

TOWN OF EAST MONTPELIER, VERMONT

AUDIT REPORT

JUNE 30, 2022

TOWN OF EAST MONTPELIER, VERMONT
 AUDIT REPORT
 TABLE OF CONTENTS
 JUNE 30, 2022

		<u>Page #</u>
Independent Auditor's Report		1-3
Management's Discussion and Analysis		4-9
Basic Financial Statements:		
Statement of Net Position	Exhibit A	10
Statement of Activities	Exhibit B	11
Governmental Funds:		
Balance Sheet	Exhibit C	12
Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit D	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit E	14
Fiduciary Fund:		
Statement of Fiduciary Net Position	Exhibit F	15
Statement of Changes in Fiduciary Net Position	Exhibit G	16
Notes to the Financial Statements		17-40
Required Supplementary Information:		
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	Schedule 1	41-46
Schedule of Proportionate Share of the Net Pension Liability - VMERS Defined Benefit Plan	Schedule 2	47
Schedule of Contributions - VMERS Defined Benefit Plan	Schedule 3	48

TOWN OF EAST MONTPELIER, VERMONT
 AUDIT REPORT
 TABLE OF CONTENTS
 JUNE 30, 2022

		<u>Page #</u>
Other Information:		
Combining Balance Sheet - Non-Major Governmental Funds	Schedule 4	49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	Schedule 5	50
Combining Balance Sheet - Non-Major Special Revenue Funds	Schedule 6	51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Special Revenue Funds	Schedule 7	52
Combining Balance Sheet - Non-Major Capital Projects Funds	Schedule 8	53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Capital Projects Funds	Schedule 9	54
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"		55-56
Schedule of Findings and Deficiencies in Internal Control		57-58
Response to Deficiencies in Internal Control		

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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 Audit of the Financial Statements

Opinions

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, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of East Montpelier, Vermont, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of East Montpelier, Vermont and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 is the responsibility of management and, 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 express no opinion or provide any assurance on them.

Other Reporting Required by “Government Auditing Standards”

In accordance with “Government Auditing Standards”, we have also issued our report dated January 11, 2023 on our consideration of the Town of East Montpelier, Vermont’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of East Montpelier, Vermont’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Auditing Standards” in considering the Town of East Montpelier, Vermont’s internal control over financial reporting and compliance.

Sullivan, Powers & Co.

January 11, 2023
Montpelier, Vermont
VT Lic. #92-000180

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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, 2022. 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 \$217,353, compared to \$639,406 in fiscal year 2021.
- The cost of all of the Town's operations for the fiscal year ended June 30, 2022 was \$2,335,012 compared to \$2,229,390 in fiscal year 2021, a 4.7% increase.

Fund Financial Statements:

- The Town's General Fund fund balance decreased by \$89,744 to \$657,893.
- The Capital Reserve Fund fund balance increased by \$332,381 to \$1,822,513.
- The Community Development Fund fund balance increased by \$7,948 to \$82,088.
- The various non-major governmental funds fund balances increased by \$54,405, from \$276,468 to \$330,873.

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, 2022
(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 ARPA Fund, which contains the resources from the Coronavirus State and Local Fiscal Recovery Funds program. 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, 2022
(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>6/30/2022</u>	<u>6/30/2021</u>	<u>Net Change</u>
Current and other assets	\$ 3,777,138	\$ 3,020,602	\$ 756,536
Capital assets	<u>5,412,420</u>	<u>5,686,581</u>	<u>(274,161)</u>
Total assets	<u>9,189,558</u>	<u>8,707,183</u>	<u>482,375</u>
Deferred outflows of resources	<u>96,760</u>	<u>132,008</u>	<u>(35,248)</u>
Current liabilities	477,152	67,129	410,023
Long-term liabilities due within one year	112,915	112,915	0
Long-term liabilities due after one year	<u>1,083,739</u>	<u>1,370,886</u>	<u>(287,147)</u>
Total liabilities	<u>1,673,806</u>	<u>1,550,930</u>	<u>122,876</u>
Deferred inflows of resources	<u>118,163</u>	<u>11,265</u>	<u>106,898</u>
Net investment in capital assets	4,474,172	4,650,401	(176,229)
Restricted	404,636	411,147	(6,511)
Unrestricted	<u>2,615,541</u>	<u>2,215,448</u>	<u>400,093</u>
Total net position	<u>\$ 7,494,349</u>	<u>\$ 7,276,996</u>	<u>\$ 217,353</u>

Table 2 - Change in Net Position

	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>Net Change</u>
REVENUES			
General revenue:			
Property taxes	\$ 2,047,331	\$ 1,978,345	\$ 68,986
Penalties and Interest on delinquent taxes	25,907	50,037	(24,130)
General state grants	110,930	104,412	6,518
Earnings on investments	4,058	6,463	(2,405)
Other general revenues	3,100	1,068	2,032
Program revenues:			
Charges for services	79,869	80,255	(386)
Operating grants and contributions	198,416	222,213	(23,797)
Capital grants and contributions	<u>82,754</u>	<u>426,003</u>	<u>(343,249)</u>
Total revenues	<u>2,552,365</u>	<u>2,868,796</u>	<u>(316,431)</u>
PROGRAM EXPENSES			
General government	702,133	658,431	43,702
Public safety	396,907	370,031	26,876
Highways and streets	1,101,349	1,064,570	36,779
Culture and recreation	63,200	64,361	(1,161)
Cemetery	25,234	20,870	4,364
Interest on long-term debt	<u>46,189</u>	<u>51,127</u>	<u>(4,938)</u>
Total program expenses	<u>2,335,012</u>	<u>2,229,390</u>	<u>105,622</u>
Increase (decrease) in net position	<u>\$ 217,353</u>	<u>\$ 639,406</u>	<u>\$ (422,053)</u>

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022
(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 \$2,215,448 balance at June 30, 2021, to a \$2,615,541 balance at June 30, 2022 for the governmental activities.

The Town's combined Net Position increased by \$217,353 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

	6/30/2022		6/30/2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 702,133	\$ 637,549	\$ 658,431	\$ 560,461
Public safety	396,907	345,171	370,031	317,118
Highways and streets	1,101,349	883,369	1,064,570	509,785
Culture and recreation	63,200	52,881	64,361	54,538
Community development	0	(6,865)	0	(7,130)
Cemetery	25,234	15,679	20,870	15,020
Interest on long-term debt	46,189	46,189	51,127	51,127
Total	\$ 2,335,012	\$ 1,973,973	\$ 2,229,390	\$ 1,500,919

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

As the Town completed the fiscal year June 30, 2022, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$2,893,367, which is approximately 12% higher than fiscal year ended June 30, 2021 total fund balance of \$2,588,377.

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 \$11,912 and expenditures were \$3,320 over the budget.

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2022
(Continued)

The larger variances are as follows:

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues and other sources:			
Property Taxes	\$ 2,038,053	\$ 1,994,331	\$ (43,722)
State Aid to Highways	148,000	166,846	18,846
Expenditures:			
Town Officers' Payroll - Municipal Employees	224,500	297,493	(72,993)
Highways and Streets - Salt	62,000	33,775	28,225

The reasons for these variances are as follows:

Property Taxes: The Town’s deferred property taxes increased \$42,500 from the prior year.

State Aid to Highways: The Town received supplementary payments of \$16,626 from the State of Vermont due to the COVID-19 pandemic.

Town Officers’ Payroll – Municipal Employees: The town office payroll increased due to severance paid to the outgoing Town Administrator (\$45,000), pay increases for existing staff (Road Crew, Town Clerk, and Municipal Assistant), and higher pay rates than budgeted for newly hired Town Administrator and Town Treasurer. The new staffing and pay structure was a proactive attempt to retain existing staff and hire new talent in a competitive job market.

Highways and Streets – Salt: The savings in salt was due to the purchase of a large load at the end of the FY2021 season coupled with a mild winter season in FY2022

Capital Assets and Debt Administration

Capital Assets

At June 30, 2022, the Town had \$5,412,420 investment in capital assets, net of depreciation, including buildings, equipment, vehicles and infrastructure (See table below). This represents a net decrease of \$274,161 since June 30, 2021.

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2022
(Continued)

Capital Assets at Year-End
(Net of depreciation)

	Governmental Activities	
	6/30/2022	6/30/2021
Land	\$ 408,702	\$ 408,702
Construction in progress	67,565	36,069
Buildings and building improvements	2,411,852	2,404,772
Vehicles, machinery and equipment	1,818,376	1,766,423
Infrastructure	4,068,075	4,068,075
Accumulated depreciation	(3,362,150)	(2,997,460)
Totals	\$ 5,412,420	\$ 5,686,581

The Town spent \$90,529 on capital asset additions during the fiscal year. Some of the notable additions include the following: the purchase of a 2022 Dodge Ram 4X4 Crew Cab for \$51,953 and \$21,590 of additional work on the culvert replacement project near Barnes Road.

Debt - At June 30, 2022, the Town had \$945,000 in notes outstanding versus \$1,050,000 on June 30, 2021 – a decrease of \$105,000. As of June 30, 2022, the Town owed \$945,000 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 2023 budget for Town operations. The Selectboard brought forth a budget calling for a 5.8% increase in expenditures which, coupled with an increase in revenues (3.7%) and a slight increase in the Grand List (0.52%), resulted in a municipal tax rate increase of 3.5%. The board increased the available fund balance from \$100,000 to \$150,000 to mitigate tax rate fluctuation. The largest contributing factors to budget growth were an increase of \$102,300 (13.9%) in staffing and benefit costs and \$19,008 (8.5%) 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, 2022

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 3,171,393
Investments	153,888
Receivables	188,836
Loan Receivable	224,049
Prepaid Expenses	38,972
Capital Assets:	
Land	408,702
Construction in Progress	67,565
Other Capital Assets, (Net of Accumulated Depreciation)	4,936,153
Total Assets	9,189,558
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows of Resources Related to the Town's Participation in VMERS	96,760
Total Deferred Outflows of Resources	96,760
<u>LIABILITIES</u>	
Accounts Payable	69,367
Accrued Payroll and Benefits Payable	19,050
Unearned Revenue	381,280
Accrued Interest Payable	7,455
Noncurrent Liabilities:	
Due within One Year	112,915
Due in More than One Year	1,083,739
Total Liabilities	1,673,806
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Prepaid Property Taxes	4,435
Deferred Inflows of Resources Related to the Town's Participation in VMERS	113,728
Total Deferred Inflows of Resources	118,163
<u>NET POSITION</u>	
Net Investment in Capital Assets	4,474,172
Restricted For:	
Community Development	247,886
Cemetery	101,475
Other	55,275
Unrestricted	2,615,541
Total Net Position	\$ 7,494,349

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, 2022

	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs:					
Primary Government:					
Governmental Activities:					
General Government	\$ 702,133	\$ 52,813	\$ 11,771	\$ 0	\$ (637,549)
Public Safety	396,907	1,096	0	50,640	(345,171)
Highways and Streets	1,101,349	0	185,866	32,114	(883,369)
Culture and Recreation	63,200	9,540	779	0	(52,881)
Community Development	0	6,865	0	0	6,865
Cemetery	25,234	9,555	0	0	(15,679)
Interest on Long-term Debt	46,189	0	0	0	(46,189)
Total Primary Government	\$ 2,335,012	\$ 79,869	\$ 198,416	\$ 82,754	(1,973,973)
General Revenues:					
Property Taxes					2,047,331
Penalties and Interest on Delinquent Taxes					25,907
General State Grants					110,930
Unrestricted Investment Earnings					4,058
Other Revenues					3,100
Total General Revenues					2,191,326
Change in Net Position					217,353
Net Position - July 1, 2021					7,276,996
Net Position - June 30, 2022					\$ 7,494,349

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

TOWN OF EAST MONTPELIER, VERMONT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2022

	General Fund	Capital Reserve Fund	Community Development Fund	ARPA Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 3,171,393	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,171,393
Investments	0	0	0	0	153,888	153,888
Receivables	150,246	0	0	0	38,590	188,836
Loan Receivable	0	0	224,049	0	0	224,049
Due from Other Funds	0	1,822,513	82,088	381,280	222,772	2,508,653
Prepaid Items	38,972	0	0	0	0	38,972
Total Assets	<u>\$ 3,360,611</u>	<u>\$ 1,822,513</u>	<u>\$ 306,137</u>	<u>\$ 381,280</u>	<u>\$ 415,250</u>	<u>\$ 6,285,791</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 69,367	\$ 0	\$ 0	\$ 0	\$ 0	\$ 69,367
Accrued Payroll and Benefits Payable	19,050	0	0	0	0	19,050
Due to Other Funds	2,462,866	0	0	0	45,787	2,508,653
Unearned Revenue	0	0	0	381,280	0	381,280
Total Liabilities	<u>2,551,283</u>	<u>0</u>	<u>0</u>	<u>381,280</u>	<u>45,787</u>	<u>2,978,350</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Prepaid Property Taxes	4,435	0	0	0	0	4,435
Unavailable Property Taxes, Penalties and Interest	142,000	0	0	0	0	142,000
Unavailable Loan Receivable	0	0	224,049	0	0	224,049
Unavailable Grants	5,000	0	0	0	38,590	43,590
Total Deferred Inflows of Resources	<u>151,435</u>	<u>0</u>	<u>224,049</u>	<u>0</u>	<u>38,590</u>	<u>414,074</u>
<u>FUND BALANCES/(DEFICIT)</u>						
Nonspendable	38,972	0	0	0	151,475	190,447
Restricted	0	0	82,088	0	12,027	94,115
Committed	0	1,822,513	0	0	67,032	1,889,545
Assigned	192,570	0	0	0	146,126	338,696
Unassigned/(Deficit)	426,351	0	0	0	(45,787)	380,564
Total Fund Balances/(Deficit)	<u>657,893</u>	<u>1,822,513</u>	<u>82,088</u>	<u>0</u>	<u>330,873</u>	<u>2,893,367</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,360,611</u>	<u>\$ 1,822,513</u>	<u>\$ 306,137</u>	<u>\$ 381,280</u>	<u>\$ 415,250</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.						5,412,420
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.						409,639
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.						(1,204,109)
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>(16,968)</u>
Net Position of Governmental Activities						<u>\$ 7,494,349</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, 2022

	General Fund	Capital Reserve Fund	Community Development Fund	ARPA Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$ 1,994,331	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,994,331
Penalties and Interest on Delinquent Taxes	25,907	0	0	0	0	25,907
Intergovernmental	348,109	6,400	0	0	42,343	396,852
Charges for Services	20,052	0	0	0	9,555	29,607
Permits, Licenses and Fees	34,909	0	0	0	7,392	42,301
Fines and Forfeits	1,096	0	0	0	0	1,096
Loan Repayments	0	0	8,963	0	0	8,963
Loan Interest Income	0	0	6,865	0	0	6,865
Investment Income	1,245	1,227	68	0	1,518	4,058
Donations	779	0	0	0	0	779
Other	3,100	0	0	0	0	3,100
Total Revenues	<u>2,429,528</u>	<u>7,627</u>	<u>15,896</u>	<u>0</u>	<u>60,808</u>	<u>2,513,859</u>
Expenditures:						
General Government	699,281	1,105	0	0	28,472	728,858
Public Safety	357,043	0	0	0	0	357,043
Highways and Streets	781,714	0	0	0	4,863	786,577
Culture and Recreation	62,681	0	0	0	0	62,681
Community Development	0	0	7,948	0	0	7,948
Cemetery	0	0	0	0	23,314	23,314
Capital Outlay:						
Public Safety	0	0	0	0	7,080	7,080
Highways and Streets	0	51,953	0	0	31,496	83,449
Debt Service:						
Principal	105,000	0	0	0	0	105,000
Interest	46,919	0	0	0	0	46,919
Total Expenditures	<u>2,052,638</u>	<u>53,058</u>	<u>7,948</u>	<u>0</u>	<u>95,225</u>	<u>2,208,869</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>376,890</u>	<u>(45,431)</u>	<u>7,948</u>	<u>0</u>	<u>(34,417)</u>	<u>304,990</u>
Other Financing Sources/(Uses):						
Transfers In	0	448,086	0	0	90,274	538,360
Transfers Out	(466,634)	(70,274)	0	0	(1,452)	(538,360)
Total Other Financing Sources/(Uses)	<u>(466,634)</u>	<u>377,812</u>	<u>0</u>	<u>0</u>	<u>88,822</u>	<u>0</u>
Net Change in Fund Balances	(89,744)	332,381	7,948	0	54,405	304,990
Fund Balances - July 1, 2021	<u>747,637</u>	<u>1,490,132</u>	<u>74,140</u>	<u>0</u>	<u>276,468</u>	<u>2,588,377</u>
Fund Balances - June 30, 2022	<u>\$ 657,893</u>	<u>\$ 1,822,513</u>	<u>\$ 82,088</u>	<u>\$ 0</u>	<u>\$ 330,873</u>	<u>\$ 2,893,367</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, 2022

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)	\$	304,990
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$90,529) is allocated over their estimated useful lives and reported as depreciation expense (\$364,690). This is the amount by which depreciation exceeded capital outlays in the current period.		(274,161)
The issuance of long-term debt (\$-0-) (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$105,000) 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.		105,000
The issuance of loans receivable (\$-0-) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$8,963) 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.		(8,963)
Governmental funds report employer pension contributions as expenditures (\$32,249). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$36,820) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(4,571)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		47,469
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>47,589</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>217,353</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, 2022

	Custodial Fund Education Tax Fund
<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, 2022

	Custodial Fund Education Tax Fund
<u>ADDITIONS</u>	
Education Taxes Collected for Other Governments	\$ <u>4,481,421</u>
Total Additions	<u>4,481,421</u>
<u>DEDUCTIONS</u>	
Education Taxes Distributed to Other Governments	<u>4,481,421</u>
Total Deductions	<u>4,481,421</u>
Change in Net Position	0
Net Position - July 1, 2021	<u>0</u>
Net Position - June 30, 2022	<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, 2022

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, 2022

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.

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

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.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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.

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 financed purchases and sales of capital assets are reported as other financing sources.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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

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

E. Use of Estimates

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

F. New Pronouncement – Leases

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

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

1. Cash

Cash balances of 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.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

3. Receivables

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

4. 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, 2022

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, notes payable, 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, 2022

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, 2022

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.

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.

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2022, expenditures in the General Fund exceeded appropriations by \$3,320. These over expenditures were funded by excess revenues.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

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

Cash:		
Deposits with Financial Institutions		\$3,171,268
Cash on Hand		<u> 125</u>
Total Cash		3,171,393
Investments:		
Certificates of Deposit		<u> 153,888</u>
Total Cash and Investments		<u><u>\$3,325,281</u></u>

The Town has three (3) certificates of deposit at North Country Federal Credit Union ranging from \$21,605 to \$79,854 with interest rates ranging from 0.35% to 0.50%. All certificates of deposit mature by fiscal year 2024.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured by FDIC/NCUA	\$ 573,886	\$ 573,886
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	<u>2,751,270</u>	<u>2,782,990</u>
Total	<u>\$3,325,156</u>	<u>\$3,356,876</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	\$3,171,268
Investments – Certificates of Deposit	<u>153,888</u>
Total	<u>\$3,325,156</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.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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.

B. Receivables

Receivables as of June 30, 2022, as reported in the statement of net position, are as follows:

	<u>Governmental Activities</u>
Delinquent Taxes Receivable	\$ 123,912
Penalties and Interest Receivable	19,534
Grants Receivable	43,590
Accounts Receivable	<u>1,800</u>
Total	<u>\$ 188,836</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, 2022 was \$224,049. Total principal payments received on this loan during the year were \$8,963.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

D. Capital Assets

Capital asset activity for the year ended June 30, 2022 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	\$ 408,702	\$ 0	\$ 0	\$ 408,702
Construction in Progress	<u>36,069</u>	<u>31,496</u>	<u>0</u>	<u>67,565</u>
Total Capital Assets, Not Being Depreciated	<u>444,771</u>	<u>31,496</u>	<u>0</u>	<u>476,267</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	2,404,772	7,080	0	2,411,852
Vehicles, Machinery and Equipment	1,766,423	51,953	0	1,818,376
Infrastructure	<u>4,068,075</u>	<u>0</u>	<u>0</u>	<u>4,068,075</u>
Totals	<u>8,239,270</u>	<u>59,033</u>	<u>0</u>	<u>8,298,303</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	639,781	49,128	0	688,909
Vehicles, Machinery and Equipment	575,300	112,826	0	688,126
Infrastructure	<u>1,782,379</u>	<u>202,736</u>	<u>0</u>	<u>1,985,115</u>
Totals	<u>2,997,460</u>	<u>364,690</u>	<u>0</u>	<u>3,362,150</u>
Total Capital Assets, Being Depreciated	<u>5,241,810</u>	<u>(305,657)</u>	<u>0</u>	<u>4,936,153</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,686,581</u>	<u>\$ (274,161)</u>	<u>\$ 0</u>	<u>\$ 5,412,420</u>

Depreciation was charged as follows:

Governmental Activities:	
General Government	\$ 7,921
Public Safety	39,864
Highways and Streets	314,466
Culture and Recreation	519
Cemetery	<u>1,920</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 364,690</u>

E. Interfund Balances and Activity

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

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 2,462,866
Capital Reserve Fund	1,822,513	0
Community Development Fund	82,088	0
ARPA Fund	381,280	0
Non-Major Governmental Funds	<u>222,772</u>	<u>45,787</u>
Total	<u>\$ 2,508,653</u>	<u>\$ 2,508,653</u>

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Recreation Committee Fund	\$ 3,500	* Appropriation
General Fund	Capital Reserve Fund	446,634	Appropriation
General Fund	Cemetery Fund	20,000	Appropriation
Capital Reserve Fund	Paving & Structures Grant Fund	4,245	Fund Local Match
Capital Reserve Fund	Village Projects Grant Fund	66,029	Fund Local Match
Veteran's Memorial Fund	Capital Reserve Fund	<u>1,452</u>	Close Fund
Total		<u>\$ 541,860</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.

F. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of \$32,601 from the difference between the expected and actual experience, \$27,648 from changes in assumptions and \$4,262 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 \$32,249 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$96,760.

G. Unearned Revenue

Unearned revenue in the ARPA Fund consists of \$381,280 of grant revenue received in advance.

H. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$103,135 from the difference between the projected and actual investment earnings and \$10,593 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 \$4,435 of prepaid property taxes. Total deferred inflows of resources in the governmental activities is \$118,163.

Deferred inflows of resources in the General Fund consists of \$142,000 of delinquent property taxes, penalties and interest on those taxes and \$5,000 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 \$4,435 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$151,435.

Deferred inflows of resources in the Community Development Fund consists of \$224,049 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 \$38,590 of grant revenues not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

I. 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 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, 2022 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	\$1,050,000	\$ 0	\$105,000	\$945,000
Total	\$1,050,000	\$ 0	\$105,000	\$945,000

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	\$ 1,050,000	\$ 0	\$ 105,000	\$ 945,000	\$ 105,000
Compensated Absences Payable	57,398	0	38,911	18,487	0
Due to State of Vermont	66,199	0	7,948	58,251	7,915
Net Pension Liability	310,204	0	135,288	174,916	0
Total Governmental Activities Long-term Liabilities	\$ 1,483,801	\$ 0	\$ 287,147	\$ 1,196,654	\$ 112,915

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 \$58,251.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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
2023	\$ 105,000	\$ 42,467
2024	105,000	37,853
2025	105,000	33,096
2026	105,000	28,235
2027	105,000	23,273
2028-2031	420,000	41,905
Total	<u>\$ 945,000</u>	<u>\$ 206,829</u>

J. Fund Balances

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

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

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

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

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

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

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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>38,972</u>
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Non-Major Funds

Special Revenue Funds:

Nonspendable Cemetery Fund Principal	101,475
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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>151,475</u>
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Total Nonspendable Fund Balances	<u>\$190,447</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>\$82,088</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Rally Day Fund by Donations (Source of Revenue is Donations)	<u>170</u>
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Capital Projects Funds:

Restricted for Emergency Services Facility Expenditures by Bond Proceeds (Source of Revenue is Bond Proceeds)	<u>6,752</u>
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Permanent Fund:

Restricted for C. Smith Fund by Trust Agreement – Expendable Portion	<u>5,105</u>
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Total Non-Major Funds	<u>12,027</u>
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Total Restricted Fund Balances	<u>\$94,115</u>
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TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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

Major Funds

Capital Reserve Fund:	
Committed for Capital Projects by the Voters	<u>\$1,822,513</u>

Non-Major Funds

Special Revenue Funds:	
Committed for Town Forest Expenses by the Voters	27,222
Committed for Land Conservation Expenses by the Voters	20,684
Committed for Cemetery Expenses by the Voters	<u>19,126</u>
Total Non-Major Funds	<u>67,032</u>
Total Committed Fund Balances	<u>\$1,889,545</u>

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

Major Funds

General Fund:	
Assigned to Reduce Property Taxes in Fiscal Year 2023	\$150,000
Assigned for Compensated Absences Payments	30,000
Assigned for Treasurer Transition	10,000
Assigned for Recreation Committee Expenses	<u>2,570</u>
Total General Fund	<u>192,570</u>

Non-Major Funds

Special Revenue Funds:	
Assigned for Reappraisal Expenses	145,626
Assigned for Rally Day Expenses	<u>500</u>
Total Non-Major Funds	<u>146,126</u>
Total Assigned Fund Balances	<u>\$338,696</u>

The General Fund unassigned fund balance includes \$287,965 of emergency reserves as approved by the voters.

The unassigned deficit of \$7,197 in the Restoration Fund will be funded with future restoration fees.

The unassigned deficit of \$38,590 in the Paving & Structures Grant Fund will be funded with the collection of grant revenue.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

K. Restricted Net Position

The restricted net position of the Town as of June 30, 2022 consisted of the following:

Governmental Activities:

Restricted for Community Development by Grant Agreements	\$247,886
Restricted for Rally Day Expenses by Donations	170
Restricted for Cemetery by Trust Agreement	101,475
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>5,105</u>
Total Governmental Activities	<u>\$404,636</u>

V. OTHER INFORMATION

A. Pension Plan

Defined Benefit Plan

The Vermont Municipal Employees' Retirement System (VMERS)

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. As of June 30, 2021, the measurement date selected by the State of Vermont, the retirement system consisted of 353 participating employers.

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

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

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

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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

As of June 30, 2021, the measurement date selected by the State of Vermont, VMERS was funded at 86.29% and had a plan fiduciary net position of \$926,034,330 and a total pension liability of \$1,073,218,528 resulting in a net position liability of \$147,184,198. As of June 30, 2022, the Town's proportionate share of this was 0.1188% resulting in a net pension liability of \$174,916. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Town's proportion of 0.1188% was a decrease of 0.0038 from its proportion measured as of the prior year.

For the year ended June 30, 2022, the Town recognized pension expense of \$23,723.

As of June 30, 2022, 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	\$ 32,601	\$ 0
Difference between projected and actual investment earnings on pension assets	0	103,135
Changes in assumptions	27,648	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,262	10,593
Town's required employer contributions made subsequent to the measurement date	32,249	0
	\$ 96,760	\$ 113,728

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$32,249 will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

Year Ending <u>June 30</u>	
2023	\$ (1,380)
2024	(4,832)
2025	(13,838)
2026	<u>(29,167)</u>
Total	<u>\$(49,217)</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.

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.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

Disability Retirement Allowance:

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

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

Death Benefit:

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

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

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

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

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

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

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

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

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

Significant Actuarial Assumptions and Methods

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

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

Mortality:

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

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

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

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

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

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

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

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

Inflation: 2.30%

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 are summarized in the following table:

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

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members). The Board voted to authorize employer contribution rate increases of 0.50% each year for a period of four years beginning July 1, 2022, to be offset by any increases in the employee contribution rates as negotiated with employee groups and approved by Legislature. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$345,731	\$174,916	\$34,456

TOWN OF EAST MONTPELIER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

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 approximately 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 2022 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Town	.6566	.6566
Local Agreement	.0027	.0027
Education	<u>1.8215</u>	<u>1.7116</u>
Total	<u>2.4808</u>	<u>2.3709</u>

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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 \$945,000, 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:

2023	\$ 49,156
2024	47,618
2025	46,032
2026	44,412
2027	42,758
2028-2031	<u>153,968</u>
Total	<u>\$383,944</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.

E. Subsequent Events

Subsequent to year-end, the Town will receive the second half of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program funds in the amount of \$381,280.

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, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 2,038,053	\$ 1,994,331	\$ (43,722)
Interest on Delinquent Taxes	9,000	2,357	(6,643)
Penalties on Delinquent Taxes	10,000	13,944	3,944
Interest on Late Taxes	6,000	9,606	3,606
Education Retention Fees	10,000	10,512	512
Current Use Hold Harmless	99,000	106,172	7,172
PILOT - Land	600	635	35
PILOT - Buildings	3,400	4,123	723
Dog Licenses	2,000	2,192	192
Excess Weight Fees	400	470	70
Liquor Licenses	100	140	40
Recording Fees	20,000	20,734	734
Vault Fees	4,000	3,635	(365)
Zoning Fees	4,000	7,738	3,738
Roadside Management Grant Income	0	18,454	18,454
State Equalization Grant Income	0	1,239	1,239
Loan Reimbursement - Town of Calais	50,640	50,640	0
State Aid to Highways	148,000	166,846	18,846
Civil Fines	1,000	1,096	96
Interest	1,000	1,241	241
Miscellaneous	100	3,100	3,000
Total Revenues	2,407,293	2,419,205	11,912
Expenditures:			
Town Officers' Payroll:			
Municipal Employees	224,500	297,493	(72,993)
Health Officer	1,500	1,500	0
Tree Warden	1,000	1,000	0
Selectboard	5,500	5,500	0
Planning Commission Stipend	4,750	4,250	500
Internal Auditor's	7,000	7,368	(368)
Listers Payroll	23,000	19,293	3,707
Animal Control Officers Stipend	2,000	2,000	0
Constable Stipend	1,500	1,500	0
Total Town Officers' Payroll	270,750	339,904	(69,154)

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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, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Employee Benefits/Insurances:			
Social Security/Medicare	\$ 40,500	\$ 45,150	\$ (4,650)
Municipal Retirement	29,000	34,957	(5,957)
Unemployment	3,800	3,470	330
Health Insurance	139,000	129,474	9,526
Dental Insurance	3,300	3,454	(154)
Life, Long-Term and Short-Term Disability	3,600	3,452	148
Town Liability Insurance	4,500	4,757	(257)
Workers' Compensation	16,000	15,295	705
Total Employee Benefits/Insurances	<u>239,700</u>	<u>240,009</u>	<u>(309)</u>
Law Enforcement:			
Community Advisory Board	100	100	0
Vermont State Police	17,000	11,708	5,292
Total Law Enforcement	<u>17,100</u>	<u>11,808</u>	<u>5,292</u>
Professional Fees:			
Contracted Payroll Services	1,000	0	1,000
External Audit	15,500	15,100	400
Legal Fees	8,000	1,380	6,620
Total Professional Fees	<u>24,500</u>	<u>16,480</u>	<u>8,020</u>
Municipal Building:			
Custodial	2,700	2,630	70
Electricity	3,000	3,565	(565)
General Expenses	1,000	311	689
Heating Fuel	1,200	23	1,177
Repairs/Maintenance	3,000	2,566	434
Telephone	3,000	2,995	5
Water	1,000	884	116
Total Municipal Building	<u>14,900</u>	<u>12,974</u>	<u>1,926</u>
Municipal Operations:			
Advertising	1,500	3,640	(2,140)
Copier Lease	3,500	2,811	689
Education/Seminars	1,500	158	1,342
Equipment Purchases	1,000	0	1,000
Gifts/Special Occasions	700	0	700
Mileage/Travel Expense	1,500	775	725
Fees	1,800	1,551	249
Grounds Maintenance	11,500	10,200	1,300
Office Supplies	5,000	2,624	2,376

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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, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Municipal Operations/(Cont'd):			
Postage	\$ 3,700	\$ 3,170	\$ 530
Printing	2,100	2,657	(557)
Town Report Printing and Mailing	5,800	5,575	225
Property and Casualty Insurance	13,000	11,968	1,032
Public Records Management	10,000	9,216	784
Street Lights	6,300	6,269	31
Subscriptions/Memberships	450	441	9
Town Document Updates	5,000	0	5,000
	<u>74,350</u>	<u>61,055</u>	<u>13,295</u>
Total Municipal Operations			
Loans and Interest:			
Public Safety Building - Interest	46,919	46,919	0
Public Safety Building - Principal	105,000	105,000	0
Tax Anticipation Note - Interest	1,000	0	1,000
	<u>152,919</u>	<u>151,919</u>	<u>1,000</u>
Total Loans and Interest			
Computers:			
Equipment/Hardware Purchases	2,500	3,215	(715)
General Services/Maintenance	13,000	14,364	(1,364)
GIS Mapping Service	4,500	4,400	100
Software	3,500	1,705	1,795
	<u>23,500</u>	<u>23,684</u>	<u>(184)</u>
Total Computers			
Town Clerk and Elections:			
Ballot Clerks/Elections Workers	1,000	5,634	(4,634)
Dog Licensing - Tags and Licenses	350	324	26
Election Equipment	2,000	1,467	533
Record Restoration/Preservation	3,000	0	3,000
Vault Expenses/Town Records	1,000	60	940
	<u>7,350</u>	<u>7,485</u>	<u>(135)</u>
Total Town Clerk and Elections			
Dues and Fees:			
CV Economic Development	900	900	0
CV Regional Planning Commission	3,266	3,266	0
CV Solid Waste Management District	2,551	2,551	0
VT Association of Conservation Districts	100	100	0
VT League of Cities and Towns	4,280	4,280	0
Washington County Court Expense	24,901	24,901	0
Wrightsville Beach District	3,986	3,897	89
	<u>39,984</u>	<u>39,895</u>	<u>89</u>
Total Dues and Fees			

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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, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Transfers:			
Fire Department	\$ 122,076	\$ 122,076	\$ 0
Ambulance Service	223,159	223,159	0
Recreation Board	3,500	3,500	0
Cemetery Commission Transfer	20,000	20,000	0
Total Transfers	368,735	368,735	0
Grants and Special Projects:			
Invasive Species Control	300	0	300
Front Porch Forum	500	500	0
Roadside Management Grant Expenses	15,000	30,583	(15,583)
Better Back Roads Grant Expenses	0	2,245	(2,245)
Capital Reserve Contribution	446,634	446,634	0
Total Grants and Special Projects	462,434	479,962	(17,528)
Highway Operations:			
Chloride	27,000	16,911	10,089
Crack Sealant	12,000	21,000	(9,000)
Culverts	7,600	0	7,600
Diesel	58,000	54,381	3,619
Education/Seminars - Highway Personnel	600	45	555
Equipment Rentals	7,000	1,550	5,450
Erosion Stone	8,000	0	8,000
General Supplies	14,500	8,169	6,331
Gravel	115,000	131,886	(16,886)
Green Up Expenses	600	6	594
Guardrails	5,000	0	5,000
Hazardous Materials Disposal	750	2,645	(1,895)
Hydroseeder Mulch	2,000	736	1,264
Pavement Management	4,000	0	4,000
Pavement Markings	5,200	0	5,200
Permit Fees	2,000	1,350	650
Reciprocal Road Maintenance	1,300	1,313	(13)
Road Fabric	3,500	0	3,500
Salt	62,000	33,775	28,225
Sand	42,000	41,265	735
Signs	4,000	2,598	1,402
Uniforms	5,800	6,100	(300)
Weather Reporting	1,000	800	200
Total Highway Operations	388,850	324,530	64,320

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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, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Garage Expenses:			
Electricity	\$ 1,600	\$ 1,536	\$ 64
General Expenses	2,000	392	1,608
Heating Fuel	7,000	7,043	(43)
Building Repairs and Maintenance	3,000	1,076	1,924
Rubbish	2,500	3,217	(717)
Security	400	174	226
Telephone/Communications	2,700	2,245	455
	<hr/>	<hr/>	<hr/>
Total Town Garage Expenses	19,200	15,683	3,517
	<hr/>	<hr/>	<hr/>
Vehicle Equipment/Repairs:	65,000	80,095	(15,095)
	<hr/>	<hr/>	<hr/>
Highway Labor:	227,000	225,374	1,626
	<hr/>	<hr/>	<hr/>
Voted Articles:			
Four Corners Schoolhouse	4,500	4,500	0
Kellogg-Hubbard Library	42,022	42,022	0
East Montpelier Signpost	9,700	9,700	0
Rural Community Transportation	7,833	7,833	0
GMTA Route 2 Commuter Bus Service	1,500	1,500	0
Montpelier Senior Activity Center	9,000	9,000	0
East Montpelier Trails	4,000	4,000	0
Central VT Home Health & Hospice	6,000	6,000	0
Twin Valley Seniors, Inc.	5,000	5,000	0
	<hr/>	<hr/>	<hr/>
Total Voted Articles	89,555	89,555	0
	<hr/>	<hr/>	<hr/>
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	350	350	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	900	900	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, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Appropriations/(Cont'd):			
HomeShare Vermont	\$ 800	\$ 800	\$ 0
Sexual Assault Crisis Team	250	250	0
North Branch Nature Center	750	750	0
Onion River Food Shelf	1,200	1,200	0
Our House of Central Vermont	250	250	0
People's Health and Wellness Clinic, Inc.	1,750	1,750	0
Prevent Child Abuse of Vermont	300	300	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
Washington County Youth Service Bureau	400	400	0
Winooski Natural Resources Conservation District	600	600	0
Total Appropriations	<u>21,466</u>	<u>21,466</u>	<u>0</u>
Total Expenditures	<u>2,507,293</u>	<u>2,510,613</u>	<u>(3,320)</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>\$ (100,000)</u>	<u>(91,408)</u>	<u>\$ 8,592</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Recreation Committee Fund Income		10,323	
Recreation Committee Fund Transfer In		3,500	
Recreation Committee Fund Expenses		<u>(12,159)</u>	
Net Change in Fund Balance		(89,744)	
Fund Balance - July 1, 2021		<u>747,637</u>	
Fund Balance - June 30, 2022		<u>\$ 657,893</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.

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

	2022	2021	2020	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 147,184,198	\$ 252,974,064	\$ 173,491,807	\$ 140,675,892	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.1188%	0.1226%	0.1285%	0.1178%	0.1215%	0.1267%	0.1295%	0.1129%
Town's Proportionate Share of the Net Pension Liability	\$ 174,916	\$ 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	\$ 321,464
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	44.3209%	78.7104%	57.1864%	46.3847%	40.8035%	46.5725%	29.6445%	3.2066%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.29%	74.52%	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions and Methods: None.

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 32,249	\$ 26,422	\$ 25,414	\$ 24,699	\$ 20,628	\$ 19,835	\$ 19,255	\$ 18,105
Contributions in Relation to the Actuarially Determined Contributions	<u>32,249</u>	<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>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 462,231	\$ 394,658	\$ 394,108	\$ 389,988	\$ 357,167	\$ 360,638	\$ 350,093	\$ 336,832
Contributions as a Percentage of Town's Covered Employee Payroll	6.977%	6.695%	6.448%	6.333%	5.775%	5.500%	5.500%	5.375%

Notes to Schedule

Valuation Date: June 30, 2021

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

TOWN OF EAST MONTPELIER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022

	Special Revenue Funds	Capital Projects Funds	Permanent Fund C. Smith Recreation Fund	Total
<u>ASSETS</u>				
Investments	\$ 101,459	\$ 0	\$ 52,429	\$ 153,888
Receivables	0	38,590	0	38,590
Due from Other Funds	<u>213,344</u>	<u>6,752</u>	<u>2,676</u>	<u>222,772</u>
Total Assets	<u>\$ 314,803</u>	<u>\$ 45,342</u>	<u>\$ 55,105</u>	<u>\$ 415,250</u>
<u>LIABILITIES</u>				
Due to Other Funds	<u>\$ 7,197</u>	<u>\$ 38,590</u>	<u>\$ 0</u>	<u>\$ 45,787</u>
Total Liabilities	<u>7,197</u>	<u>38,590</u>	<u>0</u>	<u>45,787</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Grants	<u>0</u>	<u>38,590</u>	<u>0</u>	<u>38,590</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>38,590</u>	<u>0</u>	<u>38,590</u>
<u>FUND BALANCES/(DEFICIT)</u>				
Nonspendable	101,475	0	50,000	151,475
Restricted	170	6,752	5,105	12,027
Committed	67,032	0	0	67,032
Assigned	146,126	0	0	146,126
Unassigned/(Deficit)	<u>(7,197)</u>	<u>(38,590)</u>	<u>0</u>	<u>(45,787)</u>
Total Fund Balances/(Deficit)	<u>307,606</u>	<u>(31,838)</u>	<u>55,105</u>	<u>330,873</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 314,803</u>	<u>\$ 45,342</u>	<u>\$ 55,105</u>	<u>\$ 415,250</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, 2022

	Special Revenue Funds	Capital Projects Funds	Permanent Fund C. Smith Recreation Fund	Total
Revenues:				
Intergovernmental	\$ 10,532	\$ 31,811	\$ 0	\$ 42,343
Charges for Services	9,555	0	0	9,555
Permits, Licenses and Fees	7,392	0	0	7,392
Investment Income	<u>1,203</u>	<u>12</u>	<u>303</u>	<u>1,518</u>
Total Revenues	<u>28,682</u>	<u>31,823</u>	<u>303</u>	<u>60,808</u>
Expenditures:				
General Government	28,472	0	0	28,472
Highways and Streets	0	4,863	0	4,863
Cemetery	23,314	0	0	23,314
Capital Outlay:				
Public Safety	0	7,080	0	7,080
Highways and Streets	<u>0</u>	<u>31,496</u>	<u>0</u>	<u>31,496</u>
Total Expenditures	<u>51,786</u>	<u>43,439</u>	<u>0</u>	<u>95,225</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(23,104)</u>	<u>(11,616)</u>	<u>303</u>	<u>(34,417)</u>
Other Financing Sources/(Uses):				
Transfers In	20,000	70,274	0	90,274
Transfers Out	<u>(1,452)</u>	<u>0</u>	<u>0</u>	<u>(1,452)</u>
Total Other Financing Sources/(Uses)	<u>18,548</u>	<u>70,274</u>	<u>0</u>	<u>88,822</u>
Net Change in Fund Balances	(4,556)	58,658	303	54,405
Fund Balances/(Deficit) - July 1, 2021	<u>312,162</u>	<u>(90,496)</u>	<u>54,802</u>	<u>276,468</u>
Fund Balances/(Deficit) - June 30, 2022	<u>\$ 307,606</u>	<u>\$ (31,838)</u>	<u>\$ 55,105</u>	<u>\$ 330,873</u>

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

	Reappraisal Fund	Restoration 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	\$ 101,459	\$ 101,459
Due from Other Funds	145,626	0	27,222	0	670	20,684	19,142	213,344
Total Assets	<u>\$ 145,626</u>	<u>\$ 0</u>	<u>\$ 27,222</u>	<u>\$ 0</u>	<u>\$ 670</u>	<u>\$ 20,684</u>	<u>\$ 120,601</u>	<u>\$ 314,803</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Due to Other Funds	\$ 0	\$ 7,197	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,197
Total Liabilities	0	7,197	0	0	0	0	0	7,197
Fund Balances/(Deficit):								
Nonspendable	0	0	0	0	0	0	101,475	101,475
Restricted	0	0	0	0	170	0	0	170
Committed	0	0	27,222	0	0	20,684	19,126	67,032
Assigned	145,626	0	0	0	500	0	0	146,126
Unassigned/(Deficit)	0	(7,197)	0	0	0	0	0	(7,197)
Total Fund Balances/(Deficit)	<u>145,626</u>	<u>(7,197)</u>	<u>27,222</u>	<u>0</u>	<u>670</u>	<u>20,684</u>	<u>120,601</u>	<u>307,606</u>
Total Liabilities and Fund Balances	<u>\$ 145,626</u>	<u>\$ 0</u>	<u>\$ 27,222</u>	<u>\$ 0</u>	<u>\$ 670</u>	<u>\$ 20,684</u>	<u>\$ 120,601</u>	<u>\$ 314,803</u>

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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, 2022

	Reappraisal Fund	Restoration Fund	Town Forest Fund	Veteran's Memorial Fund	Rally Day Fund	Land Conservation Fund	Cemetery Fund	Total
Revenues:								
Intergovernmental	\$ 10,532	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,532
Charges for Services	0	0	0	0	0	0	9,555	9,555
Permits, Licenses and Fees	0	7,392	0	0	0	0	0	7,392
Investment Income	111	12	22	1	0	17	1,040	1,203
Total Revenues	10,643	7,404	22	1	0	17	10,595	28,682
Expenditures:								
General Government	0	28,472	0	0	0	0	0	28,472
Cemetery	0	0	0	0	0	0	23,314	23,314
Total Expenditures	0	28,472	0	0	0	0	23,314	51,786
Excess/(Deficiency) of Revenues Over Expenditures	10,643	(21,068)	22	1	0	17	(12,719)	(23,104)
Other Financing Sources/(Uses):								
Transfers In	0	0	0	0	0	0	20,000	20,000
Transfers Out	0	0	0	(1,452)	0	0	0	(1,452)
Total Other Financing Sources/(Uses)	0	0	0	(1,452)	0	0	20,000	18,548
Net Change in Fund Balances	10,643	(21,068)	22	(1,451)	0	17	7,281	(4,556)
Fund Balances - July 1, 2021	134,983	13,871	27,200	1,451	670	20,667	113,320	312,162
Fund Balances - June 30, 2022	\$ <u>145,626</u>	\$ <u>(7,197)</u>	\$ <u>27,222</u>	\$ <u>0</u>	\$ <u>670</u>	\$ <u>20,684</u>	\$ <u>120,601</u>	\$ <u>307,606</u>

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

	Emergency Services Facility Fund	Paving & Structures Grant Fund	Village Projects Grant Fund	Total
<u>ASSETS</u>				
Receivables	\$ 0	\$ 38,590	\$ 0	\$ 38,590
Due from Other Funds	<u>6,752</u>	<u>0</u>	<u>0</u>	<u>6,752</u>
Total Assets	<u>\$ 6,752</u>	<u>\$ 38,590</u>	<u>\$ 0</u>	<u>\$ 45,342</u>
<u>LIABILITIES</u>				
Due to Other Funds	\$ <u>0</u>	\$ <u>38,590</u>	\$ <u>0</u>	\$ <u>38,590</u>
Total Liabilities	<u>0</u>	<u>38,590</u>	<u>0</u>	<u>38,590</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Grants	<u>0</u>	<u>38,590</u>	<u>0</u>	<u>38,590</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>38,590</u>	<u>0</u>	<u>38,590</u>
<u>FUND BALANCES/(DEFICIT)</u>				
Restricted	6,752	0	0	6,752
Unassigned/(Deficit)	<u>0</u>	<u>(38,590)</u>	<u>0</u>	<u>(38,590)</u>
Total Fund Balances/(Deficit)	<u>6,752</u>	<u>(38,590)</u>	<u>0</u>	<u>(31,838)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,752</u>	<u>\$ 38,590</u>	<u>\$ 0</u>	<u>\$ 45,342</u>

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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, 2022

	Emergency Services Facility Fund	Paving & Structures Grant Fund	Village Projects Grant Fund	Total
Revenues:				
Intergovernmental	\$ 0	\$ 31,811	\$ 0	\$ 31,811
Investment Income	<u>12</u>	<u>0</u>	<u>0</u>	<u>12</u>
Total Revenues	<u>12</u>	<u>31,811</u>	<u>0</u>	<u>31,823</u>
Expenditures:				
Highways and Streets	0	4,863	0	4,863
Capital Outlay:				
Public Safety	7,080	0	0	7,080
Highways and Streets	<u>0</u>	<u>31,496</u>	<u>0</u>	<u>31,496</u>
Total Expenditures	<u>7,080</u>	<u>36,359</u>	<u>0</u>	<u>43,439</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(7,068)</u>	<u>(4,548)</u>	<u>0</u>	<u>(11,616)</u>
Other Financing Sources:				
Transfers In	<u>0</u>	<u>4,245</u>	<u>66,029</u>	<u>70,274</u>
Total Other Financing Sources	<u>0</u>	<u>4,245</u>	<u>66,029</u>	<u>70,274</u>
Net Change in Fund Balances	(7,068)	(303)	66,029	58,658
Fund Balances/(Deficit) - July 1, 2021	<u>13,820</u>	<u>(38,287)</u>	<u>(66,029)</u>	<u>(90,496)</u>
Fund Balances/(Deficit) - June 30, 2022	<u>\$ 6,752</u>	<u>\$ (38,590)</u>	<u>\$ 0</u>	<u>\$ (31,838)</u>

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Sullivan, Powers & Co., P.C.

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Jordon M. Plummer, CPA
VT Lic. #92-000180

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, 2022, 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 January 11, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of 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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2022-01 through 2022-03, that we consider to be significant deficiencies.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards".

Town of East Montpelier, Vermont's Response to Findings

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

Purpose of this Report

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

Sullivan, Powers & Co.

January 11, 2023
Montpelier, Vermont
VT Lic. #92-000180

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

Deficiencies in Internal Control:

Material Weaknesses:

None noted.

Significant Deficiencies:

2022-01 Grants Receivable/Deferred Inflows of Resources

Criteria:

Internal controls should be in place to ensure that the grants receivable and related deferred inflows of resources balances are recorded properly at year end.

Condition:

The grants receivable and related deferred inflows of resources accounts were not reconciled to the actual balances at year end which resulted in various adjustments to revenue.

Cause:

Unknown.

Effect:

The Town's grants receivable and related deferred inflows of resources balances were incorrect.

Recommendation:

We recommend that the Town reconcile the grants receivable and related deferred inflows of resources balances to supporting documentation annually in order to detect and correct errors.

2022-02 Classification of Grant Revenues

Criteria:

Internal controls should be in place to ensure grant revenues are posted to the correct accounts in the general ledger.

Condition:

The Town did not have controls in place to ensure grant revenues are posted to the correct accounts in the general ledger.

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

Cause:

Unknown.

Effect:

The Town's account balances were incorrect.

Recommendation:

We recommend that the Town implement controls to ensure grant revenues are posted to the correct accounts in the general ledger.

2022-03 Accrued Payroll and Benefits Payable

Criteria:

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

Condition:

The Town did not have controls in place to ensure all payroll balance sheet accounts were reconciled to supporting documentation at year end which resulted in adjustments to payroll expenses.

Cause:

Unknown.

Effect:

The Town's payroll related account balances were not completely reconciled at year end which resulted in adjustments to payroll expenses.

Recommendation:

We recommend that all the payroll related balance sheet accounts be reconciled to supporting documentation at year end in order to detect and correct errors.

TOWN OF
EAST MONTPELIER, VERMONT
Town Treasurer

January 11, 2023

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

This letter is in response to the Deficiencies in Internal Control – Significant Deficiencies findings in our Audit Report for the fiscal year ending June 30, 2022:

2022-01 Grants Receivable/Deferred Inflows of Resources

Due to the transition of Town Office positions, the new team deferred posting journal entries until a review of the required entries could be reviewed with the external audit team. The grants receivable and related deferred inflows will be reconciled and posted properly at year end prior to the external audit in the future.

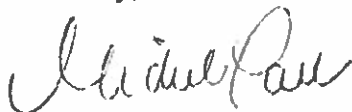
2022-02 Classification of Grant Revenues

This deficiency was due to the incorrect posting of a revenue received compared to the expenses incurred. The Town Treasurer and Town Administrator will be implementing improved reporting and documentation to ensure that revenues and expenses are properly matched going forward.

2022-03 Accrued Payroll and Benefits Payable

The Town Treasurer and Town Administrator will be implementing a procedure whereby the accrual payroll and benefits are supported by a spreadsheet and reconciled throughout the year.

Sincerely,



Michele J. Pallas
Business Manager / Treasurer / Delinquent Tax Collector
Town of East Montpelier