

TOWN OF SOUTH HERO, VERMONT

AUDIT REPORT

JUNE 30, 2025

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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, 2025, 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, 2025, 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 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 October 2, 2025, 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.

October 2, 2025
Montpelier, Vermont
VT Lic. #92-000180

TOWN OF SOUTH HERO, VERMONT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2025

	Governmental Activities
<u>ASSETS</u>	
Cash	\$ 1,992,547
Investments	18,961
Total Assets	2,011,508
<u>LIABILITIES</u>	
Due to State of Vermont	193
Total Liabilities	193
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Prepaid Property Taxes	41
Total Deferred Inflows of Resources	41
<u>NET POSITION</u>	
Restricted:	
Non-Expendable:	
Cemetery	19,210
Expendable:	
Cemetery	56,844
Other	24,686
Unrestricted	1,910,534
Total Net Position	\$ 2,011,274

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, 2025

	Program Cash Receipts				Net (Disbursements)/ Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs:					
Governmental Activities:					
General Government	\$ 1,151,220	\$ 75,546	\$ 13,017	\$ 193,836	\$ (868,821)
Public Safety	329,623	1,419	0	0	(328,204)
Highways and Streets	826,151	2,211	82,963	0	(740,977)
Culture and Recreation	202,196	5,574	44,689	0	(151,933)
Cemetery	9,464	5,325	0	0	(4,139)
Debt Service	143,039	0	0	0	(143,039)
	<u>\$ 2,661,693</u>	<u>\$ 90,075</u>	<u>\$ 140,669</u>	<u>\$ 193,836</u>	<u>(2,237,113)</u>
Total Governmental Activities					
General Receipts:					
Property Taxes					2,324,804
Penalties and Interest on Delinquent Taxes					27,839
Local Option Taxes					31,378
Payments in Lieu of Taxes					26,218
General State Grants					120,607
Unrestricted Investment Earnings					100,779
Insurance Proceeds					4,120
Other Receipts					56
					<u>2,635,801</u>
					398,688
					<u>1,612,586</u>
					<u>\$ 2,011,274</u>

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, 2025

	General Fund	Highway Fund	ARPA Fund	Fire Department Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 1,928,357	\$ 0	\$ 0	\$ 0	\$ 64,190	\$ 1,992,547
Investments	0	0	0	0	18,961	18,961
Due from Other Funds	0	702,795	0	188,563	995,035	1,886,393
Total Assets	<u>\$ 1,928,357</u>	<u>\$ 702,795</u>	<u>\$ 0</u>	<u>\$ 188,563</u>	<u>\$ 1,078,186</u>	<u>\$ 3,897,901</u>
<u>LIABILITIES</u>						
Due to State of Vermont	\$ 193	\$ 0	\$ 0	\$ 0	\$ 0	\$ 193
Due to Other Funds	1,812,354	0	0	0	74,039	1,886,393
Total Liabilities	<u>1,812,547</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>74,039</u>	<u>1,886,586</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Prepaid Property Taxes	41	0	0	0	0	41
Total Deferred Inflows of Resources	<u>41</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>41</u>
<u>FUND BALANCES</u>						
Nonspendable	0	0	0	0	19,210	19,210
Restricted	0	0	0	0	81,530	81,530
Committed	115,769	702,795	0	188,563	640,861	1,647,988
Assigned	0	0	0	0	336,585	336,585
Unassigned/(Deficit)	0	0	0	0	(74,039)	(74,039)
Total Fund Balances	<u>115,769</u>	<u>702,795</u>	<u>0</u>	<u>188,563</u>	<u>1,004,147</u>	<u>2,011,274</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,928,357</u>	<u>\$ 702,795</u>	<u>\$ 0</u>	<u>\$ 188,563</u>	<u>\$ 1,078,186</u>	<u>\$ 3,897,901</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, 2025

	General Fund	Highway Fund	ARPA Fund	Fire Department Equipment Replacement Fund	Non-Major Governmental Funds	Total Governmental Funds
Cash Receipts:						
Property Taxes	\$ 1,290,198	\$ 908,646	\$ 0	\$ 0	\$ 125,960	\$ 2,324,804
Penalties and Interest on Delinquent Taxes	27,839	0	0	0	0	27,839
Local Option Taxes	0	0	0	0	31,378	31,378
Payments in Lieu of Taxes	26,218	0	0	0	0	26,218
Intergovernmental	120,607	82,963	0	0	207,887	411,457
Charges for Services	40,979	0	0	0	0	40,979
Permits, Licenses and Fees	36,700	0	0	0	6,720	43,420
Fines and Forfeits	1,419	0	0	0	0	1,419
Investment Income	99,622	0	0	0	1,157	100,779
Donations	0	0	0	0	43,655	43,655
Other	56	2,211	0	0	2,046	4,313
Total Cash Receipts	1,643,638	993,820	0	0	418,803	3,056,261
Cash Disbursements:						
General Government	859,955	0	0	0	48,636	908,591
Public Safety	328,571	0	1,052	0	0	329,623
Highways and Streets	0	472,833	0	0	1,185	474,018
Culture and Recreation	29,626	0	0	0	160,570	190,196
Cemetery	8,859	0	0	0	605	9,464
Capital Outlay:						
General Government	0	0	0	0	242,629	242,629
Highways and Streets	0	352,133	0	0	0	352,133
Culture and Recreation	0	0	0	0	12,000	12,000
Debt Service:						
Principal	130,000	0	0	0	0	130,000
Interest	13,039	0	0	0	0	13,039
Total Cash Disbursements	1,370,050	824,966	1,052	0	465,625	2,661,693
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	273,588	168,854	(1,052)	0	(46,822)	394,568
Other Financing Sources/(Uses):						
Insurance Proceeds	4,120	0	0	0	0	4,120
Transfers In	0	0	0	90,000	165,301	255,301
Transfers Out	(145,301)	(110,000)	0	0	0	(255,301)
Total Other Financing Sources/(Uses)	(141,181)	(110,000)	0	90,000	165,301	4,120
Net Change in Fund Balances	132,407	58,854	(1,052)	90,000	118,479	398,688
Fund Balances/(Deficit) - July 1, 2024	(16,638)	643,941	1,052	98,563	885,668	1,612,586
Fund Balances - June 30, 2025	<u>\$ 115,769</u>	<u>\$ 702,795</u>	<u>\$ 0</u>	<u>\$ 188,563</u>	<u>\$ 1,004,147</u>	<u>\$ 2,011,274</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, 2025

	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, 2025

	Custodial Fund Education Tax Fund
<u>ADDITIONS</u>	
Education Taxes Collected for Other Governments	\$ <u>10,039,910</u>
Total Additions	<u>10,039,910</u>
<u>DEDUCTIONS</u>	
Education Taxes Distributed to Other Governments	<u>10,039,910</u>
Total Deductions	<u>10,039,910</u>
Change in Net Position	0
Net Position - July 1, 2024	<u>0</u>
Net Position - June 30, 2025	\$ <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, 2025

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, 2025

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, 2025

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, amounts due to the State of Vermont for dog and marriage licenses as liabilities and property taxes paid in advance as deferred inflows of resources. 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, 2025

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. Internal Balances

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. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows of resources" represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related.

5. 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 budgets presented herein are for the Town's "General Fund" and "Highway Fund" only and do 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.

B. Budgeted Surplus

The Town budgeted a current year's excess of cash receipts over cash disbursements in the General Fund in the amount of \$51,900. This is reflected as a budgeted excess of cash receipts over cash disbursements on Schedule 1.

TOWN OF SOUTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments as of June 30, 2025 consist of the following:

Cash:		
Deposits with Financial Institutions		\$1,992,547
Investments:		
Mutual Funds – Mixed Holdings		<u>18,961</u>
	Total Cash and Investments	<u>\$2,011,508</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. 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.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 314,290	\$ 335,637
Uninsured, Collateralized by Irrevocable Standby Letter of Credit Issued by Federal Home Loan Bank of Pittsburgh	<u>1,678,257</u>	<u>1,661,038</u>
Total	<u>\$1,992,547</u>	<u>\$1,996,675</u>

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

TOWN OF SOUTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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).

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.

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The Town has the following fair value measurements as of June 30, 2025:

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	\$ 18,961	\$ 18,961	\$ 0	\$ 0
Total	\$ 18,961	\$ 18,961	\$ 0	\$ 0

B. Interfund Balances and Activity

Interfund balances as of June 30, 2025 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$1,812,354
Highway Fund	702,795	0
Fire Department Equipment Replacement Fund	188,563	0
Non-Major Governmental Funds	<u>995,035</u>	<u>74,039</u>
Totals	<u>\$1,886,393</u>	<u>\$1,886,393</u>

Interfund transfers during the year ended June 30, 2025 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Cemetery Fund	\$ 15,000	* Appropriation
General Fund	Landfill Fund	35,000	* Appropriation
General Fund	Emerald Ash Borer Fund	5,000	* Appropriation
General Fund	Fire Department Equipment Replacement Fund	90,000	Appropriation
General Fund	Reappraisal Fund	30,000	Appropriation
General Fund	Hazard Mitigation Grant Fund	301	Fund Local Match
General Fund	Rescue Equipment Replacement Fund	25,000	Appropriation
Highway Fund	Highway Equipment Replacement Fund	<u>110,000</u>	Appropriation
Total		<u>\$ 310,301</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. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities and General Fund consists of \$41 of property taxes paid in advance.

TOWN OF SOUTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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D. Fund Balances

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

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

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

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

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

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

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 Fund:

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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TOWN OF SOUTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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The fund balances in the following funds are restricted as follows:

Non-Major Funds

Special Revenue Funds:

Restricted for Restoration/Digitization Expenses by Statute (Source of Revenue is Restoration Fees)	\$21,944
Restricted for Fishing Pier Expenses by Donations (Source of Revenue is Donations)	1,242
Restricted for Broadband Grant Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	<u>1,500</u>
Total Special Revenue Funds	<u>24,686</u>

Permanent Fund:

Restricted for Cemetery Expenses by Bequest/Donations	56,844
Total Restricted Fund Balances	<u>\$81,530</u>

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

Major Funds

General Fund:

Committed for Cemetery Expenses by the Voters	\$ 32,216
Committed for Landfill Closure Expenses by the Voters	66,641
Committed for Emerald Ash Borer Mitigation Expenses by the Voters	18,934
Amount Committed in Excess of Available Fund Balance	<u>(2,022)</u>
Total General Fund	<u>115,769</u>

Highway Fund:

Committed for Highway Expenditures by the Voters	<u>702,795</u>
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Fire Department Equipment Replacement Fund:

Committed for Fire Department Equipment Replacement Expenditures by the Voters	<u>188,563</u>
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Non-Major Funds

Special Revenue Funds:

Committed for Reappraisal Expenses by the Voters	30,000
Committed for Library Expenses by the Voters	<u>9,144</u>
Total Special Revenue Funds	<u>39,144</u>

TOWN OF SOUTH HERO, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2025

Capital Projects Funds:

Committed for Rescue Equipment Replacement Expenditures by the Voters	\$ 260,787
Committed for Highway Equipment Replacement Expenditures by the Voters	186,459
Committed for South Hero Meeting House Expenditures by the Voters	123,093
Committed for Municipal Recreation and Park Facilities and Town Structures by the Voters	<u>31,378</u>
Total Capital Projects Funds	<u>601,717</u>
Total Non-Major Funds	<u>640,861</u>
Total Committed Fund Balances	<u>\$1,647,988</u>

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

Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses	\$ <u>84,175</u>
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Capital Projects Funds:

Assigned for South Hero Meeting House Expenditures	100,000
Assigned for Capital Expenditures	<u>152,410</u>
Total Capital Projects Funds	<u>252,410</u>
Total Assigned Fund Balances	<u>\$336,585</u>

The unassigned deficit of \$26,242 in the Town Office Planning Fund will be funded with future grant revenues.

The unassigned deficit of \$46,612 in the Wastewater Feasibility Fund will be funded with proceeds from long-term debt.

The unassigned deficit of \$1,185 in the Route 2 Safety Study Grant Fund will be funded with future grant revenues.

E. 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 \$81,530 for a total of \$100,740.

TOWN OF SOUTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2024, the measurement date selected by the State of Vermont, the retirement system consisted of 362 participating employers.

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

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

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

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

As of June 30, 2024, the measurement date selected by the State of Vermont, VMERS was funded at 75.22% and had a plan fiduciary net position of \$1,008,504,817 and a total pension liability of \$1,340,652,483 resulting in a net position liability of \$332,147,666. The Town's proportionate share of this was 0.0797% resulting in a net pension liability of \$264,865. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. 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 0.0797% was an increase of 0.0069 from its proportion measured as of the prior year.

TOWN OF SOUTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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.

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.

TOWN OF SOUTH HERO, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2025

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:

<u>Effective</u>	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>
July 1, 2024	4.00%	6.375%	11.50%	12.85%
July 1, 2025	4.25%	6.625%	11.75%	13.10%
July 1, 2026	4.50%	6.875%	12.00%	13.35%
July 1, 2027	4.75%	7.125%	12.25%	13.60%
July 1, 2028	5.00%	7.375%	12.50%	13.85%
July 1, 2029	5.25%	7.625%	12.75%	14.10%

Employer Contribution Rates:

<u>Effective</u>	<u>Group A</u>	<u>Group B</u>	<u>Group C</u>	<u>Group D</u>
July 1, 2024	5.50%	7.00%	8.75%	11.35%
July 1, 2025	5.75%	7.25%	9.00%	11.60%
July 1, 2026	6.00%	7.50%	9.25%	11.85%
July 1, 2027	6.25%	7.75%	9.50%	12.10%
July 1, 2028	6.50%	8.00%	9.75%	12.35%
July 1, 2029	6.75%	8.25%	10.00%	12.60%

TOWN OF SOUTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2025 COLA is expected to be 1.90% for all groups. The January 1, 2024 COLA was 1.10% for all groups.

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.

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.

TOWN OF SOUTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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>
US Agg Fixed Income	19%	1.70%
TIPS	2%	1.70%
Large/Mid Cap US Equity	4%	4.20%
Small Cap US Equity	3%	4.70%
Developed Large/Mid Cap International Equity	5%	5.95%
Global Equity	32%	5.25%
Core Real Estate	3%	3.45%
Non-Core Real Estate	4%	5.70%
Private Credit	11%	5.70%
Private Equity	11%	7.45%
Private Core Infrastructure	4%	4.95%
Agriculture/Farmland	2%	3.95%

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, 2024, is 3.93%, as published by The Bond Buyer.

The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2024. 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. 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 as of June 30, 2024.

TOWN OF SOUTH HERO, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2025

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, 2024, 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>
\$404,939	\$264,865	\$149,895

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 \$63,525. Pension expense for the years ended June 30, 2025, 2024 and 2023 were \$3,812, \$3,630 and \$2,819, 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, 2025, taxes became due and payable on September 30, 2024, January 30, 2025, and April 30, 2025. 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 2025 were as follows:

TOWN OF SOUTH HERO, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2025

	<u>Homestead</u>	<u>Non-Homestead</u>
Municipal	0.2641	0.2641
Highway	0.1808	0.1808
Library	0.0251	0.0251
Cemetery	0.0030	0.0030
Deficit Reduction	0.0138	0.0138
3% Tax Discount	0.0398	0.0398
Local Agreement	0.0023	0.0023
Education - Local Share	<u>2.2132</u>	<u>2.0641</u>
Total	<u>2.7421</u>	<u>2.5930</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.

TOWN OF SOUTH HERO, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

E. Commitments

On March 4, 2025, voters authorized the issuance of general obligation bonds not to exceed \$2,875,000, subject to reduction by the application of federal and state grants-in-aid and reserve funds, to be issued for the purpose of constructing a new town hall.

The Town obtained a tax anticipation note with Community Bank, N.A. on June 30, 2025 for \$150,000. Interest is at 5.5% and is due September 30, 2025. The Town has not drawn on this note.

F. 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.

Long-term debt outstanding as of June 30, 2025 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	\$ <u>520,000</u>	\$ <u>0</u>	\$ <u>130,000</u>	\$ <u>390,000</u>
Total	\$ <u>520,000</u>	\$ <u>0</u>	\$ <u>130,000</u>	\$ <u>390,000</u>

Maturities are estimated to be as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2026	\$130,000	\$ 9,549
2027	130,000	5,864
2028	<u>130,000</u>	<u>1,983</u>
Total	\$ <u>390,000</u>	\$ <u>17,396</u>

G. Subsequent Events

On March 4, 2025, voters authorized the issuance of general obligation bonds not to exceed \$2,875,000, subject to reduction by the application of federal and state grants-in-aid and reserve funds, for the construction of a new Town Hall. On August 11, 2025, the Town approved a bond anticipation note in the amount of \$300,000 for initial construction costs.

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, 2025

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
Cash Receipts:			
Property Taxes	\$ 1,612,348	\$ 1,508,682	\$ (103,666)
Recording	25,000	16,158	(8,842)
Miscellaneous Town Clerk Fees	1,000	305	(695)
Certified Copies	500	680	180
Delinquent Tax Interest	10,000	6,898	(3,102)
Search Copies	3,000	2,237	(763)
Search Time	600	286	(314)
Delinquent Tax Penalties	10,000	20,941	10,941
F&W Land Postings	100	145	45
Sub-Division Permits	750	220	(530)
Green Mountain Passport	100	76	(24)
Legal Advertisements Reimbursement	1,500	805	(695)
Maps	150	35	(115)
Liquor and Beer Licenses	1,500	1,480	(20)
Dog Licenses	1,500	930	(570)
Miscellaneous Refunds	500	56	(444)
Copies	150	48	(102)
Insurance Refund	500	4,120	3,620
State - Current Use/Hold Harmless	110,000	120,607	10,607
State - Highway Fines	5,000	1,419	(3,581)
State - Taxes/PILOT Program	10,000	9,715	(285)
Building Permits	18,000	8,239	(9,761)
Vendor Licenses	60	100	40
Zoning Fees	1,500	2,277	777
Interest	50,000	98,827	48,827
Other Grants	1,000	0	(1,000)
Recreation Revenue	0	2,679	2,679
Education Billing Fee Retained	18,000	22,641	4,641
Library Salaries/Benefits and Insurance Reimbursement	90,132	81,801	(8,331)
Municipal Tax Adjustments	30,000	34,449	4,449
329 Route 2 Rent	4,500	5,723	1,223
Discounts Taken	(200,000)	(252,690)	(52,690)
Good Neighbor Agreement	15,000	16,503	1,503
Parking Stickers - In Town	3,000	2,935	(65)
Parking Stickers - Out of Town	3,500	4,355	855
Miscellaneous Revenue	1,000	0	(1,000)
Total Cash Receipts	1,829,890	1,723,682	(106,208)

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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, 2025

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
Cash Disbursements:			
Town Officers Salaries:			
Selectboard	\$ 6,615	\$ 6,615	\$ 0
Town Clerk and Treasurer	106,050	106,050	0
Assistant Town Clerk and Treasurer	40,000	39,340	660
Listers	18,826	6,264	12,562
Zoning Administrator	63,525	63,525	0
Town Administrator	47,250	47,250	0
Board's Secretary	3,003	3,012	(9)
Animal Control Officer	1,050	255	795
DRB Board Secretary	1,440	0	1,440
	<u>287,759</u>	<u>272,311</u>	<u>15,448</u>
Total Town Officers Salaries			
Library Salaries/Benefits:	<u>83,848</u>	<u>76,347</u>	<u>7,501</u>
General Town Expense:			
Town Mowing Expense	3,000	3,224	(224)
Delinquent Tax Collector	5,000	5,000	0
Social Security Tax	22,014	23,425	(1,411)
Workman's Compensation	2,586	3,953	(1,367)
Unemployment Compensation	920	1,007	(87)
Retirement	15,000	14,543	457
Election Expenses	3,000	3,872	(872)
Legal Advertising	3,000	1,690	1,310
Legal Fees	3,000	1,204	1,796
Postage	3,000	763	2,237
Supplies	5,000	2,973	2,027
Trash Removal	1,000	1,213	(213)
NW Solid Waste	2,176	2,176	0
Dog Tags and Expense	150	101	49
VLCT Dues	3,500	3,407	93
Northwest Regional Planning and Development	2,000	2,000	0
Bank Service Fees	300	188	112
Conservation Commission	3,500	2,688	812
Island Arts Activities	1,950	1,950	0
VNA - UVM	9,500	7,125	2,375
Economic Development	1,600	1,600	0
Green-Up Vermont	1,000	844	156
Library Expenses	500	0	500
Printing/Copier	5,000	4,252	748

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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, 2025

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
General Town Expense/(Cont'd):			
Town Report	\$ 2,832	\$ 3,806	\$ (974)
School Building Use	110,000	110,000	0
County Tax	189,475	188,518	957
Office Furniture and Equipment	5,000	3,614	1,386
Telephone and Internet	7,000	8,404	(1,404)
Website	2,000	664	1,336
GIC Emergency Communications/Pagers	30,000	23,867	6,133
I-Car Fire Works	1,000	1,000	0
Sheriffs Department Contract	196,560	193,869	2,691
Computer IT and Maintenance	12,000	8,973	3,027
Mapping/Lister's Computer	5,000	6,535	(1,535)
Grand List Maintenance	0	15,325	(15,325)
Paydata Expenses	2,500	2,920	(420)
C.A.R.I.N.G.	2,000	2,000	0
VLCT Property and Casualty Insurance	10,000	13,050	(3,050)
VLCT Library Property and Casualty Insurance	5,149	5,454	(305)
Health and Dental Insurance	43,382	43,663	(281)
Life Insurance	750	750	0
NEMRC	7,000	6,375	625
Generators Maintenance	3,200	2,177	1,023
Small Gift Recognition	600	0	600
Other Town Buildings	5,000	3,685	1,315
Bi-Centennial Memorial Building Expenses	6,500	6,500	0
Town Audit	19,500	19,500	0
C.I.D.E.R.	1,000	1,000	0
Champlain Island Parent/Child	1,500	1,500	0
Grant Expense	11,500	3,346	8,154
Northwestern Counseling	1,000	1,000	0
Age Well	1,000	1,000	0
Island Food Shelf	1,500	1,500	0
Local Motion	750	750	0
Miscellaneous	1,000	254	746
	<u>783,394</u>	<u>770,197</u>	<u>13,197</u>
Town Office Building:			
Maintenance and Contracted Services	10,000	3,719	6,281
Electricity	5,000	6,882	(1,882)
Repairs and Supplies	10,000	1,327	8,673
Water Rent	600	600	0
	<u>25,600</u>	<u>12,528</u>	<u>13,072</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, 2025

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
Town Officers Expense:			
Health Officer	\$ 500	\$ 0	\$ 500
Animal Control Expenses	1,200	312	888
Planning Commission	1,250	1,250	0
Development Review Board	2,250	2,000	250
Meeting/Workshops	2,500	1,205	1,295
Mileage and Sustenance	1,500	285	1,215
Dues	250	170	80
Total Town Officers Expense	<u>9,450</u>	<u>5,222</u>	<u>4,228</u>
Administrator Expense:			
Computer Service	500	106	394
Equipment	3,000	245	2,755
Total Administrator Expense	<u>3,500</u>	<u>351</u>	<u>3,149</u>
Recreation Program:			
Recreation Paths/Trails	2,000	2,601	(601)
White's Beach	1,750	11,175	(9,425)
Community Programs	18,300	6,756	11,544
Recreation Scholarships	1,250	1,215	35
Beach Attendant	6,700	7,879	(1,179)
Total Recreation Program	<u>30,000</u>	<u>29,626</u>	<u>374</u>
Fire Department Expenses:			
Workman's Compensation	1,600	1,217	383
Training	4,500	662	3,838
Supplies and Repairs	7,000	3,904	3,096
Administrative/Software	1,600	1,697	(97)
Vehicle Fuel	4,000	2,332	1,668
Insurance - Equipment	6,000	5,380	620
Insurance - Auto	5,000	5,535	(535)
Truck Repair and Maintenance	7,000	8,353	(1,353)
Dry Hydrant Program Donation	100	0	100
Fire Department Equipment Replacement Fund	90,000	90,000	0
Equipment	25,000	3,960	21,040
FD Personnel	20,000	0	20,000
Total Fire Department Expenses	<u>171,800</u>	<u>123,040</u>	<u>48,760</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, 2025

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
Fire/Rescue Building:			
Fuel	\$ 5,000	\$ 1,717	\$ 3,283
Electricity	5,000	5,922	(922)
VLCT Insurance - Building	3,500	4,187	(687)
Bond Payment	130,000	130,000	0
Bond Interest	13,039	13,039	0
Condo Fees	10,000	9,193	807
Telephone/Internet	7,000	7,772	(772)
Supplies/Maintenance	7,000	2,192	4,808
Water Rent	600	975	(375)
Total Fire/Rescue Building	<u>181,139</u>	<u>174,997</u>	<u>6,142</u>
Rescue Expenses:			
Rescue Personnel	90,000	44,837	45,163
Rescue Equipment Replacement Fund	25,000	25,000	0
Total Rescue Expenses	<u>115,000</u>	<u>69,837</u>	<u>45,163</u>
Tax Abatements:	<u>1,500</u>	<u>243</u>	<u>1,257</u>
Transfers:			
Transfer to Cemetery Fund	15,000	15,000	0
Transfer to Landfill Fund	35,000	35,000	0
Transfer to Emerald Ash Borer Fund	5,000	5,000	0
Transfer to Reappraisal Fund	30,000	30,000	0
Total Transfers	<u>85,000</u>	<u>85,000</u>	<u>0</u>
Total Cash Disbursements	<u>1,777,990</u>	<u>1,619,699</u>	<u>158,291</u>
Excess of Cash Receipts Over Cash Disbursements	<u>\$ 51,900</u>	103,983	<u>\$ 52,083</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, 2025

	Actual
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Cash Basis of Accounting:	
Cemetery Fund Income	\$ 6,120
Cemetery Fund Expenses	(8,859)
Cemetery Fund Transfer In	15,000
Landfill Fund Expenses	(20,937)
Landfill Fund Transfer In	35,000
Emerald Ash Borer Fund Expenses	(2,900)
Emerald Ash Borer Fund Transfer In	5,000
Net Change in Fund Balance	132,407
Fund Balance/(Deficit) - July 1, 2024	(16,638)
Fund Balance - June 30, 2025	\$ 115,769

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, 2025

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
Cash Receipts:			
Property Taxes	\$ 908,646	\$ 908,646	\$ 0
State Aid	60,000	60,463	463
Miscellaneous Highway Revenue	2,500	2,211	(289)
Grants - Better Roads	12,000	22,500	10,500
Total Cash Receipts	983,146	993,820	10,674
Cash Disbursements:			
Labor	220,645	221,447	(802)
Tree Warden	4,500	7,675	(3,175)
Road Commissioner	1,500	1,500	0
Social Security	16,879	17,904	(1,025)
Workman's Compensation	18,306	21,198	(2,892)
Retirement	15,445	14,972	473
Health and Dental	40,774	44,755	(3,981)
Tires - All Vehicles	8,000	4,758	3,242
Telephone	1,500	1,142	358
Dumpster Expenses	1,700	1,885	(185)
Contracted Services	500	1,414	(914)
Fuel and Oil - Equipment	30,000	17,835	12,165
Heating Oil - Building	7,200	7,252	(52)
Electricity	2,500	3,115	(615)
Property and Liability Insurance	13,957	14,198	(241)
Gravel and Stone	25,000	768	24,232
Small Tools and Equipment <\$500	1,500	3,246	(1,746)
Materials and Supplies	15,000	11,315	3,685
Uniform Expense	2,500	3,362	(862)
Repairs and Maintenance	38,000	25,224	12,776
Resurfacing and Paving	200,000	0	200,000
Salt Shed Construction	0	338,998	(338,998)
New Construction Roads	150,000	13,135	136,865
Cold Patch and Crack Filling	500	629	(129)
Culverts	2,500	3,293	(793)
Chloride	3,000	0	3,000
Salt	23,000	28,483	(5,483)
Grader Blades	500	0	500
Signs	4,000	1,429	2,571
Equipment Rental	1,000	800	200

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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, 2025

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
Cash Disbursements/(Cont'd):			
Small Tools and Equipment >\$500	\$ 2,500	\$ 1,274	\$ 1,226
Highway Equipment Replacement Fund	110,000	110,000	0
Truck Plow Parts	3,500	3,021	479
Winter Sand	8,000	0	8,000
Town Garage Improvements	7,000	5,092	1,908
Septic System	1,500	3,347	(1,847)
Stormwater Permit Fee	740	500	240
Total Cash Disbursements	983,146	934,966	48,180
Excess of Cash Receipts Over Cash Disbursements	\$ 0	58,854	\$ 58,854
Fund Balance - July 1, 2024		643,941	
Fund Balance - June 30, 2025		\$ 702,795	

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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, 2025

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Cemetery Trust Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>				
Cash	\$ 7,097	\$ 0	\$ 57,093	\$ 64,190
Investments	0	0	18,961	18,961
Due from Other Funds	<u>140,908</u>	<u>854,127</u>	<u>0</u>	<u>995,035</u>
Total Assets	<u>\$ 148,005</u>	<u>\$ 854,127</u>	<u>\$ 76,054</u>	<u>\$ 1,078,186</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to Other Funds	<u>\$ 74,039</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 74,039</u>
Total Liabilities	<u>74,039</u>	<u>0</u>	<u>0</u>	<u>74,039</u>
Fund Balances:				
Nonspendable	0	0	19,210	19,210
Restricted	24,686	0	56,844	81,530
Committed	39,144	601,717	0	640,861
Assigned	84,175	252,410	0	336,585
Unassigned/(Deficit)	<u>(74,039)</u>	<u>0</u>	<u>0</u>	<u>(74,039)</u>
Total Fund Balances	<u>73,966</u>	<u>854,127</u>	<u>76,054</u>	<u>1,004,147</u>
Total Liabilities and Fund Balances	<u>\$ 148,005</u>	<u>\$ 854,127</u>	<u>\$ 76,054</u>	<u>\$ 1,078,186</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, 2025

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Cemetery Trust Fund	Total
Cash Receipts:				
Property Taxes	\$ 125,960	\$ 0	\$ 0	\$ 125,960
Local Option Taxes	0	31,378	0	31,378
Intergovernmental	199,051	8,836	0	207,887
Permits, Licenses and Fees	6,720	0	0	6,720
Investment Income	29	0	1,128	1,157
Donations	43,655	0	0	43,655
Other	2,046	0	0	2,046
Total Cash Receipts	<u>377,461</u>	<u>40,214</u>	<u>1,128</u>	<u>418,803</u>
Cash Disbursements:				
General Government	47,877	759	0	48,636
Highways and Streets	1,185	0	0	1,185
Culture and Recreation	160,570	0	0	160,570
Cemetery	0	0	605	605
Capital Outlay:				
General Government	210,005	32,624	0	242,629
Culture and Recreation	0	12,000	0	12,000
Total Cash Disbursements	<u>419,637</u>	<u>45,383</u>	<u>605</u>	<u>465,625</u>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>(42,176)</u>	<u>(5,169)</u>	<u>523</u>	<u>(46,822)</u>
Other Financing Sources:				
Transfers In	30,301	135,000	0	165,301
Total Other Financing Sources	<u>30,301</u>	<u>135,000</u>	<u>0</u>	<u>165,301</u>
Net Change in Fund Balances	(11,875)	129,831	523	118,479
Fund Balances - July 1, 2024	<u>85,841</u>	<u>724,296</u>	<u>75,531</u>	<u>885,668</u>
Fund Balances - June 30, 2025	<u>\$ 73,966</u>	<u>\$ 854,127</u>	<u>\$ 76,054</u>	<u>\$ 1,004,147</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, 2025

	Reappraisal Fund	Restoration/ Digitization Fund	Library Fund	Town Office Planning Fund	Fishing Pier Fund	Broadband Grant Fund	Wastewater Feasibility Fund	Hazard Mitigation Grant Fund	Route 2 Safety Study Grant Fund	Total
ASSETS										
Cash	\$ 0	\$ 0	\$ 7,097	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,097
Due from Other Funds	<u>114,175</u>	<u>21,944</u>	<u>2,047</u>	<u>0</u>	<u>1,242</u>	<u>1,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>140,908</u>
Total Assets	<u>\$ 114,175</u>	<u>\$ 21,944</u>	<u>\$ 9,144</u>	<u>\$ 0</u>	<u>\$ 1,242</u>	<u>\$ 1,500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 148,005</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Due to Other Funds	\$ 0	\$ 0	\$ 0	\$ 26,242	\$ 0	\$ 0	\$ 46,612	\$ 0	\$ 1,185	\$ 74,039
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,242</u>	<u>0</u>	<u>0</u>	<u>46,612</u>	<u>0</u>	<u>1,185</u>	<u>74,039</u>
Fund Balances/(Deficit):										
Restricted	0	21,944	0	0	1,242	1,500	0	0	0	24,686
Committed	30,000	0	9,144	0	0	0	0	0	0	39,144
Assigned	84,175	0	0	0	0	0	0	0	0	84,175
Unassigned/(Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(26,242)</u>	<u>0</u>	<u>0</u>	<u>(46,612)</u>	<u>0</u>	<u>(1,185)</u>	<u>(74,039)</u>
Total Fund Balances/(Deficit)	<u>114,175</u>	<u>21,944</u>	<u>9,144</u>	<u>(26,242)</u>	<u>1,242</u>	<u>1,500</u>	<u>(46,612)</u>	<u>0</u>	<u>(1,185)</u>	<u>73,966</u>
Total Liabilities and Fund Balances	<u>\$ 114,175</u>	<u>\$ 21,944</u>	<u>\$ 9,144</u>	<u>\$ 0</u>	<u>\$ 1,242</u>	<u>\$ 1,500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 148,005</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, 2025

	Reappraisal Fund	Restoration/ Digitization Fund	Library Fund	Town Office Planning Fund	Fishing Pier Fund	Broadband Grant Fund	Wastewater Feasibility Fund	Hazard Mitigation Grant Fund	Route 2 Safety Study Grant Fund	Total
Cash Receipts:										
Property Taxes	\$ 0	\$ 0	\$ 125,960	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 125,960
Intergovernmental	12,113	0	1,034	0	0	0	185,000	904	0	199,051
Permits, Licenses and Fees	0	5,871	849	0	0	0	0	0	0	6,720
Investment Income	0	0	29	0	0	0	0	0	0	29
Donations	0	0	43,655	0	0	0	0	0	0	43,655
Other	0	0	2,046	0	0	0	0	0	0	2,046
Total Cash Receipts	12,113	5,871	173,573	0	0	0	185,000	904	0	377,461
Cash Disbursements:										
General Government	0	2,982	0	35,443	0	0	8,247	1,205	0	47,877
Highways and Streets	0	0	0	0	0	0	0	0	1,185	1,185
Culture and Recreation	0	0	160,570	0	0	0	0	0	0	160,570
Capital Outlay:										
General Government	0	0	0	0	0	0	210,005	0	0	210,005
Total Cash Disbursements	0	2,982	160,570	35,443	0	0	218,252	1,205	1,185	419,637
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	12,113	2,889	13,003	(35,443)	0	0	(33,252)	(301)	(1,185)	(42,176)
Other Financing Sources:										
Transfers In	30,000	0	0	0	0	0	0	301	0	30,301
Total Other Financing Sources	30,000	0	0	0	0	0	0	301	0	30,301
Net Change in Fund Balances	42,113	2,889	13,003	(35,443)	0	0	(33,252)	0	(1,185)	(11,875)
Fund Balances/(Deficit) - July 1, 2024	72,062	19,055	(3,859)	9,201	1,242	1,500	(13,360)	0	0	85,841
Fund Balances/(Deficit) - June 30, 2025	\$ 114,175	\$ 21,944	\$ 9,144	\$ (26,242)	\$ 1,242	\$ 1,500	\$ (46,612)	\$ 0	\$ (1,185)	\$ 73,966

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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, 2025

	Rescue Equipment Replacement Fund	Highway Equipment Replacement Fund	South Hero Meeting House Fund	Capital Fund	Local Option Tax Fund	Total
<u>ASSETS</u>						
Due from Other Funds	\$ 260,787	\$ 186,459	\$ 223,093	\$ 152,410	\$ 31,378	\$ 854,127
Total Assets	<u>\$ 260,787</u>	<u>\$ 186,459</u>	<u>\$ 223,093</u>	<u>\$ 152,410</u>	<u>\$ 31,378</u>	<u>\$ 854,127</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balances:						
Committed	260,787	186,459	123,093	0	31,378	601,717
Assigned	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>152,410</u>	<u>0</u>	<u>252,410</u>
Total Fund Balances	<u>260,787</u>	<u>186,459</u>	<u>223,093</u>	<u>152,410</u>	<u>31,378</u>	<u>854,127</u>
Total Liabilities and Fund Balances	<u>\$ 260,787</u>	<u>\$ 186,459</u>	<u>\$ 223,093</u>	<u>\$ 152,410</u>	<u>\$ 31,378</u>	<u>\$ 854,127</u>

See Disclaimer in Accompanying Independent Auditor's Report.

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, 2025

	Rescue Equipment Replacement Fund	Highway Equipment Replacement Fund	South Hero Meeting House Fund	Capital Fund	Local Option Tax Fund	Total
Cash Receipts:						
Local Option Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,378	\$ 31,378
Intergovernmental	<u>0</u>	<u>0</u>	<u>8,836</u>	<u>0</u>	<u>0</u>	<u>8,836</u>
Total Cash Receipts	<u>0</u>	<u>0</u>	<u>8,836</u>	<u>0</u>	<u>31,378</u>	<u>40,214</u>
Cash Disbursements:						
General Government	0	0	0	759	0	759
Capital Outlay:						
General Government	0	0	32,624	0	0	32,624
Culture and Recreation	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,000</u>	<u>0</u>	<u>12,000</u>
Total Cash Disbursements	<u>0</u>	<u>0</u>	<u>32,624</u>	<u>12,759</u>	<u>0</u>	<u>45,383</u>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>0</u>	<u>0</u>	<u>(23,788)</u>	<u>(12,759)</u>	<u>31,378</u>	<u>(5,169)</u>
Other Financing Sources:						
Transfers In	<u>25,000</u>	<u>110,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>135,000</u>
Total Other Financing Sources	<u>25,000</u>	<u>110,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>135,000</u>
Net Change in Fund Balances	25,000	110,000	(23,788)	(12,759)	31,378	129,831
Fund Balances - July 1, 2024	<u>235,787</u>	<u>76,459</u>	<u>246,881</u>	<u>165,169</u>	<u>0</u>	<u>724,296</u>
Fund Balances - June 30, 2025	<u>\$ 260,787</u>	<u>\$ 186,459</u>	<u>\$ 223,093</u>	<u>\$ 152,410</u>	<u>\$ 31,378</u>	<u>\$ 854,127</u>

See Disclaimer in Accompanying Independent Auditor's Report.

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, 2025 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 October 2, 2025.

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 entity'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. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2025-001, that we consider to be a material weakness.

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.

October 2, 2025
Montpelier, Vermont
VT Lic. #92-000180

TOWN OF SOUTH HERO, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2025

Deficiencies in Internal Control:

Material Weaknesses:

2025-001 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.

South Hero Town Office

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

To address the Deficiencies in Internal Controls as noted by the auditors in our June 30, 2025 audit the Town of South Hero has made the following corrections:

1. 2025-001 Segregation of Duties – Cash

Purpose: The purpose of this policy is to provide oversight to the preparation and execution of reconciliations and journal entries.

Process: The Assistant Treasurer/Bookkeeper will perform monthly reconciliations with the Town Treasurer. All reports and associated paperwork will be initialed by both and placed in a binder.

Currently, we are in the process of hiring a part-time bookkeeper to perform these duties. They will not be asked to collect cash, make deposits and will have no check signing authority.

Respectfully submitted,



Kim T Julow

Town Treasurer