

**TOWN OF SOUTH HERO, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2023**

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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 Audit of the Financial Statements***

#### ***Opinions***

We have audited the accompanying modified cash basis 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, 2023, 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.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of South Hero, Vermont, as of June 30, 2023, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting, as described in Note I.D.

#### ***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 South Hero, 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.

#### ***Emphasis of Matter – Basis of Accounting***

We draw attention to Note I.D. 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 opinions are not modified with respect to that matter.

### ***Reclassification***

As described in Note II.C. of the financial statements, the Town reclassified the Cemetery Fund, the Landfill Fund and the Emerald Ash Borer Fund as part of the General Fund during the current year. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management 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 described in Note I, and for 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.

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 South Hero, 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 a 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 South Hero, 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 South Hero, 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.

***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 January 4, 2024, on our consideration of the Town of South Hero, Vermont’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 South Hero, 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 South Hero, Vermont’s internal control over financial reporting and compliance.

*Sullivan, Powers & Co.*

January 4, 2024  
Montpelier, Vermont  
VT Lic. #92-000180

TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
JUNE 30, 2023

	Governmental Activities
<u>ASSETS</u>	
Cash	\$ 1,650,943
Investments	22,546
Total Assets	1,673,489
<u>LIABILITIES</u>	
Due to State of Vermont	240
Total Liabilities	240
<u>NET POSITION</u>	
Restricted:	
Non-Expendable:	
Cemetery	19,210
Other	6,093
Expendable:	
Cemetery	54,479
Eligible ARPA Uses	440,672
Other	20,991
Unrestricted	1,131,804
Total Net Position	\$ 1,673,249

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, 2023

	Program Cash Receipts				Net (Disbursements)/ Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants/Loans and Contributions	Governmental Activities
Functions/Programs:					
Governmental Activities:					
General Government	\$ 823,723	\$ 75,085	\$ 25,042	\$ 33,853	\$ (689,743)
Public Safety	605,649	3,279	0	0	(602,370)
Highways and Streets	590,861	2,420	66,923	0	(521,518)
Culture and Recreation	178,756	11,180	53,020	0	(114,556)
Community Development	433,432	0	433,432	0	0
Cemetery	13,282	5,265	400	0	(7,617)
Debt Service	164,981	0	0	0	(164,981)
Total Governmental Activities	\$ 2,810,684	\$ 97,229	\$ 578,817	\$ 33,853	(2,100,785)
General Receipts:					
Property Taxes					2,170,779
Penalties and Interest on Delinquent Taxes					13,880
Payments in Lieu of Taxes					24,873
General State Grants					97,655
ARPA Funds					247,478
Unrestricted Investment Earnings					69,625
Insurance Proceeds					10,702
Total General Receipts					2,634,992
Change in Net Position					534,207
Net Position - July 1, 2022					1,139,042
Net Position - June 30, 2023					\$ 1,673,249

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, 2023

	General Fund	Highway Fund	ARPA Fund	Cathedral Square Fund	Fire Department Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>							
Cash	\$ 1,345,581	\$ 0	\$ 0	\$ 0	\$ 2,823	\$ 302,539	\$ 1,650,943
Investments	0	0	0	0	0	22,546	22,546
Due from Other Funds	<u>0</u>	<u>712,416</u>	<u>440,672</u>	<u>0</u>	<u>0</u>	<u>239,568</u>	<u>1,392,656</u>
Total Assets	<u>\$ 1,345,581</u>	<u>\$ 712,416</u>	<u>\$ 440,672</u>	<u>\$ 0</u>	<u>\$ 2,823</u>	<u>\$ 564,653</u>	<u>\$ 3,066,145</u>
<u>LIABILITIES</u>							
Due to State of Vermont	\$ 240	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 240
Due to Other Funds	<u>1,309,575</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>63,000</u>	<u>20,081</u>	<u>1,392,656</u>
Total Liabilities	<u>1,309,815</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>63,000</u>	<u>20,081</u>	<u>1,392,896</u>
<u>FUND BALANCES/(DEFICIT)</u>							
Nonspendable	0	0	0	0	0	25,303	25,303
Restricted	0	0	440,672	0	0	75,470	516,142
Committed	35,766	712,416	0	0	0	397,090	1,145,272
Assigned	0	0	0	0	0	66,790	66,790
Unassigned/(Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(60,177)</u>	<u>(20,081)</u>	<u>(80,258)</u>
Total Fund Balances/(Deficit)	<u>35,766</u>	<u>712,416</u>	<u>440,672</u>	<u>0</u>	<u>(60,177)</u>	<u>544,572</u>	<u>1,673,249</u>
Total Liabilities and Fund Balances	<u>\$ 1,345,581</u>	<u>\$ 712,416</u>	<u>\$ 440,672</u>	<u>\$ 0</u>	<u>\$ 2,823</u>	<u>\$ 564,653</u>	<u>\$ 3,066,145</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, 2023

	General Fund	Highway Fund	ARPA Fund	Cathedral Square Fund	Fire Department Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Cash Receipts:</b>							
Property Taxes	\$ 1,255,096	\$ 805,683	\$ 0	\$ 0	\$ 0	\$ 110,000	\$ 2,170,779
Penalties and Interest on Delinquent Taxes	13,880	0	0	0	0	0	13,880
Payments in Lieu of Taxes	24,873	0	0	0	0	0	24,873
Intergovernmental	99,537	66,923	247,478	433,432	0	40,531	887,901
Charges for Services	36,900	0	0	0	0	1,405	38,305
Permits, Licenses and Fees	40,315	0	0	0	0	7,320	47,635
Fines and Forfeits	3,279	0	0	0	0	0	3,279
Investment Income	62,681	0	0	0	1,460	5,484	69,625
Donations	0	0	0	0	0	51,413	51,413
Other	15	2,420	0	0	0	5,575	8,010
<b>Total Cash Receipts</b>	<u>1,536,576</u>	<u>875,026</u>	<u>247,478</u>	<u>433,432</u>	<u>1,460</u>	<u>221,728</u>	<u>3,315,700</u>
<b>Cash Disbursements:</b>							
General Government	727,967	0	710	0	0	66,512	795,189
Public Safety	291,817	0	0	0	0	0	291,817
Highways and Streets	0	495,251	0	0	0	0	495,251
Culture and Recreation	23,931	0	0	0	0	154,825	178,756
Community Development	0	0	0	433,432	0	0	433,432
Cemetery	8,240	0	4,592	0	0	450	13,282
Capital Outlay:							
General Government	0	0	0	0	0	28,534	28,534
Public Safety	0	0	0	0	313,832	0	313,832
Highways and Streets	0	65,485	0	0	0	30,125	95,610
Debt Service:							
Principal	144,681	0	0	0	0	0	144,681
Interest	20,300	0	0	0	0	0	20,300
<b>Total Cash Disbursements</b>	<u>1,216,936</u>	<u>560,736</u>	<u>5,302</u>	<u>433,432</u>	<u>313,832</u>	<u>280,446</u>	<u>2,810,684</u>
<b>Excess/(Deficiency) of Cash Receipts Over Cash Disbursements</b>	<u>319,640</u>	<u>314,290</u>	<u>242,176</u>	<u>0</u>	<u>(312,372)</u>	<u>(58,718)</u>	<u>505,016</u>
<b>Other Financing Sources/(Uses):</b>							
Insurance Proceeds	0	10,702	0	0	0	0	10,702
Proceeds from Long-term Debt	0	0	0	0	0	18,489	18,489
Transfers In	22,361	0	0	0	209,317	221,608	453,286
Transfers Out	(385,925)	(45,000)	0	0	0	(22,361)	(453,286)
<b>Total Other Financing Sources/(Uses)</b>	<u>(363,564)</u>	<u>(34,298)</u>	<u>0</u>	<u>0</u>	<u>209,317</u>	<u>217,736</u>	<u>29,191</u>
<b>Net Change in Fund Balances</b>	(43,924)	279,992	242,176	0	(103,055)	159,018	534,207
<b>Fund Balances - July 1, 2022, As Reclassified</b>	<u>79,690</u>	<u>432,424</u>	<u>198,496</u>	<u>0</u>	<u>42,878</u>	<u>385,554</u>	<u>1,139,042</u>
<b>Fund Balances/(Deficit) - June 30, 2023</b>	<u>\$ 35,766</u>	<u>\$ 712,416</u>	<u>\$ 440,672</u>	<u>\$ 0</u>	<u>\$ (60,177)</u>	<u>\$ 544,572</u>	<u>\$ 1,673,249</u>

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

TOWN OF SOUTH HERO, VERMONT  
 STATEMENT OF FIDUCIARY MODIFIED CASH BASIS NET POSITION  
 FIDUCIARY FUND  
 JUNE 30, 2023

	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 SOUTH HERO, VERMONT  
STATEMENT OF CHANGES IN FIDUCIARY MODIFIED CASH BASIS NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2023

	Custodial Fund Education Tax Fund
<u>ADDITIONS</u>	
Education Taxes Collected for Other Governments	\$ <u>7,347,533</u>
Total Additions	<u>7,347,533</u>
<u>DEDUCTIONS</u>	
Education Taxes Distributed to Other Governments	<u>7,347,533</u>
Total Deductions	<u>7,347,533</u>
Change in Net Position	0
Net Position - July 1, 2022	<u>0</u>
Net Position - June 30, 2023	\$ <u><u>0</u></u>

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

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

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, culture and recreation, community/economic development, 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 includes 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, 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, 2023

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 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 receipts 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, 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 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 receipts, disbursements and available resources of the Highway Department.

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.

Cathedral Square Fund – This fund accounts for the community development grant activity of the Town.

Fire Department Equipment Replacement Fund – This fund accounts for the equipment expenditures of the Fire Department.

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 SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

**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 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.

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 certificates of deposits at cost and other investments at market value as assets and amounts due to the State of Vermont for dog and marriage licenses as liabilities. The recording of investments at market value is not in accordance with the modified cash basis of accounting which requires investments to be carried at cost, however, the difference is not material to the financial statements.

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

**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.

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

**2. Investments**

The Town invests in investments as allowed by State Statute. The Town's investments in certificates of deposit are reported at cost and other investments are reported at current market value.

**3. 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 from/to other funds". All other outstanding balances between funds are reported as "due from/to other funds".

**4. 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 and fiduciary fund financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances 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.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget changes during the year. The budget presented herein is for the Town's "General Fund" only and does not include the Cemetery Fund, the Landfill Fund, the Emerald Ash Borer Fund and the Recreation Fund activity that is included with the General Fund as they do not qualify to be reported as separate special revenue funds.

**B. Budgeted Deficit**

The Town budgeted cash disbursements in excess of cash receipts by \$107,653 in the General Fund. This is reflected as a current year's budgeted deficiency of cash receipts over cash disbursements on Schedule 1.

**C. Reclassification**

The Town reclassified the Cemetery Fund, the Landfill Fund and the Emerald Ash Borer Fund into the General Fund as these funds do not qualify to be reported as Special Revenue Funds under Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and, therefore, are now reported as part of the General Fund. The effect of this reclassification is that the General Fund fund balance was increased by \$52,972.



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**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

Cash and investments as of June 30, 2023 consist of the following:

Cash:		
Deposits with Financial Institutions		<u>\$1,650,943</u>
Investments:		
Certificates of Deposit		7,285
Mutual Funds – Mixed Holdings		<u>15,261</u>
Total Investments		<u>22,546</u>
Total Cash and Investments		<u>\$1,673,489</u>

The Town has two (2) certificates of deposit at Community Bank in the amounts of \$819 and \$6,466 with interest rates of 0.30%. Both certificates of deposit mature during fiscal year 2024.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. In accordance with the Town’s investment policy, collateralization using obligations fully guaranteed by the full faith and credit of a Vermont municipality, the State of Vermont, and/or the United States Government, or United States Government Agencies will be required on certificates of deposit and repurchase agreements. 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 deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 336,680	\$ 354,241
Uninsured, Collateralized by Irrevocable Standby Letter of Credit Issued by Federal Home Loan Bank of Pittsburgh	<u>1,321,548</u>	<u>1,330,534</u>
Total	<u>\$1,658,228</u>	<u>\$1,684,775</u>

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

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The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$1,650,943
Investments – Certificates of Deposit	<u>      7,285</u>
Total	<u>\$1,658,228</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. In accordance with the Town’s investment policy, interest rate risk will be minimized by investing operating funds primarily in shorter term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the Town’s investment portfolio. The Town’s certificates of deposit are not subject to interest rate risk disclosure. The Town’s mutual funds are open-ended and, therefore, are also excluded from interest rate risk disclosure.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. In accordance with the Town’s investment policy, credit risk will be minimized by diversifying the Town’s investment portfolio so that the impact of potential losses from any one type of investment will be minimized. The Town’s certificates of deposit are not subject to credit risk. The Town’s mutual funds are open-ended and, therefore, are also excluded from credit risk analysis.

**Concentration of Credit Risk**

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

**Fair Value**

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

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

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

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

The Town has the following fair value measurements as of June 30, 2023:

Description	Total	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual Funds - Mixed Holdings	\$ 15,261	\$ 15,261	\$ 0	\$ 0
Total	<u>\$ 15,261</u>	<u>\$ 15,261</u>	<u>\$ 0</u>	<u>\$ 0</u>

**B. Interfund Balances and Activity**

Interfund balances as of June 30, 2023 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$1,309,575
Highway Fund	712,416	0
ARPA Fund	440,672	0
Fire Department Equipment Replacement Fund	0	63,000
Non-Major Governmental Funds	<u>239,568</u>	<u>20,081</u>
Totals	<u>\$1,392,656</u>	<u>\$1,392,656</u>

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Interfund transfers during the year ended June 30, 2023 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Cemetery Fund	\$ 15,000	* Appropriation
General Fund	Landfill Fund	30,000	* Appropriation
General Fund	Emerald Ash Borer Fund	10,000	* Appropriation
General Fund	Recreation Fund	27,700	* Appropriation
General Fund	Fire Department Equipment Replacement Fund	209,317	Appropriation
General Fund	Planning Fund	1,608	Fund Local Match
General Fund	Rescue Equipment Replacement Fund	25,000	Appropriation
General Fund	South Hero Meeting House Fund	150,000	Appropriation
Highway Fund	Highway Equipment Replacement Fund	45,000	Appropriation
South Street Fund	General Fund	<u>22,361</u>	Close Fund
Total		<u>\$ 535,986</u>	

\* The transfers from the General Fund to the Cemetery Fund, the Landfill Fund, the Emerald Ash Borer Fund and the Recreation Fund are netted within the General Fund as these funds are consolidated within the General Fund to comply with GASB Statement No. 54.

### 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.

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

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

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

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

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

Non-Major Funds

Permanent Funds:

Nonspendable Library Trust Funds Principal	\$ 6,093
Nonspendable Cemetery Trust Fund Principal	<u>19,210</u>
Total Nonspendable Fund Balances	<u>\$25,303</u>

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

Major Funds

ARPA Fund:

Restricted for Eligible Uses of the Coronavirus Local Fiscal Recovery Funding by Grant Agreement (Source of Revenue is Grant Revenue)	<u>\$440,672</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Restoration/Digitization Expenses by Statute (Source of Revenue is Restoration Fees)	17,058
Restricted for Fishing Pier Expenses by Donations (Source of Revenue is Donations)	1,241
Restricted for Broadband Grant Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	<u>1,500</u>
Total Special Revenue Funds	<u>19,799</u>

Permanent Funds:

Restricted for Library Expenses by Bequest/Donations	1,192
Restricted for Cemetery Expenses by Bequest/Donations	<u>54,479</u>
Total Permanent Funds	<u>55,671</u>

Total Non-Major Funds 75,470

Total Restricted Fund Balances \$516,142

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

Major Funds

General Fund:

Committed for Cemetery Expenses by the Voters	\$ 18,496
Committed for Landfill Closure Expenses by the Voters	34,781
Committed for Emerald Ash Borer Mitigation Expenses by the Voters	10,884
Amount Committed in Excess of Available Fund Balance	<u>(28,395)</u>
Total General Fund	<u>35,766</u>

Highway Fund:

Committed for Highway Expenditures by the Voters	<u>712,416</u>
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Non-Major Funds

Special Revenue Funds:

Committed for Library Expenses by the Voters	<u>21,549</u>
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Capital Projects Funds:

Committed for Rescue Equipment Replacement Expenditures by the Voters	207,319
Committed for Highway Equipment Replacement Expenditures by the Voters	15,925
Committed for South Hero Meeting House Expenditures by the Voters	<u>152,297</u>

Total Capital Projects Funds	<u>375,541</u>
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Total Non-Major Funds	<u>397,090</u>
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Total Committed Fund Balances	<u>\$1,145,272</u>
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The fund balances in the following fund is assigned as follows:

Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses	\$66,790
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Total Assigned Fund Balances	<u>\$66,790</u>
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The unassigned deficit of \$60,177 in the Fire Department Equipment Replacement Fund will be funded with a future transfer from the General Fund.

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The unassigned deficit of \$4,800 in the Planning Fund will be funded with the collection of grant revenues.

The unassigned deficit of \$15,281 in the Wastewater Feasibility Fund will be funded with proceeds from long-term debt.

**D. Restricted Net Position**

The restricted net position in the governmental activities includes the nonspendable fund balances of \$25,303 and the restricted fund balances of \$516,142 for a total of \$541,445.

**IV. OTHER INFORMATION**

**A. Pension Plans**

**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, 2022, the measurement date selected by the State of Vermont, the retirement system consisted of 359 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.

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

As of June 30, 2022, the measurement date selected by the State of Vermont, VMERS was funded at 73.60% and had a plan fiduciary net position of \$845,979,471 and a total pension liability of \$1,149,351,427 resulting in a net position liability of \$303,371,956. As of June 30, 2023, the Town's proportionate share of this was 0.0643% resulting in a net pension liability of \$195,065. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. 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 0.0643% was a decrease of 0.0042 from its proportion measured as of the prior year.

**Summary of System Provisions**

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

Creditable Service – Service as a member plus purchased service.

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

Service Retirement Allowance:

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

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

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



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Early Retirement Allowance:

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

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

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

Disability Retirement Allowance:

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

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

Death Benefit:

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

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

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.

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 Contributions – Upon termination, if the member so elects or if no other benefit is payable, the member’s accumulated contributions with interest are refunded.

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

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

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

**Significant Actuarial Assumptions and Methods**

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

Inflation: 2.30% per year.

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

Cost-of-Living Adjustments: 1.10% for Group A members and 1.20% for Groups B, C and D members. The January 1, 2022 COLA was 2.00% for Group A members and 2.30% for Groups B, C and D members. The January 1, 2023 COLA was 2.00% for Group A members and 3.00% for Groups B, C and D members.

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.

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.

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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.

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, 2022 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%	4.30%
Active Global Equities	5%	4.30%
Large Cap US Equities	4%	3.25%
Small/Mid Cap US Equities	3%	3.75%
Non-US Developed Market Equities	7%	5.00%
Private Equity	10%	6.50%
Emerging Market Debt	4%	3.50%
Private & Alternate Credit	10%	4.75%
Non-Core Real Estate	4%	6.00%
Core Fixed Income	19%	0.00%
Core Real Estate	3%	3.50%
US TIPS	3%	(0.50)%
Infrastructure/Farmland	4%	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. In 2022, the Legislature passed H.740, which effectively split the Board-authorized increases evenly between members and employers by including an increase in the employee rate of 0.25% for each group for four years, beginning July 1, 2022. 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, 2022. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$292,296	\$195,065	\$115,088

**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 \$54,998. Pension expense for the years ended June 30, 2023, 2022 and 2021 were \$2,819, \$2,614 and \$2,330, respectively.

**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 taxes for the State of Vermont. The tax rate is set by the Selectboard based on the voter approved budgets, the estimated grand list and the State education property tax liability. Property taxes are collected three (3) times per year. During the tax year ended June 30, 2023, taxes became due and payable on September 30, 2022, January 31, 2023, and April 27, 2023. 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 2023 were as follows:

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	<u>Homestead</u>	<u>Non-Homestead</u>
Municipal	0.2370	0.2370
Highway	0.1623	0.1623
Meeting House	0.0302	0.0302
Fire Truck	0.0291	0.0291
Library	0.0222	0.0222
Cemetery	0.0031	0.0031
Local Agreement	0.0020	0.0020
Education - Local Share	<u>1.5933</u>	<u>1.6599</u>
Total	<u>2.0792</u>	<u>2.1458</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.

**D. Contingent Liability**

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.

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

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**E. Long-term Debt**

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital assets and to refund prior issues. General obligation bonds are direct and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 30 year bonds.

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

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

Long-term debt outstanding as of June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Fire Department Property, Principal Payments of \$130,000 Payable on November 15 Annually, Interest at 2.64% Payable on May 15 and November 15, Due November, 2027	\$780,000	\$ 0	\$130,000	\$650,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, Wastewater Planning Project, Authorized to \$48,020 but Eligible for 100% Loan Forgiveness. The Town Recognized \$18,489 of the Loan Forgiveness During the Year.	0	18,489	18,489	0
Financed Purchase, Community Leasing Partners, SCBA Equipment, Principal and Interest Payments of \$15,546 Payable on December 1 Annually, Interest at 5.72%, Due and Paid December, 2022	<u>14,681</u>	<u>0</u>	<u>14,681</u>	<u>0</u>
Total	<u>\$794,681</u>	<u>\$18,489</u>	<u>\$163,170</u>	<u>\$650,000</u>

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

Maturities are estimated to be as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$130,000	\$16,335
2025	130,000	13,039
2026	130,000	9,549
2027	130,000	5,864
2028	<u>130,000</u>	<u>1,983</u>
Total	<u>\$650,000</u>	<u>\$46,770</u>

**F. Subsequent Events**

The Town obtained a line of credit with Community Bank, N.A. on August 16, 2023 for \$100,000. Interest was at 5.39% and matured on November 16, 2023. The Town did not draw off this line of credit.

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, 2023

	Budget	Actual	Variance Favorable/ (Unfavorable)
Cash Receipts:			
Property Taxes	\$ 1,485,288	\$ 1,390,259	\$ (95,029)
Education Billing Fee Retained	0	16,900	16,900
Recording	25,000	19,710	(5,290)
Miscellaneous Town Clerk Fees	1,000	163	(837)
Certified Copies	150	520	370
Delinquent Tax Interest	10,000	6,982	(3,018)
Search Copies	3,000	2,398	(602)
Delinquent Taxes	125,000	47,587	(77,413)
Search Time	500	548	48
Delinquent Tax Penalties	10,000	7,694	(2,306)
F&W Land Postings	100	120	20
Sub-Division Permits	500	520	20
Green Mountain Passport	100	84	(16)
Legal Advertisements Reimbursement	1,500	200	(1,300)
Maps	250	100	(150)
Liquor and Beer Licenses	1,000	1,865	865
Dog Licenses	2,000	1,041	(959)
Miscellaneous Refunds	500	0	(500)
Copies	150	69	(81)
Insurance Refund	500	0	(500)
State - Current Use/Hold Harmless	80,000	97,655	17,655
State - Highway Fines	0	3,279	3,279
State - Taxes/PILOT Program	10,000	9,715	(285)
Building Permits	10,000	10,047	47
Vendor Licenses	0	40	40
Zoning Fees	0	2,890	2,890
Interest	1,500	62,247	60,747
Other Grants	0	1,882	1,882
Library Salaries/Benefits and Insurance Reimbursement	79,425	70,324	(9,101)
Municipal Tax Adjustments	25,000	23,321	(1,679)
329 Route 2 Rent	4,200	4,276	76
Discounts Taken	(185,000)	(200,545)	(15,545)
Good Neighbor Agreement	12,000	15,158	3,158
Parking Stickers - In Town	2,500	2,930	430
Parking Stickers - Out of Town	2,000	3,575	1,575
Miscellaneous Revenue	1,000	0	(1,000)
Transfer from Other Funds	0	22,361	22,361
<b>Total Cash Receipts</b>	<b>1,709,163</b>	<b>1,625,915</b>	<b>(83,248)</b>

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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, 2023

	Budget	Actual	Variance Favorable/ (Unfavorable)
Cash Disbursements:			
Town Officers Salaries:			
Selectmen	\$ 6,300	\$ 6,300	\$ 0
Town Clerk and Treasurer	98,000	90,000	8,000
Assistant Town Clerk and Treasurer	34,000	35,316	(1,316)
Listers	16,300	8,697	7,603
Zoning Administrator	55,000	55,000	0
Mowing Town Properties	0	2,225	(2,225)
Board's Secretary	2,600	3,180	(580)
Town Administrator	0	10,385	(10,385)
Tax Collector Salary	5,000	5,000	0
Animal Control Officer	1,000	158	842
DRB Board Secretary	1,440	0	1,440
Zoning Assistant	9,000	1,254	7,746
	<u>228,640</u>	<u>217,515</u>	<u>11,125</u>
Total Town Officers Salaries			
Library Salaries/Benefits:	<u>74,545</u>	<u>65,924</u>	<u>8,621</u>
General Town Expense:			
Social Security Tax	17,414	17,130	284
Workman's Compensation	1,655	1,052	603
Unemployment Compensation	500	728	(228)
Retirement	10,125	9,344	781
Election Expenses	2,000	2,048	(48)
Legal Advertising	1,500	3,251	(1,751)
Legal Fees	3,000	4,892	(1,892)
Postage	3,000	3,392	(392)
Supplies	5,000	1,388	3,612
Trash Removal	950	1,085	(135)
NW Solid Waste	1,842	1,842	0
Dog Tags and Expense	200	118	82
VLCT Dues	3,196	3,196	0
Northwest Regional Planning and Development	1,875	1,875	0
Bank Service Fees	200	76	124
Island Arts Activities	1,950	1,950	0
VNA - UVM	9,500	8,645	855
Economic Development	1,600	1,600	0
Green-Up Vermont	1,200	692	508
Library Expenses	0	1,707	(1,707)
Printing/Copier	4,000	3,754	246

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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, 2023

	Budget	Actual	Variance Favorable/ (Unfavorable)
General Town Expense/(Cont'd):			
Town Report	\$ 1,829	\$ 2,359	\$ (530)
School Building Use	110,000	110,000	0
County Tax	161,000	161,117	(117)
Office Furniture and Equipment	5,000	3,068	1,932
Telephone and Internet	6,186	6,406	(220)
Website	2,000	1,159	841
GIC Emergency Communications/Pagers	25,000	19,705	5,295
I-Car Fire Works	500	500	0
Sheriffs Department Contract	157,248	145,836	11,412
Computer IT and Maintenance	6,000	9,817	(3,817)
Mapping/Lister's Computer	3,000	5,185	(2,185)
Paydata Expenses	2,500	2,461	39
C.A.R.I.N.G.	1,500	1,500	0
VLCT Property and Casualty Insurance	12,427	7,325	5,102
VLCT Library Property and Casualty Insurance	4,463	3,529	934
Health and Dental Insurance	19,400	29,717	(10,317)
Life Insurance	750	694	56
NEMRC	7,000	6,426	574
Generators Maintenance	2,000	2,132	(132)
Small Gift Recognition	600	259	341
Other Town Buildings	5,000	3,574	1,426
Bi-Centennial Memorial Building Expenses	6,200	6,200	0
Town Audit	14,000	17,256	(3,256)
C.I.D.E.R.	1,000	1,000	0
Champlain Island Parent/Child	1,000	1,000	0
Grant Expense	500	1,608	(1,108)
Northwestern Counseling	1,000	1,000	0
Miscellaneous	1,000	390	610
	<u>628,810</u>	<u>620,988</u>	<u>7,822</u>
Town Office Building:			
Maintenance and Contracted Services	6,000	4,512	1,488
Electricity	5,000	4,938	62
Repairs and Supplies	10,000	3,246	6,754
Water Rent	600	825	(225)
	<u>21,600</u>	<u>13,521</u>	<u>8,079</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 - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023

	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Officers Expense:			
Health Officer	\$ 500	\$ 0	\$ 500
Animal Control Expenses	1,200	0	1,200
Planning Commission	1,250	1,250	0
Development Review Board	2,250	2,250	0
Meeting/Workshops	1,000	1,608	(608)
Mileage and Sustenance	1,500	723	777
Dues	100	542	(442)
	<u>7,800</u>	<u>6,373</u>	<u>1,427</u>
Total Town Officers Expense			
Admin Officers Expense:			
Computer Service	500	106	394
Equipment	2,000	1,078	922
	<u>2,500</u>	<u>1,184</u>	<u>1,316</u>
Total Admin Officers Expense			
Fire Department Expenses:			
Workman's Compensation	1,300	1,538	(238)
Training	4,500	1,168	3,332
Supplies and Repairs	5,000	11,348	(6,348)
Administrative/Software	1,500	25	1,475
Vehicle Fuel	3,600	3,697	(97)
SCBA Lease	15,000	14,681	319
SCBA Interest	546	865	(319)
Insurance - Equipment	5,000	5,958	(958)
Insurance - Auto	3,800	4,781	(981)
Truck Repair and Maintenance	7,000	6,624	376
Dry Hydrant Program Donation	100	100	0
Fire Department Equipment Replacement Fund	65,000	65,000	0
Equipment	15,000	21,234	(6,234)
FD Personnel	50,000	836	49,164
	<u>177,346</u>	<u>137,855</u>	<u>39,491</u>
Total Fire Department Expenses			
Fire/Rescue Building:			
Fuel	3,500	2,112	1,388
Electricity	5,000	4,590	410
VLCT Insurance - Building	3,523	2,688	835
Bond Payment	130,000	130,000	0
Bond Interest	19,435	19,435	0
Condo Fees	9,000	8,626	374
Telephone/Internet	6,500	6,840	(340)
Supplies/Maintenance	5,000	5,204	(204)
Water Rent	600	450	150
	<u>182,558</u>	<u>179,945</u>	<u>2,613</u>
Total Fire/Rescue Building			

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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, 2023

	Budget	Actual	Variance Favorable/ (Unfavorable)
Rescue Expenses:			
Rescue Personnel	\$ 90,000	\$ 37,957	\$ 52,043
Rescue Equipment Replacement Fund	25,000	25,000	0
Total Rescue Expenses	115,000	62,957	52,043
Tax Abatements:	1,000	6,322	(5,322)
Transfers:			
Transfer to Cemetery Fund	15,000	15,000	0
Transfer to Landfill Fund	30,000	30,000	0
Transfer to Emerald Ash Borer Fund	10,000	10,000	0
Transfer to Recreation Fund	27,700	27,700	0
Transfer to Fire Department Equipment Replacement Fund	144,317	144,317	0
Transfer to South Hero Meeting House Fund	150,000	150,000	0
Total Transfers	377,017	377,017	0
Total Cash Disbursements	1,816,816	1,689,601	127,215
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	\$ (107,653)	(63,686)	\$ 43,967
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Cash Basis of Accounting:			
Cemetery Fund Income		5,699	
Cemetery Fund Expenses		(8,240)	
Cemetery Fund Transfer In		15,000	
Landfill Fund Expenses		(33,005)	
Landfill Fund Transfer In		30,000	
Emerald Ash Borer Fund Expenses		(8,266)	
Emerald Ash Borer Fund Transfer In		10,000	
Recreation Fund Income		3,969	
Recreation Fund Expenses		(23,095)	
Recreation Fund Transfer In		27,700	
Net Change in Fund Balance		(43,924)	
Fund Balance - July 1, 2022, As Reclassified		79,690	
Fund Balance - June 30, 2023		\$ 35,766	

The reconciling items are due to combining four (4) funds, the Cemetery Fund, the Landfill Fund, the Emerald Ash Borer Fund and the Recreation Fund, with the General Fund in order to comply with GASB Statement No. 54.

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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, 2023

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Cash Receipts:</b>			
Property Taxes	\$ 805,683	\$ 805,683	\$ 0
State Aid/Grants	55,000	57,023	2,023
Miscellaneous Highway Revenue	2,000	2,420	420
Grants-in-Aid Grant Income	0	6,700	6,700
NRPC Equipment Grant Income	0	3,200	3,200
Insurance Proceeds	0	10,702	10,702
<b>Total Cash Receipts</b>	<b>862,683</b>	<b>885,728</b>	<b>23,045</b>
<b>Cash Disbursements:</b>			
Labor	172,398	185,650	(13,252)
Tree Warden	4,500	800	3,700
Road Commissioner	1,750	1,750	0
Social Security	13,188	14,336	(1,148)
Workman's Compensation	11,602	12,214	(612)
Retirement	11,635	11,630	5
Health and Dental	32,400	42,422	(10,022)
Tires - All Vehicles	6,000	2,660	3,340
Telephone	1,000	1,361	(361)
Dumpster Expenses	1,500	1,674	(174)
Contracted Services	500	0	500
Fuel and Oil - Equipment	22,000	29,945	(7,945)
Heating Oil - Building	4,500	7,839	(3,339)
Electricity	3,000	2,140	860
Property and Liability Insurance	12,760	9,794	2,966
Gravel and Stone	25,000	44,105	(19,105)
Small Tools and Equipment <\$500	1,500	1,359	141
Materials and Supplies	13,000	11,373	1,627
Uniform Expense	2,000	2,662	(662)
Repairs and Maintenance	25,000	43,252	(18,252)
Resurfacing and Paving	250,000	0	250,000
New Construction Roads	150,000	20,157	129,843
Cold Patch and Crack Filling	500	241	259
Culverts	2,000	2,186	(186)
Chloride	3,000	5,175	(2,175)
Salt	22,500	24,959	(2,459)
Grader Blades	750	0	750
Signs	2,500	3,962	(1,462)

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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, 2023

	Budget	Actual	Variance Favorable/ (Unfavorable)
Cash Disbursements/(Cont'd):			
Equipment Rental	\$ 1,200	\$ 200	\$ 1,000
Small Tools and Equipment >\$500	2,500	1,113	1,387
Highway Equipment Replacement Fund	45,000	45,000	0
Truck Plow Parts	3,000	1,504	1,496
Winter Sand	8,000	6,828	1,172
Town Garage Improvements	4,500	65,485	(60,985)
Septic System	1,500	1,320	180
Stormwater Permit Fee	500	640	(140)
	862,683	605,736	256,947
Excess of Cash Receipts Over Cash Disbursements	\$ 0	279,992	\$ 279,992
Fund Balance - July 1, 2022		432,424	
Fund Balance - June 30, 2023		\$ 712,416	

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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, 2023

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<u>ASSETS</u>				
Cash	\$ 20,867	\$ 223,244	\$ 58,428	\$ 302,539
Investments	0	0	22,546	22,546
Due from Other Funds	87,271	152,297	0	239,568
Total Assets	\$ 108,138	\$ 375,541	\$ 80,974	\$ 564,653
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to Other Funds	\$ 20,081	\$ 0	\$ 0	\$ 20,081
Total Liabilities	20,081	0	0	20,081
Fund Balances:				
Nonspendable	0	0	25,303	25,303
Restricted	19,799	0	55,671	75,470
Committed	21,549	375,541	0	397,090
Assigned	66,790	0	0	66,790
Unassigned/(Deficit)	(20,081)	0	0	(20,081)
Total Fund Balances	88,057	375,541	80,974	544,572
Total Liabilities and Fund Balances	\$ 108,138	\$ 375,541	\$ 80,974	\$ 564,653

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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, 2023

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<b>Cash Receipts:</b>				
Property Taxes	\$ 110,000	\$ 0	\$ 0	\$ 110,000
Intergovernmental	25,367	15,164	0	40,531
Charges for Services	1,405	0	0	1,405
Permits, Licenses and Fees	7,320	0	0	7,320
Investment Income	47	4,063	1,374	5,484
Donations	50,813	200	400	51,413
Other	5,575	0	0	5,575
	<u>200,527</u>	<u>19,427</u>	<u>1,774</u>	<u>221,728</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
General Government	66,512	0	0	66,512
Culture and Recreation	154,825	0	0	154,825
Cemetery	0	0	450	450
<b>Capital Outlay:</b>				
General Government	0	28,534	0	28,534
Highways and Streets	0	30,125	0	30,125
	<u>221,337</u>	<u>58,659</u>	<u>450</u>	<u>280,446</u>
<b>Total Cash Disbursements</b>				
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>(20,810)</u>	<u>(39,232)</u>	<u>1,324</u>	<u>(58,718)</u>
<b>Other Financing Sources/(Uses):</b>				
Proceeds from Long-term Debt	18,489	0	0	18,489
Transfers In	1,608	220,000	0	221,608
Transfers Out	0	(22,361)	0	(22,361)
	<u>20,097</u>	<u>197,639</u>	<u>0</u>	<u>217,736</u>
<b>Total Other Financing Sources/(Uses)</b>				
Net Change in Fund Balances	(713)	158,407	1,324	159,018
Fund Balances - July 1, 2022	<u>88,770</u>	<u>217,134</u>	<u>79,650</u>	<u>385,554</u>
Fund Balances - June 30, 2023	<u>\$ 88,057</u>	<u>\$ 375,541</u>	<u>\$ 80,974</u>	<u>\$ 544,572</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, 2023

	Reappraisal Fund	Restoration/ Digitization Fund	Library Fund	Planning Fund	Fishing Pier Fund	Broadband Grant Fund	Wastewater Feasibility Fund	Total
<u>ASSETS</u>								
Cash	\$ 0	\$ 0	\$ 19,626	\$ 0	\$ 1,241	\$ 0	\$ 0	\$ 20,867
Due from Other Funds	<u>66,790</u>	<u>17,058</u>	<u>1,923</u>	<u>0</u>	<u>0</u>	<u>1,500</u>	<u>0</u>	<u>87,271</u>
Total Assets	<u>\$ 66,790</u>	<u>\$ 17,058</u>	<u>\$ 21,549</u>	<u>\$ 0</u>	<u>\$ 1,241</u>	<u>\$ 1,500</u>	<u>\$ 0</u>	<u>\$ 108,138</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 4,800	\$ 0	\$ 0	\$ 15,281	\$ 20,081
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,800</u>	<u>0</u>	<u>0</u>	<u>15,281</u>	<u>20,081</u>
Fund Balances/(Deficit):								
Restricted	0	17,058	0	0	1,241	1,500	0	19,799
Committed	0	0	21,549	0	0	0	0	21,549
Assigned	66,790	0	0	0	0	0	0	66,790
Unassigned/(Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4,800)</u>	<u>0</u>	<u>0</u>	<u>(15,281)</u>	<u>(20,081)</u>
Total Fund Balances/(Deficit)	<u>66,790</u>	<u>17,058</u>	<u>21,549</u>	<u>(4,800)</u>	<u>1,241</u>	<u>1,500</u>	<u>(15,281)</u>	<u>88,057</u>
Total Liabilities and Fund Balances	<u>\$ 66,790</u>	<u>\$ 17,058</u>	<u>\$ 21,549</u>	<u>\$ 0</u>	<u>\$ 1,241</u>	<u>\$ 1,500</u>	<u>\$ 0</u>	<u>\$ 108,138</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, 2023

	Reappraisal Fund	Restoration/ Digitization Fund	Library Fund	Planning Fund	Fishing Pier Fund	Broadband Grant Fund	Wastewater Feasibility Fund	Total
<b>Cash Receipts:</b>								
Property Taxes	\$ 0	\$ 0	\$ 110,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 110,000
Intergovernmental	11,960	0	2,207	11,200	0	0	0	25,367
Charges for Services	0	0	1,405	0	0	0	0	1,405
Permits, Licenses and Fees	0	7,089	231	0	0	0	0	7,320
Investment Income	0	0	46	0	1	0	0	47
Donations	0	0	50,813	0	0	0	0	50,813
Other	0	0	5,575	0	0	0	0	5,575
<b>Total Cash Receipts</b>	<b>11,960</b>	<b>7,089</b>	<b>170,277</b>	<b>11,200</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>200,527</b>
<b>Cash Disbursements:</b>								
General Government	8,603	5,987	0	18,152	0	0	33,770	66,512
Culture and Recreation	0	0	154,825	0	0	0	0	154,825
<b>Total Cash Disbursements</b>	<b>8,603</b>	<b>5,987</b>	<b>154,825</b>	<b>18,152</b>	<b>0</b>	<b>0</b>	<b>33,770</b>	<b>221,337</b>
<b>Excess/(Deficiency) of Cash Receipts Over Cash Disbursements</b>	<b>3,357</b>	<b>1,102</b>	<b>15,452</b>	<b>(6,952)</b>	<b>1</b>	<b>0</b>	<b>(33,770)</b>	<b>(20,810)</b>
<b>Other Financing Sources:</b>								
Proceeds from Long-term Debt	0	0	0	0	0	0	18,489	18,489
Transfers In	0	0	0	1,608	0	0	0	1,608
<b>Total Other Financing Sources</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,608</b>	<b>0</b>	<b>0</b>	<b>18,489</b>	<b>20,097</b>
<b>Net Change in Fund Balances</b>	<b>3,357</b>	<b>1,102</b>	<b>15,452</b>	<b>(5,344)</b>	<b>1</b>	<b>0</b>	<b>(15,281)</b>	<b>(713)</b>
<b>Fund Balances - July 1, 2022</b>	<b>63,433</b>	<b>15,956</b>	<b>6,097</b>	<b>544</b>	<b>1,240</b>	<b>1,500</b>	<b>0</b>	<b>88,770</b>
<b>Fund Balances/(Deficit) - June 30, 2023</b>	<b>\$ 66,790</b>	<b>\$ 17,058</b>	<b>\$ 21,549</b>	<b>\$ (4,800)</b>	<b>\$ 1,241</b>	<b>\$ 1,500</b>	<b>\$ (15,281)</b>	<b>\$ 88,057</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, 2023

	Rescue Equipment Replacement Fund	Highway Equipment Replacement Fund	South Hero Meeting House Fund	South Street Fund	Total
<u>ASSETS</u>					
Cash	\$ 207,319	\$ 15,925	\$ 0	\$ 0	\$ 223,244
Due from Other Funds	0	0	152,297	0	152,297
Total Assets	\$ 207,319	\$ 15,925	\$ 152,297	\$ 0	\$ 375,541
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balances:					
Committed	207,319	15,925	152,297	0	375,541
Total Fund Balances	207,319	15,925	152,297	0	375,541
Total Liabilities and Fund Balances	\$ 207,319	\$ 15,925	\$ 152,297	\$ 0	\$ 375,541

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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, 2023

	Rescue Equipment Replacement Fund	Highway Equipment Replacement Fund	South Hero Meeting House Fund	South Street Fund	Total
Cash Receipts:					
Intergovernmental	\$ 0	\$ 0	\$ 15,164	\$ 0	\$ 15,164
Investment Income	3,730	333	0	0	4,063
Donations	0	0	200	0	200
Total Cash Receipts	<u>3,730</u>	<u>333</u>	<u>15,364</u>	<u>0</u>	<u>19,427</u>
Cash Disbursements:					
Capital Outlay:					
General Government	0	0	28,534	0	28,534
Highway and Streets	0	30,125	0	0	30,125
Total Cash Disbursements	<u>0</u>	<u>30,125</u>	<u>28,534</u>	<u>0</u>	<u>58,659</u>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>3,730</u>	<u>(29,792)</u>	<u>(13,170)</u>	<u>0</u>	<u>(39,232)</u>
Other Financing Sources/(Uses):					
Transfers In	25,000	45,000	150,000	0	220,000
Transfers Out	0	0	0	(22,361)	(22,361)
Total Other Financing Sources/(Uses)	<u>25,000</u>	<u>45,000</u>	<u>150,000</u>	<u>(22,361)</u>	<u>197,639</u>
Net Change in Fund Balances	28,730	15,208	136,830	(22,361)	158,407
Fund Balances - July 1, 2022	<u>178,589</u>	<u>717</u>	<u>15,467</u>	<u>22,361</u>	<u>217,134</u>
Fund Balances - June 30, 2023	<u>\$ 207,319</u>	<u>\$ 15,925</u>	<u>\$ 152,297</u>	<u>\$ 0</u>	<u>\$ 375,541</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, 2023

	Library Trust Funds	Cemetery Trust Fund	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 58,428	\$ 58,428
Investments	7,285	15,261	22,546
Total Assets	\$ 7,285	\$ 73,689	\$ 80,974
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
Fund Balances:			
Nonspendable	6,093	19,210	25,303
Restricted	1,192	54,479	55,671
Total Fund Balances	7,285	73,689	80,974
Total Liabilities and Fund Balances	\$ 7,285	\$ 73,689	\$ 80,974

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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, 2023

	Library Trust Funds	Cemetery Trust Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Cash Receipts:			
Investment Income	\$ 17	\$ 1,357	\$ 1,374
Donations	<u>0</u>	<u>400</u>	<u>400</u>
Total Cash Receipts	<u>17</u>	<u>1,757</u>	<u>1,774</u>
Cash Disbursements:			
Cemetery	<u>0</u>	<u>450</u>	<u>450</u>
Total Cash Disbursements	<u>0</u>	<u>450</u>	<u>450</u>
Net Change in Fund Balances	17	1,307	1,324
Fund Balances - July 1, 2022	<u>7,268</u>	<u>72,382</u>	<u>79,650</u>
Fund Balances - June 30, 2023	<u>\$ 7,285</u>	<u>\$ 73,689</u>	<u>\$ 80,974</u>

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# Sullivan, Powers & Co., P.C.

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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, 2023, 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 January 4, 2024.

***Report on 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) 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 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 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 a certain deficiency in internal control, described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2023-001, that we consider to be a significant deficiency.

### ***Report on 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 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 South Hero, Vermont's Response to Finding***

"Government Auditing Standards" requires the auditor to perform limited procedures on the Town of South Hero, Vermont's response to the finding identified in our audit and 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 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 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.

*Sullivan, Powers & Co.*

January 4, 2024  
Montpelier, Vermont  
VT Lic. #92-000180



TOWN OF SOUTH HERO, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2023

Deficiencies in Internal Control:

Material Weaknesses:

None noted.

Significant Deficiencies:

2023-001 Authorization of General Journal Entries

*Criteria:*

Internal controls should be in place to ensure that all non-standard adjusting period entries are authorized by appropriate officials.

*Condition:*

The Town requires authorization of non-standard adjusting entries, however, the authorization was not performed consistently during the year.

*Cause:*

Unknown.

*Effect:*

This one deficiency in the internal control structure could allow other working control policies to be circumvented.

*Recommendation:*

We recommend that the Town adhere to their policy that requires appropriate officials to authorize all non-standard general journal entries so as not to circumvent the original approval process.

# South Hero Town Office

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333 Route 2, PO Box 175, South Hero, VT 05486-0175

To address the Deficiencies in Internal Control as noted by the auditors in our June 30, 2023 audit the Town of Sout Hero will make the following corrections:

1. 2023-001 Authorization of General Journal Entries

The Town of South Hero will write a General Journal Entry Policy assuring that the appropriate officials authorize and sign off (initial) all entries made consistently throughout the year and will adhere to this policy without fail.

Respectfully submitted,



Kim T Julow  
Town Treasurer