

**TOWN OF SOUTH HERO, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2020**

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 AUDIT REPORT  
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## Independent Auditor's Report

Selectboard  
Town of South Hero, Vermont  
P.O. Box 175  
South Hero, Vermont 05486

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of South Hero, Vermont as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of South Hero, Vermont's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

***Basis for Qualified Opinion on the General Fund and the Aggregate Remaining Fund Information***

As described in Note III.C. to the financial statements, the Town of South Hero, Vermont adopted certain provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" but did not adopt certain provisions related to the clarified definitions of Special Revenue Funds affecting the General Fund and aggregate remaining fund information. As a result, there are some Special Revenue Funds that should be reported as part of the General Fund.

***Qualified Opinions***

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the General Fund and the Aggregate Remaining Fund Information of the Town of South Hero, Vermont as of June 30, 2020, and the changes in financial position thereof for the year then ended in conformity with the modified cash basis of accounting, as described in Note I.D.

***Unmodified Opinions***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the Highway Fund and the Fire Department Equipment Replacement Fund of the Town of South Hero, Vermont as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting as described in Note I.D.

***Other Matters***

***Basis of Accounting***

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

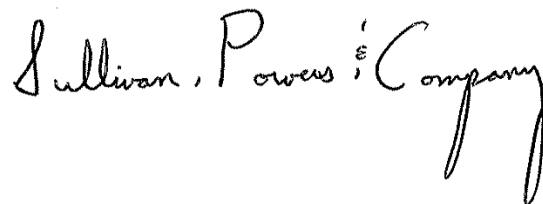
***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of South Hero, Vermont's basic financial statements. The budgetary comparison information on Schedules 1 and 2 and 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 November 30, 2020 on our consideration of the Town of South Hero, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of South Hero, Vermont's internal control over financial reporting and compliance.

November 30, 2020  
Montpelier, Vermont  
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned to the right of the date and location information.

TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
JUNE 30, 2020

	Governmental Activities
<u>ASSETS</u>	
Cash	\$ 951,127
Investments	29,288
	980,415
 <u>LIABILITIES</u>	
Due to State of Vermont	330
	330
 <u>NET POSITION</u>	
Restricted:	
Nonspendable - Culture and Recreation	12,093
Nonexpendable - Cemetery	19,210
Highway and Streets	457,106
Culture and Recreation	46,091
Cemetery	72,350
Other	2,094
Unrestricted	371,141
	980,085
Total Net Position	\$ 980,085

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

TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2020

	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position	
Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants/Loans and Contributions	Governmental Activities	
Functions/Programs:					
Governmental Activities:					
General Government	\$ 742,493	\$ 41,869	\$ 108,480	\$ 0	\$ (592,144)
Highways and Streets	387,665	0	54,608	35,276	(297,781)
Public Safety	192,717	0	0	0	(192,717)
Culture and Recreation	142,875	2,416	11,701	0	(128,758)
Cemetery	12,744	0	10,000	0	(2,744)
Sanitation	22,672	0	0	0	(22,672)
Capital Outlay:					
Highways and Streets	211,137	0	0	70,693	(140,444)
Public Safety	74,339	0	0	0	(74,339)
Debt Service	173,210	0	0	0	(173,210)
Total	\$ 1,959,852	\$ 44,285	\$ 184,789	\$ 105,969	(1,624,809)
General Receipts:					
Property Taxes					1,627,262
Interest and Penalties on Delinquent Taxes					45,594
Payments in Lieu of Taxes					20,841
Permits, Licenses and Fees					17,564
Unrestricted Investment Earnings					8,878
General State Grants					24,553
Insurance Proceeds					2,767
Other Revenues					10,817
Total General Receipts					1,758,276
Change in Net Position					133,467
Net Position - June 30, 2019					846,618
Net Position - June 30, 2020					\$ 980,085

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



TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF MODIFIED CASH BASIS ASSETS, LIABILITIES AND FUND BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

	General Fund	Highway Fund	Fire Department Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 467,225	\$ 0	\$ 181,299	\$ 302,603	\$ 951,127
Investments	0	0	0	29,288	29,288
Due From Other Funds	<u>0</u>	<u>367,652</u>	<u>0</u>	<u>89,786</u>	<u>457,438</u>
Total Assets	<u>\$ 467,225</u>	<u>\$ 367,652</u>	<u>\$ 181,299</u>	<u>\$ 421,677</u>	<u>\$ 1,437,853</u>
<u>LIABILITIES</u>					
Due to State of Vermont	\$ 330	\$ 0	\$ 0	\$ 0	\$ 330
Due To Other Funds	<u>457,438</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>457,438</u>
Total Liabilities	<u>457,768</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>457,768</u>
<u>FUND BALANCES</u>					
Nonspendable	0	0	0	31,303	31,303
Restricted	0	367,652	0	209,989	577,641
Committed	0	0	181,299	128,289	309,588
Assigned	0	0	0	52,096	52,096
Unassigned	<u>9,457</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,457</u>
Total Fund Balances	<u>9,457</u>	<u>367,652</u>	<u>181,299</u>	<u>421,677</u>	<u>980,085</u>
Total Liabilities and Fund Balances	<u>\$ 467,225</u>	<u>\$ 367,652</u>	<u>\$ 181,299</u>	<u>\$ 421,677</u>	<u>\$ 1,437,853</u>

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

TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Highway Fund	Fire Department Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Cash Receipts:</b>					
Property Taxes	\$ 1,057,571	\$ 466,691	\$ 0	\$ 103,000	\$ 1,627,262
Penalties and Interest on					
Delinquent Taxes	45,594	0	0	0	45,594
Intergovernmental	109,026	160,577	0	24,903	294,506
Charges for Services	41,135	0	0	0	41,135
Permits, Licenses and Fees	20,714	0	0	0	20,714
Donations	0	0	0	21,351	21,351
Investment Income	6,217	0	599	2,062	8,878
Payment in Lieu of Taxes	20,841	0	0	0	20,841
Other	2,770	7,012	0	489	10,271
<b>Total Cash Receipts</b>	<b>1,303,868</b>	<b>634,280</b>	<b>599</b>	<b>151,805</b>	<b>2,090,552</b>
<b>Cash Disbursements:</b>					
General Government	719,341	0	0	23,152	742,493
Highways and Streets	0	387,665	0	0	387,665
Public Safety	190,396	0	2,321	0	192,717
Culture & Recreation	12,478	0	0	130,397	142,875
Cemetery	0	0	0	23,222	23,222
Sanitation	0	0	0	12,194	12,194
Capital Outlay:					
Highways and Streets	0	165,257	0	45,880	211,137
Public Safety	13,495	0	60,844	0	74,339
Debt Service:					
Principal	142,363	0	0	0	142,363
Interest	30,847	0	0	0	30,847
<b>Total Cash Disbursements</b>	<b>1,108,920</b>	<b>552,922</b>	<b>63,165</b>	<b>234,845</b>	<b>1,959,852</b>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	194,948	81,358	(62,566)	(83,040)	130,700
<b>Other Financing Sources/(Uses):</b>					
Insurance Proceeds	2,767	0	0	0	2,767
Transfers In	50,000	0	35,000	60,000	145,000
Transfers Out	(60,000)	(35,000)	0	(50,000)	(145,000)
<b>Total Other Financing Sources/(Uses)</b>	<b>(7,233)</b>	<b>(35,000)</b>	<b>35,000</b>	<b>10,000</b>	<b>2,767</b>
Net Change in Fund Balances	187,715	46,358	(27,566)	(73,040)	133,467
Fund Balances/(Deficit) - June 30, 2019	(178,258)	321,294	208,865	494,717	846,618
Fund Balances - June 30, 2020	\$ 9,457	\$ 367,652	\$ 181,299	\$ 421,677	\$ 980,085

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

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

The Town of South Hero, Vermont, (herein the "Town") operates under a Selectboard form of government and provides the following services as authorized by State statutes: public safety, highways and streets, cemetery, health and social services, public improvements, planning and zoning, and general administrative services.

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

As discussed further in Note I.D., these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. 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 should include all of the activity of the Town of South Hero, 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, receipts, and disbursements. 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. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town.

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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. Eliminations have been made to minimize the double counting of activities between funds. Governmental activities generally are financed through property taxes, intergovernmental receipts, and other nonexchange transactions.

The statement of activities presents a comparison between direct disbursements and program receipts for each function of the Town's governmental activities. Direct disbursements 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. Receipts that are not classified as program receipts, including all property taxes, are presented as general receipts.

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.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining 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.

Highway Fund – This fund accounts for the maintenance and operation of the Town highways.

Fire Department Equipment Replacement Fund – This fund accounts for monies to be used for Fire Department equipment.

### **C. Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. Equity (i.e., modified cash basis net position) is segregated into restricted and unrestricted net position. Operating statements present increases (i.e., receipts) and decreases (i.e., disbursements) in modified cash basis net position.

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

Governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Their reported fund balances (modified cash basis fund balances) 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., receipts and other financing sources) and decreases (i.e., disbursements and other financing uses) in modified cash basis fund balances.

**D. Basis of Accounting**

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

The Town's policy is to prepare its financial statements generally on the basis of cash receipts and disbursements; consequently, certain revenue and related assets are recognized when received rather than when earned, and certain expenditures and related liabilities are recognized when paid rather than when the obligation is incurred. The exceptions to this are that the Town records investments as assets, amounts due to the State of Vermont for dog and marriage licenses and tax overpayments as liabilities.

General capital asset acquisitions are reported as expenditures. Proceeds of general long-term debt and capital leases are reported as other financing sources.

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.

**E. 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.

**2. Investments**

The Town invests in investments as allowed by State Statute. Investments in certificates of deposit are reported at cost and investments in mutual funds are reported at fair value. The modified cash basis of accounting requires that all investments be reported at cost, however, the difference, if any, is not material.

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

**3. 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 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 in 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.

**4. Interfund Receivables/Payables**

Activity between funds that are representative of lending/borrowing arrangements 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."

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

**B. Budgeted Surplus**

The Town budgeted cash receipts in excess of cash disbursements by \$69,070 in the General Fund. This is reflected as a current year's budgeted excess of cash receipts over cash disbursements in Schedule 1.

**C. Excess of Expenditures over Appropriations**

For the year ended June 30, 2020, expenditures in the General Fund and Highway Fund exceeded appropriations by \$94,296 and \$67,231, respectively. These over-expenditures were funded by excess revenues.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

Cash and investments as of June 30, 2020 consist of the following:

Cash:	
Deposits with Financial Institutions	\$951,027
Cash on Hand	<u>      100</u>
Total Cash	<u>951,127</u>

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
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Investments:	
Certificates of Deposits	\$ 14,516
Mutual Funds – Mixed Holdings	<u>14,772</u>
Total Investments	<u>29,288</u>
Total Cash and Investments	<u>\$980,415</u>

**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 mutual funds are in the name of the Town and are not exposed to custodial credit risk. The following table shows the custodial credit risk of the Town’s cash and certificates of deposits.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$622,107	\$ 639,149
Uninsured, Collateralized by Letter of Credit from the Federal Home Loan Bank of Pittsburgh	<u>343,436</u>	<u>367,056</u>
Total	<u>\$965,543</u>	<u>\$1,006,205</u>

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. The Town’s mutual funds are not subject to interest rate risk disclosure.

**Credit Risk**

Generally, credit risk is the risk 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 does not have any policy to limit the exposure to credit risk. The Town’s mutual funds are open-ended and are, therefore, not subject to credit risk disclosure.

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
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**Concentration of Credit Risk**

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

**B. Interfund Balances and Activity**

Interfund balances as of June 30, 2020 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$457,438
Highway Fund	367,652	0
Non-Major Governmental Funds	<u>89,786</u>	<u>0</u>
Total	<u>\$457,438</u>	<u>\$457,438</u>

Interfund transfers during the year ended June 30, 2020 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Fire Department Equipment Replacement Fund	\$ 35,000	To Fund Capital Reserve
General Fund	Rescue Equipment Replacement Fund	25,000	To Fund Capital Reserve
Highway Fund	Highway Equipment Replacement Fund	35,000	To Fund Capital Reserve
Judicial Fines Fund	General Fund	25,000	To Fund General Fund Deficit
Reappraisal Fund	General Fund	<u>25,000</u>	To Fund General Fund Deficit
Total Transfers		<u>\$145,000</u>	



TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
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**C. 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. The Town did not adopt all the provisions of GASB Statement No. 54 and, as a result, has reported the Judicial Fines Fund and the Landfill Fund as Special Revenue Funds rather than being combined with 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. Governments are required to disclose in the notes key information about their stabilization arrangements, including the authority by which they were established, provisions for additions to stabilization amount and circumstances under which those amounts may be spent. The Town does not have any stabilization arrangements.

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

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

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

TOWN OF SOUTH HERO, VERMONT  
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The fund balances in the following funds are nonspendable as follows:

Permanent Funds

Nonspendable Library Trust Funds by Bequest/Donation	\$12,093
Nonspendable Cemetery Fund by Bequest	<u>19,210</u>
Total Nonspendable Fund Balances	<u>\$31,303</u>

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

Major Funds

Highway Fund:

Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes and State Highway Aid)	<u>\$367,652</u>
Total Major Funds	<u>367,652</u>

Non-Major Funds

Special Revenue Funds:

Restricted for Cemetery Expenditures (Source of Revenue is Dedicated Property Taxes)	9,955
Restricted for Planning Expenditures by Grant Agreement (Source of Revenue is Grant Revenue)	594
Restricted for Broadband Grant Expenditures by Grant Agreement (Source of Revenue is Grant Revenue)	1,500
Restricted for EAB Expenditures (Source of Revenue is Dedicated Property Taxes)	4,150
Restricted for Library Expenditures (Source of Revenue is Dedicated Property Taxes) – Designated for Library	<u>39,518</u>
Total Special Revenue Funds	<u>55,717</u>

Capital Project Funds:

Restricted for South Street Expenditures by Grant Agreement (Source of Revenue is Grant Revenue)	22,731
Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes) – Designated for Highway Capital Expenditures	<u>66,723</u>
Total Capital Project Funds	<u>89,454</u>

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Permanent Funds:

Restricted for Library Expenditures by Bequest/Donation	\$ 2,423
Restricted for Cemetery Expenditures by Bequest	<u>62,395</u>
Total Permanent Funds	<u>64,818</u>
Total Non-Major Funds	<u>209,989</u>
Total Restricted Fund Balances	<u>\$577,641</u>

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

Major Funds

Fire Department Equipment Replacement Fund:	
Committed for Fire Department Equipment by the Voters	<u>\$181,299</u>
Total Major Funds	<u>181,299</u>

Non-Major Funds

Capital Projects Funds:

Rescue Equipment Replacement Fund:	
Committed for Rescue Department Equipment by the Voters	<u>128,289</u>
Total Capital Projects Funds	<u>128,289</u>
Total Committed Fund Balances	<u>\$309,588</u>

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

Non-Major Funds

Special Revenue Funds:

Landfill Fund:	
Assigned for Landfill Expenditures	\$ 7,915
Judicial Fines Fund:	
Assigned for Judicial Fines	115
Reappraisal Fund:	
Assigned for Reappraisal Expenditures	42,737
Fishing Pier Fund:	
Assigned for Fishing Pier Expenditures	1,240
White Meeting House Outreach Fund:	
Assigned for White Meeting House Expenditures	<u>89</u>
Total Assigned Fund Balances	<u>\$52,096</u>

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**D. Net Position**

The restricted net position in the Governmental Activities consists of the nonspendable and restricted fund balances of \$608,944.

**IV. OTHER INFORMATION**

**A. Pension Plan**

**Defined Benefit Plan**

**Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. As of June 30, 2019, the measurement date selected by the State of Vermont, the retirement system consisted of 379 participating employers.

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

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

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

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

As of June 30, 2019, the measurement date selected by the State of Vermont, VMERS was funded at 80.35% and had a plan fiduciary net position of \$709,465,831 and a total pension liability of \$882,957,638 resulting in a net position liability of \$173,491,807. As of June 30, 2020, the Town's proportionate share of this was 0.0660% resulting in a net pension liability of \$114,547. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Town's proportion of 0.0660% was an increase of 0.0029 from its proportion measured as of the prior year.

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**Summary of System Provisions**

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

Creditable Service – Service as a member plus purchased service.

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

**Service Retirement Allowance:**

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

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

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

**Early Retirement Allowance:**

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

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

**Vested Retirement Allowance:**

Eligibility – Five (5) years of service.

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

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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 – 2.75%. Group B – 5.125%. Group C – 10.25%. Group D – 11.60%.

Employer Contributions – Group A – 4.25%. Group B – 5.75%. Group C – 7.50%. Group D – 10.10%.

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

**Significant Actuarial Assumptions and Methods**

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation.

Salary increases: 5% per year.

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Mortality:

Death in Active Service: Groups A, B and C – 98% of RP-2006 Mortality Table, blended 60% Blue Collar Employee and 40% Healthy Employee with generational projection using scale SSA-2017. Group D – 100% of RP-2006 Blue Collar Mortality Table with generational projection using scale SSA-2017.

Healthy Post-Retirement: Groups A, B and C – 98% of RP-2006 Mortality Table, blended 60% Blue Collar Annuitant and 40% Healthy Annuitant with generational projection using scale SSA-2017. Group D – 100% of RP-2006 Blue Collar Annuitant Table with generational projections using scale SSA-2017.

Disabled Post-Retirement: All Groups – RP-2006 Disabled Mortality Table with generational projection using scale SSA-2017.

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

Cost-of-Living Adjustments: 1.15% for Group A members and 1.30% for Groups B, C and D members. The January 1, 2019 and January 1, 2020 COLAs are 1.30% and 0.80%, respectively, for all groups.

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

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

Inflation: 2.50%

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, 2019 are summarized in the following table:

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	29%	6.90%
US Equity – Large Cap	4%	5.94%
US Equity – Small/Mid Cap	3%	6.72%
Non-US Equity – Large Cap	5%	6.81%
Non-US Equity – Small Cap	2%	7.31%
Emerging Markets Debt	4%	4.26%
Core Bond	14%	1.79%
Non-Core Bonds	6%	3.22%
Short Quality Credit	5%	1.81%
Private Credit	5%	6.00%
US TIPS	3%	1.45%
Core Real Estate	5%	4.26%
Non-Core Real Estate	3%	5.76%
Private Equity	10%	10.81%
Infrastructure/Farmland	2%	4.89%

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System’s projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. 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 7.50 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%):

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$187,840	\$114,547	\$53,874

**Defined Contribution Plan**

Employees in Group DC, a defined contribution plan, contribute 5% of their gross salary and the Town contributes 5.125%.

The Town pays all costs accrued each year for the plan. The premise of Plan DC is to allow employees to have a choice in investing their retirement assets. Each employee will receive the value of their account upon retirement.

Total covered payroll for Group DC was \$41,141. Pension expense for the year ended June 30, 2020, 2019, 2018 and 2017 were \$2,108, \$2,253, \$3,890, and \$5,560, respectively.



TOWN OF SOUTH HERO, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2020

**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. Property Taxes**

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are collected three (3) times per year. During the tax year ended June 30, 2020, taxes became due and payable on September 28, 2019, January 31, 2020 and April 27, 2020. If paid in full by the September due date, there is a 3% discount. After April 30, the Town assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale. The tax rates for 2020 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Education	1.6435	1.6305
Deficit	.0363	.0363
Library	.0182	.0182
Emerald Ash Borer	.0021	.0021
Local Agreement	.0010	.0010
Highway	.0964	.0964
Municipal	<u>.2156</u>	<u>.2156</u>
Total	<u>2.0131</u>	<u>2.0001</u>

**C. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through 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.

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

**D. Contingent Liabilities**

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**E. Long-Term Debt**

Long-term liabilities outstanding as of June 30, 2020 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vermont Municipal Bond Bank. Fire Department Property, \$1,300,000, Annual payments of \$130,000 and Semi- annual Interest at 2.64%, Due November, 2027.	\$1,170,000	\$ 0	\$130,000	\$1,040,000
Capital Lease Payable, Community Leasing Partners, SCBA's, Principal And Interest Payments of \$15,546 Payable on December 1 Annually, Interest at 5.72%, Due December 1, 2022.	<u>54,000</u>	<u>0</u>	<u>12,363</u>	<u>41,637</u>
Total	<u>\$1,224,000</u>	<u>\$ 0</u>	<u>\$142,363</u>	<u>\$1,081,637</u>

Maturities are estimated to be as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Capital Lease</u>
2021	\$ 130,000	\$ 25,084	\$15,546
2022	130,000	22,347	15,546
2023	130,000	19,435	15,546
2024	130,000	16,335	0
2025	130,000	12,978	0
2026-2029	<u>390,000</u>	<u>17,394</u>	<u>0</u>
Total	1,040,000	113,573	46,638
Less Imputed Interest	<u>0</u>	<u>0</u>	<u>(5,001)</u>
	<u>\$1,040,000</u>	<u>\$113,573</u>	<u>\$41,637</u>

**F. Related Party Transactions**

A Selectboard member is the wife of the Road Commissioner.

TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Cash Receipts:</b>			
Total Tax Dollars	\$ 881,985	\$ 893,717	\$ 11,732
Town Clerk Fees	20,000	32,246	12,246
Delinquent Taxes	75,000	163,854	88,854
Interest on Delinquent Taxes	8,000	21,915	13,915
Del Tax Penalties	10,000	23,679	13,679
Sub-Division Permits	1,000	0	(1,000)
Legal Advertisements Reimbursement	900	1,360	460
Liquor and Beer Licenses	800	1,130	330
Dog Licenses	2,000	1,606	(394)
Miscellaneous Refunds	0	954	954
Copies	150	359	209
Insurance Refund	0	2,767	2,767
State Aid-Current Use	60,000	73,398	13,398
State Taxes/Pilot Program	12,000	10,092	(1,908)
Building Permits	14,000	14,828	828
Interest-Sweep Account	5,000	6,217	1,217
Restoration Town Records	4,000	9,374	5,374
Fire Department Income	0	546	546
Lib Sal/WH/Prop Ins/WC Reim	69,400	64,551	(4,849)
Municipal Tax Adjustment	18,000	25,708	7,708
329 Route 2 Rent	3,600	3,150	(450)
In Town Beach Stickers	0	1,430	1,430
Out-of-Town Beach Stickers	0	2,790	2,790
Good Neighbor Agreement	9,932	10,749	817
Miscellaneous Income	0	456	456
Transfers from Other Funds	0	50,000	50,000
	<u>1,195,767</u>	<u>1,416,876</u>	<u>221,109</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
<b>Town Officers Salaries:</b>			
Selectmen	5,300	5,300	0
Town Clerk and Treasurer	56,100	56,100	0
Assistant Town Clerk and Treasurer	31,000	30,070	930
Listers	12,500	8,273	4,227
Zoning Administrator	39,015	44,570	(5,555)
Mowing Town Properties	2,300	2,675	(375)
Board's Secretary	2,400	2,014	386
Tax Collector Salary	0	23,450	(23,450)
Animal Control Officer	2,000	414	1,586
Zoning Assistant	8,320	387	7,933
DRB Board Secretary	1,440	4,204	(2,764)
	<u>160,375</u>	<u>177,457</u>	<u>(17,082)</u>
<b>Total Town Officers Salaries</b>			

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Other Salaries:			
Lib Sal/WH/Prop Ins	\$ 0	\$ 64,636	\$ (64,636)
Total Other Salaries	0	64,636	(64,636)
General Town Expense:			
Social Security	12,924	12,875	49
Workers Compensation	1,000	795	205
Unemployment Compensation	1,000	107	893
Retirement	9,791	5,510	4,281
Election Expenses	1,700	1,444	256
Legal Advertising	1,000	2,364	(1,364)
Legal Fees	30,000	91,345	(61,345)
Postage	4,500	2,113	2,387
Supplies	4,500	2,637	1,863
Trash Removal	0	827	(827)
NW Solid Waste	1,597	1,597	0
Dog Tags and Expense	3,000	172	2,828
VLCT	2,977	2,977	0
Northwest Regional Planning	1,806	1,806	0
Bank Service Charge	500	205	295
Island Arts Activities	1,950	1,950	0
Home Health and Hospice UVM	8,645	8,645	0
Lake Champlain Economic Development	1,600	1,600	0
Green-Up Vermont	1,181	100	1,081
Printing and Copies	4,000	4,039	(39)
Town Report	3,100	1,959	1,141
School and Ministerial Lots	115,067	110,000	5,067
County Tax	164,258	164,258	0
Land Record Books	1,500	645	855
Office Furniture and Equipment	1,000	40	960
Telephone and Internet	3,100	3,351	(251)
GIC Emergency Communication	25,000	22,000	3,000
Micro Film Town Records	500	0	500
I-Car Fire Works	500	500	0
Sheriffs Department Contract	137,228	136,383	845
Computer Programming	3,500	2,850	650
Mapping	2,500	6,396	(3,896)
Paydata	1,560	2,038	(478)
C.A.R.I.N.G.	1,500	1,500	0
VLCT PACIF	13,081	14,168	(1,087)
Health and Dental Insurance	6,788	8,010	(1,222)
Life Insurance	700	661	39
NEMRC	5,000	5,000	0
Generator Maintenance	1,425	1,859	(434)
Small Gift Recognition	600	200	400
Other Town Buildings	2,000	2,576	(576)

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TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
General Town Expense: (Cont'd)			
Bi-Centennial Memorial Building	\$ 6,200	\$ 6,200	\$ 0
Town Audit	12,000	12,000	0
C.I.D.E.R.	1,000	1,000	0
Champlain Island Parent Child	1,000	1,000	0
Miscellaneous	0	2,276	(2,276)
	<u>603,778</u>	<u>649,978</u>	<u>(46,200)</u>
Total General Town Expense			
Tax Transfers:			
Recreation Fund	14,200	0	14,200
	<u>14,200</u>	<u>0</u>	<u>14,200</u>
Total Tax Transfers			
Town Office Building:			
Fuel	4,000	596	3,404
Electricity	3,200	4,055	(855)
Repairs and Supplies	2,600	0	2,600
Water Rent	600	600	0
Maintenance and Contracted Services	17,500	17,660	(160)
	<u>27,900</u>	<u>22,911</u>	<u>4,989</u>
Total Town Office Building			
Town Officer Expense:			
Health Officer	750	0	750
Animal Control Officer	2,000	1,087	913
Planning Commission	750	1,676	(926)
Development Review Board	1,350	1,350	0
Meeting/Workshop	800	345	455
Mileage and Sustenance	1,550	1,079	471
Dues	0	30	(30)
	<u>7,200</u>	<u>5,567</u>	<u>1,633</u>
Total Town Officer Expense			
Administrative Officer Expense:			
Computer Service	0	68	(68)
Equipment	0	125	(125)
	<u>0</u>	<u>193</u>	<u>(193)</u>
Total Administrative Officer Expense			

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Fire Department:			
Workers Compensation	\$ 1,400	\$ 750	\$ 650
Training	4,500	923	3,577
Supplies and Repairs	5,000	3,476	1,524
Administrative and Software	1,500	1,420	80
Vehicle Fuel	3,000	2,120	880
SCBA 3 Year Lease	15,000	15,000	0
SCBA Interest Expense	0	546	(546)
Equipment Insurance	5,200	4,866	334
Auto Insurance	3,800	3,731	69
Truck Repair and Maintenance	7,000	2,988	4,012
Dry Hydrant Donation	100	100	0
Equipment	15,000	13,495	1,505
Total Fire Department	61,500	49,415	12,085
Rescue Department:			
Supplies	0	100	(100)
Insurance Ambulance	3,175	3,664	(489)
Insurance Equipment	3,000	2,476	524
Ambulance Maintenance	1,500	0	1,500
Total Rescue Department	7,675	6,240	1,435
Fire and Rescue Building:			
Fuel	6,400	2,262	4,138
Electricity	3,300	4,621	(1,321)
Insurance Building	3,400	3,209	191
Bond Payment	130,000	130,000	0
Bond Interest	27,664	27,664	0
Condo Fees	4,465	8,256	(3,791)
Telephone and Internet	3,240	4,933	(1,693)
Supplies and Maintenance	5,000	3,651	1,349
Water Rent	600	0	600
Total Fire and Rescue Building	184,069	184,596	(527)

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TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
Transfers:			
Transfer to Rescue Equipment Replacement Fund	\$ 25,000	\$ 25,000	\$ 0
Transfer to Highway Equipment Replacement Fund	<u>35,000</u>	<u>35,000</u>	<u>0</u>
Total Transfers	<u>60,000</u>	<u>60,000</u>	<u>0</u>
Total Cash Disbursements	<u>1,126,697</u>	<u>1,220,993</u>	<u>(94,296)</u>
Excess of Budgeted Cash Receipts Over Cash Disbursements	<u>\$ 69,070</u>	195,883	<u>\$ 126,813</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Cash Basis of Accounting:			
Recreation Fund Revenues		4,310	
Recreation Fund Expenses		<u>(12,478)</u>	
Net Change in Fund Balance		187,715	
Fund Balance/(Deficit) - June 30, 2019		<u>(178,258)</u>	
Fund Balance - June 30, 2020		<u>\$ 9,457</u>	

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TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL  
HIGHWAY FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Cash Receipts:</b>			
Property Taxes	\$ 466,651	\$ 466,691	\$ 40
State Aid/Grants	54,000	54,608	608
Better Roads Grant	40	105,969	105,929
Other	0	7,012	7,012
<b>Total Cash Receipts</b>	<b>520,691</b>	<b>634,280</b>	<b>113,589</b>
<b>Cash Disbursements:</b>			
Labor	151,200	144,346	6,854
Tree Warden	3,500	650	2,850
Road Commissioner	1,500	1,500	0
Social Security	11,567	11,157	410
Workman's Compensation	17,413	13,260	4,153
Retirement	8,694	8,287	407
Health and Dental	30,121	34,515	(4,394)
Tires	4,500	3,578	922
Telephone and Radios	850	1,106	(256)
Dumpster Expenses	1,300	1,477	(177)
Contracted Services	500	0	500
Fuel and Oil - Equipment	21,000	19,323	1,677
Heating Oil - Building	4,000	5,472	(1,472)
Electricity	2,200	2,867	(667)
Property and Liability Insurance	10,996	10,472	524
Gravel and Stone	25,000	41,241	(16,241)
Small Hand Tools	1,000	1,573	(573)
Materials and Supplies	13,000	10,165	2,835
Uniform Expense	0	2,058	(2,058)
Repairs and Maintenance	18,000	26,493	(8,493)
Resurfacing	100,000	94,150	5,850
New Construction Roads	10,000	0	10,000
Cold Patch	500	274	226
Culverts	1,500	1,357	143
Chloride	10,000	7,514	2,486
Salt	19,000	20,575	(1,575)
Grader Blades	750	0	750
Signs	1,000	3,260	(2,260)
Equipment Rental	1,000	229	771
Small Tools/Equip>\$500	2,000	3,709	(1,709)
Truck Plow Parts	2,500	1,452	1,048
Winter Sand	7,500	8,400	(900)

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TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL  
HIGHWAY FUND  
FOR THE YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Favorable/ (Unfavorable)
Cash Disbursements/(Cont'd):			
Town Garage Improvements	\$ 1,000	\$ 855	\$ 145
Alcohol & Drug Testing	100	0	100
Septic System	1,500	0	1,500
Stormwater Permit Fee	1,000	500	500
Grant Expenses- Tracy Road Culvert	0	70,693	(70,693)
Grant Expenses - Branch's Hill	0	414	(414)
Transfer to Equipment Replacement Fund	35,000	35,000	0
Total Cash Disbursements	520,691	587,922	(67,231)
Excess of Cash Receipts Over Cash Disbursements	\$ 0	46,358	\$ 46,358
Fund Balance - June 30, 2019		321,294	
Fund Balance - June 30, 2020		\$ 367,652	

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TOWN OF SOUTH HERO, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH  
 BASIS ASSETS, LIABILITIES AND FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2020

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<u>ASSETS</u>				
Cash	\$ 40,758	\$ 195,012	\$ 66,833	\$ 302,603
Investments	0	0	29,288	29,288
Due From Other Funds	67,055	22,731	0	89,786
Total Assets	\$ 107,813	\$ 217,743	\$ 96,121	\$ 421,677
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balances:				
Nonspendable	0	0	31,303	31,303
Restricted	55,717	89,454	64,818	209,989
Committed	0	128,289	0	128,289
Assigned	52,096	0	0	52,096
Total Fund Balances	107,813	217,743	96,121	421,677
Total Liabilities and Fund Balances	\$ 107,813	\$ 217,743	\$ 96,121	\$ 421,677

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TOWN OF SOUTH HERO, VERMONT  
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
 CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Cash Receipts:				
Property Taxes	\$ 103,000	\$ 0	\$ 0	\$ 103,000
Intergovernmental	24,903	0	0	24,903
Donations	11,351	0	10,000	21,351
Investment Income	979	515	568	2,062
Other	489	0	0	489
	<u>140,722</u>	<u>515</u>	<u>10,568</u>	<u>151,805</u>
Total Cash Receipts				
Cash Disbursements:				
General Government	23,152	0	0	23,152
Culture and Recreation	130,397	0	0	130,397
Cemetery	22,672	0	550	23,222
Sanitation	12,194	0	0	12,194
Capital Outlay:				
Highway and Streets	0	45,880	0	45,880
	<u>188,415</u>	<u>45,880</u>	<u>550</u>	<u>234,845</u>
Total Cash Disbursements				
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>(47,693)</u>	<u>(45,365)</u>	<u>10,018</u>	<u>(83,040)</u>
Other Financing Sources/(Uses):				
Transfers In	0	60,000	0	60,000
Transfers Out	(50,000)	0	0	(50,000)
	<u>(50,000)</u>	<u>60,000</u>	<u>0</u>	<u>10,000</u>
Total Other Financing Sources/(Uses)				
Net Change in Fund Balances	(97,693)	14,635	10,018	(73,040)
Fund Balances - July 1, 2019	<u>205,506</u>	<u>203,108</u>	<u>86,103</u>	<u>494,717</u>
Fund Balances - June 30, 2020	<u>\$ 107,813</u>	<u>\$ 217,743</u>	<u>\$ 96,121</u>	<u>\$ 421,677</u>

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TOWN OF SOUTH HERO, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH BASIS ASSETS,  
 LIABILITIES AND FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2020

	Cemetery Fund	Landfill Fund	Judicial Fines Fund	Planning Fund	Fishing Pier Fund	Reappraisal Fund	White Meeting House Outreach Fund	Broadband Grant Fund	EAB Fund	Library Fund	Total
<u>ASSETS</u>											
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,240	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,518	\$ 40,758
Due From Other Funds	<u>9,955</u>	<u>7,915</u>	<u>115</u>	<u>594</u>	<u>0</u>	<u>42,737</u>	<u>89</u>	<u>1,500</u>	<u>4,150</u>	<u>0</u>	<u>67,055</u>
Total Assets	<u>\$ 9,955</u>	<u>\$ 7,915</u>	<u>\$ 115</u>	<u>\$ 594</u>	<u>\$ 1,240</u>	<u>\$ 42,737</u>	<u>\$ 89</u>	<u>\$ 1,500</u>	<u>\$ 4,150</u>	<u>\$ 39,518</u>	<u>\$ 107,813</u>
<u>LIABILITIES AND FUND BALANCES</u>											
Liabilities:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balances:											
Restricted	9,955	0	0	594	0	0	0	1,500	4,150	39,518	55,717
Assigned	<u>0</u>	<u>7,915</u>	<u>115</u>	<u>0</u>	<u>1,240</u>	<u>42,737</u>	<u>89</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>52,096</u>
Total Fund Balances	<u>9,955</u>	<u>7,915</u>	<u>115</u>	<u>594</u>	<u>1,240</u>	<u>42,737</u>	<u>89</u>	<u>1,500</u>	<u>4,150</u>	<u>39,518</u>	<u>107,813</u>
Total Liabilities and Fund Balances	<u>\$ 9,955</u>	<u>\$ 7,915</u>	<u>\$ 115</u>	<u>\$ 594</u>	<u>\$ 1,240</u>	<u>\$ 42,737</u>	<u>\$ 89</u>	<u>\$ 1,500</u>	<u>\$ 4,150</u>	<u>\$ 39,518</u>	<u>\$ 107,813</u>

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TOWN OF SOUTH HERO, VERMONT  
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
 CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Cemetery Fund	Landfill Fund	Judicial Fines Fund	Planning Fund	Fishing Pier Fund	Reappraisal Fund	White Meeting House Outreach Fund	Broadband Grant Fund	EAB Fund	Library Fund	Total
<b>Cash Receipts:</b>											
Property Taxes	\$ 0	\$ 5,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,000	\$ 88,000	\$ 103,000
Intergovernmental	0	0	5,276	0	0	12,120	7,157	0	0	350	24,903
Donations	0	0	0	0	0	0	0	0	0	11,351	11,351
Investment Income	946	0	0	0	0	0	0	0	0	33	979
Other	420	0	0	0	0	0	0	0	0	69	489
<b>Total Cash Receipts</b>	<b>1,366</b>	<b>5,000</b>	<b>5,276</b>	<b>0</b>	<b>0</b>	<b>12,120</b>	<b>7,157</b>	<b>0</b>	<b>10,000</b>	<b>99,803</b>	<b>140,722</b>
<b>Cash Disbursements:</b>											
General Government	0	0	0	0	0	11,400	5,902	0	5,850	0	23,152
Culture and Recreation	0	0	0	0	0	0	0	0	0	130,397	130,397
Cemetery	22,194	0	0	0	0	0	0	0	0	0	22,194
Sanitation	0	12,672	0	0	0	0	0	0	0	0	12,672
<b>Total Cash Disbursements</b>	<b>22,194</b>	<b>12,672</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,400</b>	<b>5,902</b>	<b>0</b>	<b>5,850</b>	<b>130,397</b>	<b>188,415</b>
<b>Excess/(Deficiency) of Cash Receipts Over Cash Disbursements</b>	<b>(20,828)</b>	<b>(7,672)</b>	<b>5,276</b>	<b>0</b>	<b>0</b>	<b>720</b>	<b>1,255</b>	<b>0</b>	<b>4,150</b>	<b>(30,594)</b>	<b>(47,693)</b>
<b>Other Financing Sources/(Uses):</b>											
Transfers Out	0	0	(25,000)	0	0	(25,000)	0	0	0	0	(50,000)
<b>Total Other Financing Sources/(Uses)</b>	<b>0</b>	<b>0</b>	<b>(25,000)</b>	<b>0</b>	<b>0</b>	<b>(25,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(50,000)</b>
<b>Net Change in Fund Balances</b>	<b>(20,828)</b>	<b>(7,672)</b>	<b>(19,724)</b>	<b>0</b>	<b>0</b>	<b>(24,280)</b>	<b>1,255</b>	<b>0</b>	<b>4,150</b>	<b>(30,594)</b>	<b>(97,693)</b>
<b>Fund Balances/(Deficit) - July 1, 2019</b>	<b>30,783</b>	<b>15,587</b>	<b>19,839</b>	<b>594</b>	<b>1,240</b>	<b>67,017</b>	<b>(1,166)</b>	<b>1,500</b>	<b>0</b>	<b>70,112</b>	<b>205,506</b>
<b>Fund Balances - June 30, 2020</b>	<b>\$ 9,955</b>	<b>\$ 7,915</b>	<b>\$ 115</b>	<b>\$ 594</b>	<b>\$ 1,240</b>	<b>\$ 42,737</b>	<b>\$ 89</b>	<b>\$ 1,500</b>	<b>\$ 4,150</b>	<b>\$ 39,518</b>	<b>\$ 107,813</b>

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TOWN OF SOUTH HERO, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH BASIS ASSETS,  
 LIABILITIES AND FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2020

	South Street Fund	Highway Equipment Replacement Fund	Rescue Equipment Replacement Fund	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 66,723	\$ 128,289	\$ 195,012
Due From Other Funds	<u>22,731</u>	<u>0</u>	<u>0</u>	<u>22,731</u>
Total Assets	<u>\$ 22,731</u>	<u>\$ 66,723</u>	<u>\$ 128,289</u>	<u>\$ 217,743</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:				
Restricted	22,731	66,723	0	89,454
Committed	<u>0</u>	<u>0</u>	<u>128,289</u>	<u>128,289</u>
Total Fund Balances	<u>22,731</u>	<u>66,723</u>	<u>128,289</u>	<u>217,743</u>
Total Liabilities and Fund Balances	<u>\$ 22,731</u>	<u>\$ 66,723</u>	<u>\$ 128,289</u>	<u>\$ 217,743</u>

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TOWN OF SOUTH HERO, VERMONT  
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
 CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	South Street Fund	Highway Equipment Replacement Fund	Rescue Equipment Replacement Fund	Total
Cash Receipts:				
Investment Income	\$ 0	\$ 230	\$ 285	\$ 515
Total Cash Receipts	<u>0</u>	<u>230</u>	<u>285</u>	<u>515</u>
Cash Disbursements:				
Capital Outlay:				
Highway and Streets	<u>369</u>	<u>45,511</u>	<u>0</u>	<u>45,880</u>
Total Cash Disbursements	<u>369</u>	<u>45,511</u>	<u>0</u>	<u>45,880</u>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>(369)</u>	<u>(45,281)</u>	<u>285</u>	<u>(45,365)</u>
Other Financing Sources:				
Transfers In	<u>0</u>	<u>35,000</u>	<u>25,000</u>	<u>60,000</u>
Total Other Financing Sources	<u>0</u>	<u>35,000</u>	<u>25,000</u>	<u>60,000</u>
Net Change in Fund Balances	(369)	(10,281)	25,285	14,635
Fund Balances - July 1, 2019	<u>23,100</u>	<u>77,004</u>	<u>103,004</u>	<u>203,108</u>
Fund Balances - June 30, 2020	<u>\$ 22,731</u>	<u>\$ 66,723</u>	<u>\$ 128,289</u>	<u>\$ 217,743</u>

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TOWN OF SOUTH HERO, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH BASIS ASSETS,  
 LIABILITIES AND FUND BALANCES  
 NON-MAJOR PERMANENT FUNDS  
 JUNE 30, 2020

	<u>Library Trust Funds</u>	<u>Cemetery Trust Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 66,833	\$ 66,833
Investments	<u>14,516</u>	<u>14,772</u>	<u>29,288</u>
Total Assets	<u>\$ 14,516</u>	<u>\$ 81,605</u>	<u>\$ 96,121</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:			
Nonspendable	12,093	19,210	31,303
Restricted	<u>2,423</u>	<u>62,395</u>	<u>64,818</u>
Total Fund Balances	<u>14,516</u>	<u>81,605</u>	<u>96,121</u>
Total Liabilities and Fund Balances	<u>\$ 14,516</u>	<u>\$ 81,605</u>	<u>\$ 96,121</u>

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TOWN OF SOUTH HERO, VERMONT  
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
 AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
 NON-MAJOR PERMANENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020

	Library Trust Funds	Cemetery Trust Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash Receipts:			
Donations	\$       0	\$   10,000	\$   10,000
Investment Income	<u>          36</u>	<u>          532</u>	<u>          568</u>
Total Cash Receipts	<u>          36</u>	<u>        10,532</u>	<u>        10,568</u>
Cash Disbursements:			
Cemetery	<u>          0</u>	<u>          550</u>	<u>          550</u>
Total Cash Disbursements	<u>          0</u>	<u>          550</u>	<u>          550</u>
Net Change in Fund Balances	36	9,982	10,018
Fund Balances - July 1, 2019	<u>        14,480</u>	<u>        71,623</u>	<u>        86,103</u>
Fund Balances - June 30, 2020	<u>        <u>14,516</u></u>	<u>        <u>81,605</u></u>	<u>        <u>96,121</u></u>

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards"

Selectboard  
Town of South Hero, Vermont  
P.O. Box 175  
South Hero, Vermont 05486

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 South Hero, Vermont, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of South Hero, Vermont's basic financial statements, and have issued our report thereon dated November 30, 2020. The report on the financial statements of the General Fund and aggregate remaining fund information was qualified because the Town did not adopt all provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of South Hero, Vermont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of South Hero, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of South Hero, 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 South Hero, 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 have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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 a deficiency in internal control, described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2020-001, that we consider to be a significant deficiency.

### ***Compliance and Other Matters***

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

We also noted certain other matters that we reported to the management of the Town of South Hero, Vermont in a separate letter dated November 30, 2020.

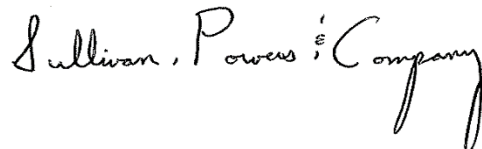
### ***Town of South Hero, Vermont's Response to Deficiencies in Internal Control***

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

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

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

November 30, 2020  
Montpelier, Vermont  
VT Lic. #92-000180



TOWN OF SOUTH HERO, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2020

Financial Statements:

Deficiencies in Internal Control:

Material Weaknesses:

None noted.

Significant Deficiencies:

2020-001 Accounting and Procedures Manual

*Criteria:*

An accounting and procedures manual should be in place. This manual should define duties and responsibilities for current personnel so as to prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. It will also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees.

*Condition:*

The Town does not have an accounting and procedures manual in place.

*Cause:*

Unknown.

*Effect:*

The Town staff does not have a manual to turn to when questions arise about the scope of their duties and responsibilities.

*Recommendation:*

We recommend that the Town develop this document for all accounting procedures as soon as possible. Each individual should document their duties and how to perform them. The manual should include examples of forms with descriptions of their use. Once developed, only changes in procedures or forms will require changes in the manual.

TOWN OF SOUTH HERO, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2020

We believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

We also recommend that the Town make sure that there are no jobs related to accounting and finance that only one person knows how to perform. The procedures manual would also be useful in determining whether this situation exists.

# Town of South Hero



333 Route 2  
P O Box 175  
South Hero, Vermont  
802-372-5552

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December 7, 2020

Sullivan & Powers

RE: 2020-001 Accounting & Procedures Manual

The office staff have been writing down lots of the information that would go into a manual, but we just have not typed it up into a workable format.

Hopefully, there will be time to get this put into a useable format before long.

A handwritten signature in black ink that reads "Janet H Yates". The signature is written in a cursive, flowing style.

Janet H Yates

Town Clerk/Treasurer

