weakness.

Compliance and Other Matters

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

We also noted certain other matters that we reported to the management of the Town of East Montpelier, Vermont in a separate letter dated October 18, 2021.

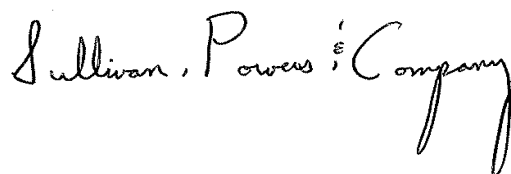
Town of East Montpelier, Vermont's Response to Deficiency in Internal Control

The Town of East Montpelier, Vermont's response to the deficiency in internal control identified in our audit is included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Town of East Montpelier, Vermont's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of East Montpelier, 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 East Montpelier, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 18, 2021
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF EAST MONTPELIER, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2021

Deficiencies in Internal Control:

Material Weaknesses:

2021-01 Segregation of Duties - Cash

Criteria:

An important factor in developing good internal control procedures is to divide responsibilities so that no individual can both perpetrate and conceal errors or irregularities. One of the most common division of duties is the division between the check signing and bank reconciliation functions.

Condition:

In the Town, the same person that reconciles the bank accounts also collects cash, posts to the journals, makes deposits and has check signing authority.

Cause:

The limit staff available in the office provides little opportunity to achieve an optimum separation of duties and responsibilities.

Effect:

The Town has inadvertently made its assets susceptible to misappropriation.

Recommendation:

We recommend that the Town revise their procedures to ensure that the bank reconciliation function is delegated to an individual who does not have check signing authority. Otherwise, we recommend that, at a minimum, someone other than a check signer review all bank reconciliations, bank statements, cancelled checks and any debit memos.

TOWN OF
EAST MONTPELIER, VERMONT
Town Treasurer

October 14, 2021

Sullivan, Powers & Company
77 Barre St
Montpelier, Vermont 05602

This letter is in response to the Deficiencies in Internal Control – Material Weakness finding in your audit report for the fiscal year ending June 30, 2021:

2021-01 Segregation of Duties - Cash

The town acknowledges that the town treasurer, due to the limited number of town office employees, handles a number of duties and responsibilities that should in a perfect world be separated, an inherent weakness of small towns. The treasurer does:

- collect cash (the treasurer occasionally collects cash; this is generally handled by front office personnel; all cash is received in accordance with the East Montpelier Cash Receipts, Petty Cash, and Returned Check Policy);
- post to the journals (with review and approval of all journal entries by the town administrator, in accordance with the East Montpelier Journal Entry Policy);
- make deposits (the treasurer develops all deposits; the actual delivery to the bank is generally handled by the town's municipal assistant);
- have check signing authority (one of three persons with check signing authority; two must sign every check); and,
- reconcile the bank accounts (the town's elected auditors review the monthly reconciliations, a fact noted in the elected auditors annual report to town residents).

The town disputes that the town's internal controls "made its assets susceptible to misappropriation" and believes that controls are in place to ensure the proper handling, safety and reporting of town finances. The town does, however, acknowledge that the reliance on elected town auditors to review the reconciliations is not an optimum solution and will endeavor to develop a more effective protocol to ensure timely and appropriate review of the reconciliations.

Sincerely,



Donald B. Welch
East Montpelier Town Treasurer

40 KELTON ROAD
P.O. BOX 157
EAST MONTPELIER, VT 05651

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PHONE: (802) 223-3313 X 207
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