

**TOWN OF SOUTH HERO, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2024**

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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, 2024, 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, 2024, 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.

#### **Change in Accounting Principle**

As described in Note I.E. to the financial statements, in 2024, the Town adopted new accounting guidance, GASB Statement No. 100, "Accounting Changes and Error Corrections", an amendment of GASB Statement No. 62. Our opinion is not modified with respect to this matter.

### **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 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 December 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of 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.*

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

TOWN OF SOUTH HERO, VERMONT  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
JUNE 30, 2024

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 1,600,530
Investments	17,891
Due from Others	<u>361</u>
Total Assets	<u>1,618,782</u>
<u>LIABILITIES</u>	
Cash Overdraft	5,801
Due to State of Vermont	<u>395</u>
Total Liabilities	<u>6,196</u>
<u>NET POSITION</u>	
Restricted:	
Non-Expendable:	
Cemetery	19,210
Expendable:	
Cemetery	56,321
Other	32,050
Unrestricted	<u>1,505,005</u>
Total Net Position	<u>\$ 1,612,586</u>

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, 2024

	Program Cash Receipts				Net (Disbursements)/ Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants/Loans and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs:					
Governmental Activities:					
General Government	\$ 923,359	\$ 74,644	\$ 62,777	\$ 35,330	\$ (750,608)
Public Safety	432,903	4,326	0	0	(428,577)
Highways and Streets	1,107,594	2,153	58,703	0	(1,046,738)
Culture and Recreation	208,898	4,389	15,549	0	(188,960)
Community Development	500	0	0	0	(500)
Cemetery	11,851	2,250	0	0	(9,601)
Debt Service	146,335	0	0	0	(146,335)
Total Governmental Activities	\$ 2,831,440	\$ 87,762	\$ 137,029	\$ 35,330	(2,571,319)
General Receipts:					
Property Taxes					2,231,426
Penalties and Interest on Delinquent Taxes					36,962
Payments in Lieu of Taxes					24,958
General State Grants					115,826
Unrestricted Investment Earnings					101,158
Other Receipts					326
Total General Receipts					2,510,656
Change in Net Position					(60,663)
Net Position - July 1, 2023					1,673,249
Net Position - June 30, 2024					\$ 1,612,586

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, 2024

	General Fund	Highway Fund	ARPA Fund	Fire Department Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 1,542,890	\$ 0	\$ 0	\$ 0	\$ 57,640	\$ 1,600,530
Investments	0	0	0	0	17,891	17,891
Due from Other Funds	0	643,941	1,052	98,563	829,298	1,572,854
Due from Others	361	0	0	0	0	361
Total Assets	\$ 1,543,251	\$ 643,941	\$ 1,052	\$ 98,563	\$ 904,829	\$ 3,191,636
<u>LIABILITIES</u>						
Cash Overdraft	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,801	\$ 5,801
Due to State of Vermont	395	0	0	0	0	395
Due to Other Funds	1,559,494	0	0	0	13,360	1,572,854
Total Liabilities	1,559,889	0	0	0	19,161	1,579,050
<u>FUND BALANCES/(DEFICIT)</u>						
Nonspendable	0	0	0	0	19,210	19,210
Restricted	0	0	1,052	0	87,319	88,371
Committed	0	643,941	0	98,563	459,127	1,201,631
Assigned	0	0	0	0	337,231	337,231
Unassigned/(Deficit)	(16,638)	0	0	0	(17,219)	(33,857)
Total Fund Balances/(Deficit)	(16,638)	643,941	1,052	98,563	885,668	1,612,586
Total Liabilities and Fund Balances	\$ 1,543,251	\$ 643,941	\$ 1,052	\$ 98,563	\$ 904,829	\$ 3,191,636

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, 2024

	General Fund	Highway Fund	ARPA Fund	Fire Department Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Cash Receipts:</b>						
Property Taxes	\$ 1,223,443	\$ 888,263	\$ 0	\$ 0	\$ 119,720	\$ 2,231,426
Penalties and Interest on Delinquent Taxes	36,962	0	0	0	0	36,962
Payments in Lieu of Taxes	24,958	0	0	0	0	24,958
Intergovernmental	116,426	58,703	0	0	62,145	237,274
Charges for Services	33,069	0	0	0	0	33,069
Permits, Licenses and Fees	41,727	0	0	0	6,487	48,214
Fines and Forfeits	4,326	0	0	0	0	4,326
Investment Income	94,033	0	0	412	6,713	101,158
Donations	0	0	0	0	14,781	14,781
Other	326	2,153	0	0	0	2,479
<b>Total Cash Receipts</b>	<b>1,575,270</b>	<b>949,119</b>	<b>0</b>	<b>412</b>	<b>209,846</b>	<b>2,734,647</b>
<b>Cash Disbursements:</b>						
General Government	826,917	0	2,425	0	44,822	874,164
Public Safety	360,157	0	6,757	0	0	366,914
Highways and Streets	0	474,227	0	0	0	474,227
Culture and Recreation	25,493	0	0	0	168,636	194,129
Community Development	0	0	500	0	0	500
Cemetery	11,006	0	0	0	845	11,851
Capital Outlay:						
General Government	0	0	0	0	49,195	49,195
Public Safety	0	0	0	65,989	0	65,989
Highways and Streets	0	483,367	150,000	0	0	633,367
Culture and Recreation	0	0	14,769	0	0	14,769
Debt Service:						
Principal	130,000	0	0	0	0	130,000
Interest	16,335	0	0	0	0	16,335
<b>Total Cash Disbursements</b>	<b>1,369,908</b>	<b>957,594</b>	<b>174,451</b>	<b>65,989</b>	<b>263,498</b>	<b>2,831,440</b>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>205,362</u>	<u>(8,475)</u>	<u>(174,451)</u>	<u>(65,577)</u>	<u>(53,652)</u>	<u>(96,793)</u>
<b>Other Financing Sources/(Uses):</b>						
Proceeds from Long-term Debt	0	0	0	0	36,130	36,130
Transfers In	265,169	0	0	224,317	358,618	848,104
Transfers Out	<u>(522,935)</u>	<u>(60,000)</u>	<u>(265,169)</u>	<u>0</u>	<u>0</u>	<u>(848,104)</u>
<b>Total Other Financing Sources/(Uses)</b>	<b><u>(257,766)</u></b>	<b><u>(60,000)</u></b>	<b><u>(265,169)</u></b>	<b><u>224,317</u></b>	<b><u>394,748</u></b>	<b><u>36,130</u></b>
Net Change in Fund Balances	(52,404)	(68,475)	(439,620)	158,740	341,096	(60,663)
Fund Balances/(Deficit) - July 1, 2023	<u>35,766</u>	<u>712,416</u>	<u>440,672</u>	<u>(60,177)</u>	<u>544,572</u>	<u>1,673,249</u>
Fund Balances/(Deficit) - June 30, 2024	<u>\$ (16,638)</u>	<u>\$ 643,941</u>	<u>\$ 1,052</u>	<u>\$ 98,563</u>	<u>\$ 885,668</u>	<u>\$ 1,612,586</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, 2024

	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, 2024

	Custodial Fund Education Tax Fund
<u>ADDITIONS</u>	
Education Taxes Collected for Other Governments	\$ <u>8,000,877</u>
Total Additions	<u>8,000,877</u>
<u>DEDUCTIONS</u>	
Education Taxes Distributed to Other Governments	<u>8,000,877</u>
Total Deductions	<u>8,000,877</u>
Change in Net Position	0
Net Position - July 1, 2023	<u>0</u>
Net Position - June 30, 2024	\$ <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, 2024

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, 2024

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.

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, 2024

**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 and amounts due from others for overpayment of taxes as assets and cash overdrafts 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. New Pronouncement – Accounting Changes and Error Corrections**

Effective June 30, 2024, the Town implemented GASB Statement No. 100, “Accounting Changes and Error Corrections”, an amendment of GASB Statement No. 62. GASB Statement No. 100 identifies accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes various transactions or events included in these changes. This Statement established accounting and financial reporting requirements for each type of accounting change and correction of an error in previously issued financial statements. The implementation of this Standard did not have an impact on the financial statements.

TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

**F. 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. 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 and the Emerald Ash Borer Fund activity that is included with the General Fund as they do not qualify to be reported as separate special revenue funds.



TOWN OF SOUTH HERO, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2024

**B. Budgeted Deficit**

The Town budgeted cash disbursements in excess of cash receipts by \$105,401 in the General Fund. This is reflected as a current year's budgeted deficiency of cash receipts over cash disbursements on Schedule 1.

**C. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2024, expenditures in the General Fund exceeded appropriations by \$218,790. These over-expenditures were funded by excess revenues.

For the year ended June 30, 2024, expenditures in the Highway Fund exceeded appropriations by \$54,831. These over-expenditures were funded by available fund balance.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

Cash and investments as of June 30, 2024 consist of the following:

Cash:	
Deposits with Financial Institutions	\$1,600,530
Cash Overdraft	<u>(5,801)</u>
Total Cash	1,594,729
Investments:	
Mutual Funds – Mixed Holdings	<u>17,891</u>
Total Cash and Investments	<u>\$1,612,620</u>

The Town has a cash overdraft of \$5,801 in the Library Fund due to outstanding checks. Subsequent to year end, money was deposited in the Library Fund to cover the outstanding checks.

**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.

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	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 301,939	\$ 322,320
Uninsured, Collateralized by Irrevocable Standby Letter of Credit Issued by Federal Home Loan Bank of Pittsburgh	<u>1,292,790</u>	<u>1,279,610</u>
Total	<u>\$1,594,729</u>	<u>\$1,601,930</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. 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 mutual funds are open-ended and, therefore, are 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 mutual funds are open-ended and, therefore, are excluded from credit risk disclosure.

**Concentration of Credit Risk**

Concentration of credit risk is the risk that a large percentage of the Town’s investments are held within one security. The Town 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.

**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).

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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, 2024:

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	\$ 17,891	\$ 17,891	\$ 0	\$ 0
Total	\$ 17,891	\$ 17,891	\$ 0	\$ 0

**B. Interfund Balances and Activity**

Interfund balances as of June 30, 2024 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$1,559,494
Highway Fund	643,941	0
ARPA Fund	1,052	0
Fire Department Equipment Replacement Fund	98,563	0
Non-Major Governmental Funds	829,298	13,360
Totals	\$1,572,854	\$1,572,854

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Interfund transfers during the year ended June 30, 2024 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Cemetery Fund	\$ 10,000	* Appropriation
General Fund	Landfill Fund	35,000	* Appropriation
General Fund	Emerald Ash Borer Fund	10,000	* Appropriation
General Fund	Fire Department Equipment Replacement Fund	224,317	Appropriation
General Fund	Rescue Equipment Replacement Fund	25,000	Appropriation
General Fund	South Hero Meeting House Fund	100,000	Fund Future Capital Project
General Fund	South Hero Meeting House Fund	8,449	Fund Local Match
General Fund	Capital Fund	165,169	Fund Future Capital Projects
Highway Fund	Highway Equipment Replacement Fund	60,000	Appropriation
ARPA Fund	General Fund	<u>265,169</u>	Revenue Replacement
Total		<u>\$ 903,104</u>	

\* The transfers from the General Fund to the Cemetery Fund, the Landfill Fund and the Emerald Ash Borer 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 fund are nonspendable as follows:

Non-Major Funds

Permanent Funds:

Nonspendable Cemetery Trust Fund Principal	<u>\$19,210</u>
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Total Nonspendable Fund Balances	<u>\$19,210</u>
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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>\$ 1,052</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Restoration/Digitization Expenses by Statute (Source of Revenue is Restoration Fees)	19,055
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Restricted for Planning Grant Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	9,201
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Restricted for Fishing Pier Expenses by Donations (Source of Revenue is Donations)	1,242
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Restricted for Broadband Grant Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	<u>1,500</u>
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Total Special Revenue Funds	<u>30,998</u>
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Permanent Funds:

Restricted for Cemetery Expenses by Bequest/Donations	<u>56,321</u>
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Total Non-Major Funds	<u>87,319</u>
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Total Restricted Fund Balances	<u>\$88,371</u>
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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	\$ 19,955
Committed for Landfill Closure Expenses by the Voters	52,578
Committed for Emerald Ash Borer Mitigation Expenses by the Voters	16,834
Amount Committed in Excess of Available Fund Balance	<u>(89,367)</u>
Total General Fund	<u>0</u>

Highway Fund:

Committed for Highway Expenditures by the Voters	<u>643,941</u>
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Fire Department Equipment Replacement Fund:

Committed for Fire Department Equipment Replacement Expenditures by the Voters	<u>98,563</u>
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Non-Major Funds

Capital Projects Funds:

Committed for Rescue Equipment Replacement Expenditures by the Voters	235,787
Committed for Highway Equipment Replacement Expenditures by the Voters	76,459
Committed for South Hero Meeting House Expenditures by the Voters	<u>146,881</u>

Total Non-Major Funds	<u>459,127</u>
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Total Committed Fund Balances	<u>\$1,201,631</u>
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The fund balances in the following funds are assigned as follows:

Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses	\$ <u>72,062</u>
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Capital Projects Funds:

Assigned for South Hero Meeting House Expenditures	100,000
Assigned for Capital Expenditures	<u>165,169</u>

Total Capital Projects Funds	<u>265,169</u>
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Total Assigned Fund Balances	<u>\$337,231</u>
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The unassigned deficit of \$16,638 in the General Fund will be funded with future property taxes.

The unassigned deficit of \$3,859 in the Library Fund will be funded with future property taxes.

The unassigned deficit of \$13,360 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 \$19,210 and the restricted fund balances of \$88,371 for a total of \$107,581.

**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, 2023, the measurement date selected by the State of Vermont, the retirement system consisted of 357 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, 2023, the measurement date selected by the State of Vermont, VMERS was funded at 74.01% and had a plan fiduciary net position of \$912,113,032 and a total pension liability of \$1,232,406,785 resulting in a net position liability of \$320,293,753. The Town's proportionate share of this was 0.0728% resulting in a net pension liability of \$233,295. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. 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 0.0728% was an increase of 0.0085 from its proportion measured as of the prior year.

**Summary of Plan 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.

Normal Retirement Eligibility – Group A – Earlier of age 65 with five (5) years of service or age 55 with thirty-five (35) years of service. Group B – 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.

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

Early Retirement 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; payable without reduction to Group D members.



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

Disability Retirement Amount – All Groups – 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 – All Groups – Death after five (5) years of service.

Death Benefit Amount – 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. Group D – 70% of the unreduced accrued benefit, plus children’s benefit.

Post-Retirement Adjustments – Group A – Allowances in pay status for at least one (1) year increased on each January 1 by one-half of the percentage increase in Consumer Price Index, but not more than 2%. If receiving an Early Retirement benefit, no increases until after attaining Normal Retirement eligibility. If receiving a Disability Retirement benefit, no increases until after attaining age 62. Groups B, C and D – Allowances in payment for at least one (1) year increased on each January 1 by one-half of the percentage increase in Consumer Price Index, but not more than 3%. If receiving an Early Retirement benefit, no increases until after attaining Normal Retirement eligibility. If receiving a Disability Retirement benefit, no increases until after attaining age 62 (age 55 for Group C).

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

Optional Benefit and Death after Retirement – Groups A, B and C – A lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. Group D – A 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 – 3.75% effective July 1, 2023; 4.00% effective July 1, 2024; 4.25% effective July 1, 2025, and thereafter.
- Group B – 6.125% effective July 1, 2023; 6.375% effective July 1, 2024; 6.625% effective July 1, 2025, and thereafter.
- Group C – 11.25% effective July 1, 2023; 11.50% effective July 1, 2024; 11.75% effective July 1, 2025, and thereafter.
- Group D – 12.60% effective July 1, 2023; 12.85% effective July 1, 2024; 13.10% effective July 1, 2025, and thereafter.

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Employer Contribution Rates:

- Group A – 5.25% effective July 1, 2023; 5.50% effective July 1, 2024; 5.75% effective July 1, 2025, and thereafter.
- Group B – 6.75% effective July 1, 2023; 7.00% effective July 1, 2024; 7.25% effective July 1, 2025, and thereafter.
- Group C – 8.50% effective July 1, 2023; 8.75% effective July 1, 2024; 9.00% effective July 1, 2025, and thereafter.
- Group D – 11.10% effective July 1, 2023; 11.35% effective July 1, 2024; 11.60% effective July 1, 2025, and thereafter.

**Significant Actuarial Assumptions and Methods**

Inflation Rate – 2.30% per year.

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

Salary Increases – Ranging from 4.07% to 6.21% based on service.

Cost-of-Living Adjustments (COLA) – Assumed to occur on January 1 following one (1) year of retirement at the rate of 1.10% per annum for Group A members and 1.20% per annum for Groups B, C and D members (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Groups A, B and D who receive a disability retirement benefit, and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2024 COLA is expected to be 1.10% for Group A and 1.10% for Groups B, C and D. The January 1, 2023 COLAs were 2.00% for Group A and 3.00% for Groups B, C and D.

Mortality:

Pre-Retirement Participants – Groups A and B – 60% PubG-2010 General Employee Amount-Weighted Below Median and 40% of PubG-2010 General Employee Amount-Weighted, with generational projection using scale MP-2021. Group C – PubG-2010 General Employee Amount-Weighted, with generational projection using scale MP-2021. Group D – PubS-2010 Public Safety Employee Amount-Weighted Below Median, with generational projection using scale MP-2021.

Healthy Post-Retirement – Retirees – Groups A and B – PubG-2010 General Healthy Retiree Amount-Weighted Below Median Table with credibility adjustments of 90% and 87% for the Male and Female tables, respectively, with generational projection using scale MP-2021. Group C – PubG-2010 General Healthy Retiree Amount-Weighted Table, with generational projection using scale MP-2021. Group D – PubS-2010 Public Safety Retiree Amount-Weighted Below Median Table, with generational projection using scale MP-2021.

Healthy Post-Retirement – Beneficiaries – All Groups – Pub-2010 Contingent Survivor Amount-Weighted Below Median Table, with generational projection using scale MP-2021.

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Disabled Post-Retirement – Groups A, B and C – PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Table, with generational projection using scale MP-2021. Group D – PubS-2010 Safety Disabled Retiree Amount-Weighted Table, with generational projection using scale MP-2021.

Age of Spouse – Females three (3) 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.

**Determination of Discount Rate and Investment Rates of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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 adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equities	44%	5.35%
Private Equity	10%	7.50%
Emerging Market Debt	2%	5.00%
Private and Alternative Credit	10%	5.50%
Non-Core Real Estate	4%	5.50%
Core Fixed Income	19%	1.50%
Core Real Estate	4%	3.25%
US TIPS	2%	1.50%
Infrastructure/Farmland	5%	4.25%

Discount Rate – The long-term expected rate of return on pension plan investments is 7.00%. The high quality tax-exempt general obligation municipal bond rate (20-Bond GO Index) as of the closest date prior to the valuation date of June 30, 2023, is 3.65%, as published by The Bond Buyer.

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The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2023. 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). 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, 2023. 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.

**Discount Rate Sensitivity**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability as of June 30, 2023, calculated using the discount rate of 7.00%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$351,145	\$233,295	\$136,427

**Defined Contribution Plan**

Employees in Group DC, a defined contribution plan, contribute 5% of their gross salary and the Town contributes 6%.

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 \$60,500. Pension expense for the years ended June 30, 2024, 2023 and 2022 were \$3,630, \$2,819 and \$2,614, 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.

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**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, 2024, taxes became due and payable on September 30, 2023, January 31, 2024, and April 30, 2024. 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 2024 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Municipal	0.2536	0.2536
Highway	0.1779	0.1779
Fire Truck	0.0289	0.0289
Library	0.0240	0.0240
Cemetery	0.0020	0.0020
Local Agreement	0.0020	0.0020
Education - Local Share	<u>1.7440</u>	<u>1.7425</u>
Total	<u>2.2324</u>	<u>2.2309</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.

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**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.

**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.

Long-term debt outstanding as of June 30, 2024 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	\$650,000	\$ 0	\$130,000	\$520,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, Wastewater Planning Project, Authorized to \$96,910 but Eligible for 100% Loan Forgiveness. The Town Recognized \$36,130 of the Loan Forgiveness During the Year.	<u>0</u>	<u>36,130</u>	<u>36,130</u>	<u>0</u>
Total	<u>\$650,000</u>	<u>\$36,130</u>	<u>\$166,130</u>	<u>\$520,000</u>

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Maturities are estimated to be as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
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>\$520,000</u>	<u>\$30,435</u>

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, 2024

	Budget	Actual	Variance Favorable/ (Unfavorable)
Cash Receipts:			
Property Taxes	\$ 1,420,626	\$ 1,085,185	\$ (335,441)
Education Billing Fee Retained	0	18,509	18,509
Recording	25,000	16,052	(8,948)
Miscellaneous Town Clerk Fees	1,000	382	(618)
Certified Copies	400	627	227
Delinquent Tax Interest	10,000	12,441	2,441
Search Copies	3,000	1,734	(1,266)
Delinquent Taxes	100,000	315,575	215,575
Search Time	500	250	(250)
Delinquent Tax Penalties	12,000	24,689	12,689
F&W Land Postings	100	125	25
Sub-Division Permits	750	0	(750)
Green Mountain Passport	100	62	(38)
Legal Advertisements Reimbursement	1,500	600	(900)
Maps	150	54	(96)
Liquor and Beer Licenses	1,200	1,450	250
Dog Licenses	2,000	877	(1,123)
Miscellaneous Refunds	500	0	(500)
Copies	150	75	(75)
Insurance Refund	500	315	(185)
State - Current Use/Hold Harmless	95,000	115,826	20,826
State - Highway Fines	5,000	4,326	(674)
State - Taxes/PILOT Program	10,000	9,715	(285)
Building Permits	18,000	13,666	(4,334)
Vendor Licenses	60	50	(10)
Zoning Fees	1,200	1,985	785
Interest	15,000	93,821	78,821
Other Grants	0	600	600
Library Salaries/Benefits and Insurance Reimbursement	86,341	78,272	(8,069)
Municipal Tax Adjustments	25,000	32,732	7,732
329 Route 2 Rent	4,500	5,100	600
Discounts Taken	(190,000)	(208,855)	(18,855)
Good Neighbor Agreement	15,000	15,243	243
Parking Stickers - In Town	2,750	2,790	40
Parking Stickers - Out of Town	2,700	4,420	1,720
Miscellaneous Revenue	1,000	6	(994)
Recreation Revenue	0	3,738	3,738
Transfer from Other Funds	0	265,169	265,169
<b>Total Cash Receipts</b>	<b>1,671,027</b>	<b>1,917,606</b>	<b>246,579</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, 2024

	Budget	Actual	Variance Favorable/ (Unfavorable)
Cash Disbursements:			
Town Officers Salaries:			
Selectmen	\$ 6,300	\$ 6,300	\$ 0
Town Clerk and Treasurer	101,000	101,000	0
Assistant Town Clerk and Treasurer	37,400	43,268	(5,868)
Listers	17,930	8,582	9,348
Town Administrator	45,000	45,000	0
Zoning Administrator	60,500	60,500	0
Board's Secretary	2,860	2,983	(123)
Animal Control Officer	1,000	0	1,000
DRB Board Secretary	1,440	0	1,440
Zoning Assistant	0	313	(313)
Total Town Officers Salaries	<u>273,430</u>	<u>267,946</u>	<u>5,484</u>
Library Salaries/Benefits:	<u>80,935</u>	<u>72,297</u>	<u>8,638</u>
General Town Expense:			
Town Mowing Expense	3,000	3,260	(260)
Delinquent Tax Collector	5,000	5,000	0
Social Security Tax	20,917	21,918	(1,001)
Workman's Compensation	1,400	2,392	(992)
Unemployment Compensation	800	860	(60)
Retirement	9,600	13,485	(3,885)
Election Expenses	2,000	2,802	(802)
Legal Advertising	2,000	2,441	(441)
Legal Fees	2,000	7,450	(5,450)
Postage	3,000	4,337	(1,337)
Supplies	5,000	6,688	(1,688)
Trash Removal	1,000	1,156	(156)
NW Solid Waste	2,009	2,009	0
Dog Tags and Expense	150	121	29
VLCT Dues	3,305	3,305	0
Northwest Regional Planning and Development	1,942	1,942	0
Bank Service Fees	200	294	(94)
Conservation Commission	500	307	193
Island Arts Activities	1,950	1,950	0
VNA - UVM	9,500	9,500	0
Economic Development	1,600	1,600	0
Green-Up Vermont	1,200	566	634
Library Expenses	500	937	(437)
Printing/Copier	4,769	4,580	189

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, 2024

	Budget	Actual	Variance Favorable/ (Unfavorable)
General Town Expense/(Cont'd):			
Town Report	\$ 2,500	\$ 3,239	\$ (739)
School Building Use	110,000	110,000	0
County Tax	166,934	168,317	(1,383)
Office Furniture and Equipment	5,000	1,201	3,799
Telephone and Internet	6,500	7,401	(901)
Website	2,000	2,237	(237)
GIC Emergency Communications/Pagers	25,000	25,295	(295)
I-Car Fire Works	1,000	1,000	0
Sheriffs Department Contract	164,268	169,876	(5,608)
Computer IT and Maintenance	10,000	9,280	720
Mapping/Lister's Computer	5,000	5,455	(455)
Paydata Expenses	2,500	2,675	(175)
C.A.R.I.N.G.	2,000	0	2,000
VLCT Property and Casualty Insurance	13,028	10,144	2,884
VLCT Library Property and Casualty Insurance	4,705	5,038	(333)
Health and Dental Insurance	40,400	41,896	(1,496)
Life Insurance	750	623	127
NEMRC	7,000	6,683	317
Generators Maintenance	2,000	2,537	(537)
Small Gift Recognition	1,000	351	649
Other Town Buildings	5,000	5,400	(400)
Bi-Centennial Memorial Building Expenses	6,200	6,200	0
Town Audit	17,000	20,138	(3,138)
C.I.D.E.R.	1,000	1,000	0
Champlain Island Parent/Child	1,500	1,500	0
Grant Expense	10,500	11,823	(1,323)
Northwestern Counseling	1,000	1,000	0
Miscellaneous	1,000	0	1,000
<b>Total General Town Expense</b>	<b>698,127</b>	<b>719,209</b>	<b>(21,082)</b>
Town Office Building:			
Maintenance and Contracted Services	10,000	6,494	3,506
Electricity	5,000	6,130	(1,130)
Repairs and Supplies	10,000	6,496	3,504
Water Rent	600	600	0
<b>Total Town Office Building</b>	<b>25,600</b>	<b>19,720</b>	<b>5,880</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, 2024

	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	2,000	1,122	878
Mileage and Sustenance	1,500	588	912
Dues	200	125	75
	<u>8,900</u>	<u>5,335</u>	<u>3,565</u>
Total Town Officers Expense			
Administrator Expense:			
Computer Service	500	1,891	(1,391)
Equipment	3,000	2,158	842
	<u>3,500</u>	<u>4,049</u>	<u>(549)</u>
Total Administrator Expense			
Recreation Program:			
Recreation Paths/Trails	1,500	2,096	(596)
White's Beach	4,000	2,259	1,741
Community Programs	15,700	12,004	3,696
Recreation Scholarships	1,000	150	850
Beach Attendant	6,800	8,984	(2,184)
	<u>29,000</u>	<u>25,493</u>	<u>3,507</u>
Total Recreation Program			
Fire Department Expenses:			
Workman's Compensation	1,600	1,217	383
Training	4,500	3,125	1,375
Supplies and Repairs	5,000	18,287	(13,287)
Administrative/Software	1,500	1,561	(61)
Vehicle Fuel	3,600	3,267	333
Insurance - Equipment	5,000	7,208	(2,208)
Insurance - Auto	3,800	5,402	(1,602)
Truck Repair and Maintenance	7,000	4,867	2,133
Dry Hydrant Program Donation	100	0	100
Fire Department Equipment Replacement Fund	80,000	80,000	0
Equipment	20,000	20,201	(201)
FD Personnel	25,000	0	25,000
	<u>157,100</u>	<u>145,135</u>	<u>11,965</u>
Total Fire Department Expenses			

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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, 2024

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Fire/Rescue Building:</b>			
Fuel	\$ 4,500	\$ 1,791	\$ 2,709
Electricity	5,500	5,800	(300)
VLCT Insurance - Building	3,584	3,856	(272)
Bond Payment	130,000	130,000	0
Bond Interest	16,335	16,335	0
Condo Fees	10,000	9,163	837
Telephone/Internet	6,500	7,128	(628)
Supplies/Maintenance	7,000	4,811	2,189
Water Rent	600	600	0
<b>Total Fire/Rescue Building</b>	<b>184,019</b>	<b>179,484</b>	<b>4,535</b>
<b>Rescue Expenses:</b>			
Rescue Personnel	90,000	65,702	24,298
Rescue Equipment Replacement Fund	25,000	25,000	0
<b>Total Rescue Expenses</b>	<b>115,000</b>	<b>90,702</b>	<b>24,298</b>
<b>Tax Abatements:</b>	<b>1,500</b>	<b>1,362</b>	<b>138</b>
<b>Transfers:</b>			
Transfer to Cemetery Fund	10,000	10,000	0
Transfer to Landfill Fund	35,000	35,000	0
Transfer to Emerald Ash Borer Fund	10,000	10,000	0
Transfer to Fire Department Equipment Replacement Fund	144,317	144,317	0
Transfer to South Hero Meeting House Fund	0	100,000	(100,000)
Transfer to Capital Fund	0	165,169	(165,169)
<b>Total Transfers</b>	<b>199,317</b>	<b>464,486</b>	<b>(265,169)</b>
<b>Total Cash Disbursements</b>	<b>1,776,428</b>	<b>1,995,218</b>	<b>(218,790)</b>
<b>Excess/(Deficiency) of Cash Receipts Over Cash Disbursements</b>	<b>\$ (105,401)</b>	<b>(77,612)</b>	<b>\$ 27,789</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, 2024

	Actual
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Cash Basis of Accounting:	
Cemetery Fund Income	\$ 2,467
Cemetery Fund Expenses	(11,006)
Cemetery Fund Transfer In	10,000
Landfill Fund Expenses	(17,203)
Landfill Fund Transfer In	35,000
Emerald Ash Borer Fund Expenses	(4,050)
Emerald Ash Borer Fund Transfer In	10,000
Net Change in Fund Balance	(52,404)
Fund Balance - July 1, 2023	35,766
Fund Balance/(Deficit) - June 30, 2024	\$ (16,638)

The reconciling items are due to combining three (3) funds, the Cemetery Fund, the Landfill Fund and the Emerald Ash Borer Fund, with the General Fund in order to comply with GASB Statement No. 54.

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, 2024

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Cash Receipts:</b>			
Property Taxes	\$ 888,263	\$ 888,263	\$ 0
State Aid	60,000	58,703	(1,297)
Miscellaneous Highway Revenue	2,500	2,153	(347)
Grants - Better Roads	12,000	0	(12,000)
	<u>962,763</u>	<u>949,119</u>	<u>(13,644)</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Labor	193,948	206,636	(12,688)
Tree Warden	4,500	7,450	(2,950)
Road Commissioner	1,750	1,750	0
Social Security	14,837	15,788	(951)
Workman's Compensation	16,285	19,001	(2,716)
Retirement	13,091	13,272	(181)
Health and Dental	37,604	42,271	(4,667)
Tires - All Vehicles	7,000	5,105	1,895
Telephone	1,000	1,427	(427)
Dumpster Expenses	1,700	1,772	(72)
Contracted Services	500	1,148	(648)
Fuel and Oil - Equipment	30,000	26,847	3,153
Heating Oil - Building	7,200	6,617	583
Electricity	3,000	2,647	353
Property and Liability Insurance	13,058	13,732	(674)
Gravel and Stone	25,000	21,066	3,934
Small Tools and Equipment <\$500	1,500	1,936	(436)
Materials and Supplies	15,000	11,062	3,938
Uniform Expense	2,300	2,889	(589)
Repairs and Maintenance	35,000	27,454	7,546
Resurfacing and Paving	50,000	259,183	(209,183)
Salt Shed Construction	200,000	177,182	22,818
New Construction Roads	150,000	47,002	102,998
Cold Patch and Crack Filling	500	0	500
Culverts	2,500	532	1,968
Chloride	3,000	0	3,000
Salt	23,000	15,790	7,210
Grader Blades	750	0	750
Signs	12,500	13,123	(623)
Equipment Rental	1,000	0	1,000

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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, 2024

	Budget	Actual	Variance Favorable/ (Unfavorable)
Cash Disbursements/(Cont'd):			
Small Tools and Equipment >\$500	\$ 2,500	\$ 529	\$ 1,971
Highway Equipment Replacement Fund	60,000	60,000	0
Truck Plow Parts	3,500	4,267	(767)
Winter Sand	8,000	7,600	400
Town Garage Improvements	7,000	959	6,041
Septic System	1,500	0	1,500
Stormwater Permit Fee	740	500	240
Grant Expenses	12,000	1,000	11,000
Miscellaneous	0	57	(57)
Total Cash Disbursements	962,763	1,017,594	(54,831)
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	\$ 0	(68,475)	\$ (68,475)
Fund Balance - July 1, 2023		712,416	
Fund Balance - June 30, 2024		\$ 643,941	

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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, 2024

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 57,640	\$ 57,640
Investments	0	0	17,891	17,891
Due from Other Funds	<u>105,002</u>	<u>724,296</u>	<u>0</u>	<u>829,298</u>
Total Assets	<u>\$ 105,002</u>	<u>\$ 724,296</u>	<u>\$ 75,531</u>	<u>\$ 904,829</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Cash Overdraft	\$ 5,801	\$ 0	\$ 0	\$ 5,801
Due to Other Funds	<u>13,360</u>	<u>0</u>	<u>0</u>	<u>13,360</u>
Total Liabilities	<u>19,161</u>	<u>0</u>	<u>0</u>	<u>19,161</u>
Fund Balances:				
Nonspendable	0	0	19,210	19,210
Restricted	30,998	0	56,321	87,319
Committed	0	459,127	0	459,127
Assigned	72,062	265,169	0	337,231
Unassigned/(Deficit)	<u>(17,219)</u>	<u>0</u>	<u>0</u>	<u>(17,219)</u>
Total Fund Balances	<u>85,841</u>	<u>724,296</u>	<u>75,531</u>	<u>885,668</u>
Total Liabilities and Fund Balances	<u>\$ 105,002</u>	<u>\$ 724,296</u>	<u>\$ 75,531</u>	<u>\$ 904,829</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 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2024

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<b>Cash Receipts:</b>				
Property Taxes	\$ 119,720	\$ 0	\$ 0	\$ 119,720
Intergovernmental	26,984	35,161	0	62,145
Permits, Licenses and Fees	6,487	0	0	6,487
Investment Income	17	4,002	2,694	6,713
Donations	14,612	169	0	14,781
	<u>167,820</u>	<u>39,332</u>	<u>2,694</u>	<u>209,846</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
General Government	44,822	0	0	44,822
Culture and Recreation	161,344	0	7,292	168,636
Cemetery	0	0	845	845
Capital Outlay:				
General Government	0	49,195	0	49,195
	<u>206,166</u>	<u>49,195</u>	<u>8,137</u>	<u>263,498</u>
<b>Total Cash Disbursements</b>				
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>(38,346)</u>	<u>(9,863)</u>	<u>(5,443)</u>	<u>(53,652)</u>
<b>Other Financing Sources:</b>				
Proceeds from Long-term Debt	36,130	0	0	36,130
Transfers In	0	358,618	0	358,618
	<u>36,130</u>	<u>358,618</u>	<u>0</u>	<u>394,748</u>
<b>Total Other Financing Sources</b>				
Net Change in Fund Balances	(2,216)	348,755	(5,443)	341,096
Fund Balances - July 1, 2023	<u>88,057</u>	<u>375,541</u>	<u>80,974</u>	<u>544,572</u>
Fund Balances - June 30, 2024	<u>\$ 85,841</u>	<u>\$ 724,296</u>	<u>\$ 75,531</u>	<u>\$ 885,668</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, 2024

	Reappraisal Fund	Restoration/ Digitization Fund	Library Fund	Planning Fund	Fishing Pier Fund	Broadband Grant Fund	Wastewater Feasibility Fund	Total
<u>ASSETS</u>								
Due from Other Funds	\$ 72,062	\$ 19,055	\$ 1,942	\$ 9,201	\$ 1,242	\$ 1,500	\$ 0	\$ 105,002
Total Assets	<u>\$ 72,062</u>	<u>\$ 19,055</u>	<u>\$ 1,942</u>	<u>\$ 9,201</u>	<u>\$ 1,242</u>	<u>\$ 1,500</u>	<u>\$ 0</u>	<u>\$ 105,002</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Cash Overdraft	\$ 0	\$ 0	\$ 5,801	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,801
Due to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,360</u>	<u>13,360</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>5,801</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,360</u>	<u>19,161</u>
Fund Balances/(Deficit):								
Restricted	0	19,055	0	9,201	1,242	1,500	0	30,998
Assigned	72,062	0	0	0	0	0	0	72,062
Unassigned/(Deficit)	<u>0</u>	<u>0</u>	<u>(3,859)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(13,360)</u>	<u>(17,219)</u>
Total Fund Balances/(Deficit)	<u>72,062</u>	<u>19,055</u>	<u>(3,859)</u>	<u>9,201</u>	<u>1,242</u>	<u>1,500</u>	<u>(13,360)</u>	<u>85,841</u>
Total Liabilities and Fund Balances	<u>\$ 72,062</u>	<u>\$ 19,055</u>	<u>\$ 1,942</u>	<u>\$ 9,201</u>	<u>\$ 1,242</u>	<u>\$ 1,500</u>	<u>\$ 0</u>	<u>\$ 105,002</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, 2024

	Reappraisal Fund	Restoration/ Digitization Fund	Library Fund	Planning Fund	Fishing Pier Fund	Broadband Grant Fund	Wastewater Feasibility Fund	Total
Cash Receipts:								
Property Taxes	\$ 0	\$ 0	\$ 119,720	\$ 0	\$ 0	\$ 0	\$ 0	\$ 119,720
Intergovernmental	12,046	0	937	14,001	0	0	0	26,984
Permits, Licenses and Fees	0	5,836	651	0	0	0	0	6,487
Investment Income	0	0	16	0	1	0	0	17
Donations	0	0	14,612	0	0	0	0	14,612
<b>Total Cash Receipts</b>	<b>12,046</b>	<b>5,836</b>	<b>135,936</b>	<b>14,001</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>167,820</b>
Cash Disbursements:								
General Government	6,774	3,839	0	0	0	0	34,209	44,822
Culture and Recreation	0	0	161,344	0	0	0	0	161,344
<b>Total Cash Disbursements</b>	<b>6,774</b>	<b>3,839</b>	<b>161,344</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34,209</b>	<b>206,166</b>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>5,272</u>	<u>1,997</u>	<u>(25,408)</u>	<u>14,001</u>	<u>1</u>	<u>0</u>	<u>(34,209)</u>	<u>(38,346)</u>
Other Financing Sources:								
Proceeds from Long-term Debt	0	0	0	0	0	0	36,130	36,130
<b>Total Other Financing Sources</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>36,130</u>	<u>36,130</u>
Net Change in Fund Balances	5,272	1,997	(25,408)	14,001	1	0	1,921	(2,216)
Fund Balances/(Deficit) - July 1, 2023	66,790	17,058	21,549	(4,800)	1,241	1,500	(15,281)	88,057
Fund Balances/(Deficit) - June 30, 2024	<u>\$ 72,062</u>	<u>\$ 19,055</u>	<u>\$ (3,859)</u>	<u>\$ 9,201</u>	<u>\$ 1,242</u>	<u>\$ 1,500</u>	<u>\$ (13,360)</u>	<u>\$ 85,841</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF SOUTH HERO, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH BASIS  
 ASSETS, LIABILITIES AND FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2024

	<u>Rescue Equipment Replacement Fund</u>	<u>Highway Equipment Replacement Fund</u>	<u>South Hero Meeting House Fund</u>	<u>Capital Fund</u>	<u>Total</u>
<u>ASSETS</u>					
Due from Other Funds	\$ <u>235,787</u>	\$ <u>76,459</u>	\$ <u>246,881</u>	\$ <u>165,169</u>	\$ <u>724,296</u>
Total Assets	\$ <u><u>235,787</u></u>	\$ <u><u>76,459</u></u>	\$ <u><u>246,881</u></u>	\$ <u><u>165,169</u></u>	\$ <u><u>724,296</u></u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balances:					
Committed	235,787	76,459	146,881	0	459,127
Assigned	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>165,169</u>	<u>265,169</u>
Total Fund Balances	<u>235,787</u>	<u>76,459</u>	<u>246,881</u>	<u>165,169</u>	<u>724,296</u>
Total Liabilities and Fund Balances	\$ <u><u>235,787</u></u>	\$ <u><u>76,459</u></u>	\$ <u><u>246,881</u></u>	\$ <u><u>165,169</u></u>	\$ <u><u>724,296</u></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, 2024

	Rescue Equipment Replacement Fund	Highway Equipment Replacement Fund	South Hero Meeting House Fund	Capital Fund	Total
Cash Receipts:					
Intergovernmental	\$ 0	\$ 0	\$ 35,161	\$ 0	\$ 35,161
Investment Income	3,468	534	0	0	4,002
Donations	0	0	169	0	169
Total Cash Receipts	<u>3,468</u>	<u>534</u>	<u>35,330</u>	<u>0</u>	<u>39,332</u>
Cash Disbursements:					
Capital Outlay:					
General Government	0	0	49,195	0	49,195
Total Cash Disbursements	<u>0</u>	<u>0</u>	<u>49,195</u>	<u>0</u>	<u>49,195</u>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>3,468</u>	<u>534</u>	<u>(13,865)</u>	<u>0</u>	<u>(9,863)</u>
Other Financing Sources:					
Transfers In	25,000	60,000	108,449	165,169	358,618
Total Other Financing Sources	<u>25,000</u>	<u>60,000</u>	<u>108,449</u>	<u>165,169</u>	<u>358,618</u>
Net Change in Fund Balances	28,468	60,534	94,584	165,169	348,755
Fund Balances - July 1, 2023	<u>207,319</u>	<u>15,925</u>	<u>152,297</u>	<u>0</u>	<u>375,541</u>
Fund Balances - June 30, 2024	<u>\$ 235,787</u>	<u>\$ 76,459</u>	<u>\$ 246,881</u>	<u>\$ 165,169</u>	<u>\$ 724,296</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, 2024

	Library Trust Funds	Cemetery Trust Fund	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 57,640	\$ 57,640
Investments	0	17,891	17,891
Total Assets	\$ 0	\$ 75,531	\$ 75,531
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
Fund Balances:			
Nonspendable	0	19,210	19,210
Restricted	0	56,321	56,321
Total Fund Balances	0	75,531	75,531
Total Liabilities and Fund Balances	\$ 0	\$ 75,531	\$ 75,531

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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, 2024

	Library Trust Funds	Cemetery Trust Fund	Total
Cash Receipts:			
Investment Income	\$ <u>7</u>	\$ <u>2,687</u>	\$ <u>2,694</u>
Total Cash Receipts	<u>7</u>	<u>2,687</u>	<u>2,694</u>
Cash Disbursements:			
Culture and Recreation	7,292	0	7,292
Cemetery	<u>0</u>	<u>845</u>	<u>845</u>
Total Cash Disbursements	<u>7,292</u>	<u>845</u>	<u>8,137</u>
Net Change in Fund Balances	(7,285)	1,842	(5,443)
Fund Balances - July 1, 2023	<u>7,285</u>	<u>73,689</u>	<u>80,974</u>
Fund Balances - June 30, 2024	\$ <u><u>0</u></u>	\$ <u><u>75,531</u></u>	\$ <u><u>75,531</u></u>

See Disclaimer in Accompanying Independent Auditor's Report.

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

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VT Lic. #92-000180

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

Selectboard  
Town of 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 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, 2024, 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 December 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified a certain deficiency in internal control that we consider to be a material weakness and another that we consider to be a significant deficiency.



A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2024-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2024-002 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 Findings**

"Government Auditing Standards" requires the auditor to perform limited procedures on the Town of South Hero, Vermont's response to the findings 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sullivan, Powers & Co.*

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

TOWN OF SOUTH HERO, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2024

Deficiencies in Internal Control:

Material Weaknesses:

2024-001 Segregation of Duties - Cash

*Criteria:*

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

*Condition:*

In the Town, the same person that reconciles the bank accounts also collects cash, posts to the journals, makes deposits and has check signing authority. The Town has a local individual review the Town's accounts approximately twice a year, however, this should be done on a more regular basis.

*Cause:*

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

*Effect:*

The Town has inadvertently made its assets susceptible to misappropriation.

*Recommendation:*

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

Significant Deficiencies:

2024-002 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.

TOWN OF SOUTH HERO, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2024

*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 30,2024 audit the Town of South hero will make the following corrections:

1. 2024-001 Segregation of Duties - Cash
2. 2024-002 Authorization of General Journal Entries

**Purpose:** The Town of South Hero will write a RECONCILIATION & JOURNAL ENTRY Policy to provide oversight to the preparation and execution of reconciliations and journal entries.

**Process:** The Assistant Treasurer will perform monthly bank reconciliations with the Town Treasurer. The Town Treasurer will initiate all journal entries All journal entries will be reviewed by the Assistant Treasurer during the monthly bank reconciliation and signify their approval by their signature.

Respectfully submitted,



Kim T Julow  
Town Treasurer