

TOWN OF ELMORE, VERMONT
FINANCIAL STATEMENTS
JUNE 30, 2022
AND
INDEPENDENT AUDITOR'S REPORTS

TOWN OF ELMORE, VERMONT

JUNE 30, 2022

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor’s Report	1 - 3
Management’s Discussion and Analysis	4 - 6
Basic Financial Statements:	
Government-wide Financial Statements -	
Government-wide Statement of Net Position	7
Government-wide Statement of Activities.....	8
Fund Financial Statements -	
Balance Sheet - Governmental Funds.....	9 - 10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	11 - 12
Statement of Revenues and Expenditures - Budget and Actual - General Fund	13
Statement of Revenues and Expenditures - Budget and Actual - Highway Fund	14
Notes to Financial Statements	15 - 23
Supplementary Schedules:	
Schedule 1 – Combining Balance Sheet – Other Governmental Funds	24
Schedule 2 – Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds	25
Schedule 3 - Schedule of Town’s Proportionate share of Net Pension Liability - VMERS.....	26
Schedule 4 - Schedule of Town’s Contributions - VMERS	26
Compliance Reports:	
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 <i>Government Auditing Standards</i>	27 - 28
Schedule of Findings	29 - 30

INDEPENDENT AUDITOR'S REPORT

The Selectboard
Town of Elmore, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Elmore, Vermont (the Town) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Elmore, Vermont as of June 30, 2022, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund and Highway Fund for the year then ended in accordance with the modified cash basis of accounting described in Note 1.D.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Elmore, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1.D; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is 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'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 GAAS 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment 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'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules 3 and 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing

procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules 1 and 2 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022 on our consideration of the Town's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.

Montpelier, Vermont
November 15, 2022

Margaret Bennett ⁹
Shook-Nixon, P.C.

**TOWN OF ELMORE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

This discussion and analysis is intended to serve as an introduction to the Town of Elmore's basic financial statements. The Town's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-wide Highlights

The Town's assets and deferred outflows exceeded its liabilities and deferred inflows at June 30, 2022, by \$3,912,639.

Long-term liabilities

During the year the Town authorized borrowing with general obligation bonds or notes in an amount not to exceed \$2,500,000 for financing the cost of purchasing land and constructing a new highway maintenance facility. The Town has obtained a bond anticipation line of credit of \$1,100,000 which was not used prior to year end. Long-term debt at June 30, 2022, was \$374,977, compared to \$436,891 at June 30, 2021.

FINANCIAL STATEMENTS

The accompanying financial statements for the year ended June 30, 2022, include two separate presentations of financial statements. Government-wide financial statements (the Statement of Net Position and the Statement of Activities) present the financial picture of the Town from the "economic resources" measurement focus. The Town uses a modified cash basis of accounting for current assets and liabilities, but also includes estimated values of capital assets, pension related deferred inflows and outflows of resources, and certain other long-term obligations, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The Statement of Activities focuses on the programs of the Town and presents information showing how the Town's net position changed during the year.

Government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Town does not report any business-type activities. The Town has a very small water system which serves a portion of the Village. That fund is reported as a governmental activity.

Fund financial statements include statements that present activities by fund. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The funds of the Town are categorized as governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds primarily focus on near-term inflows and outflows of spendable resources and their balance at the end of the fiscal year. The Town's major governmental funds are the General Fund and the Highway Fund. Details of the other governmental funds are reported in Schedules 1 and 2. They are the Water Fund, Reappraisal Fund, Records Restoration Fund, Garage Construction Reserve Fund, Equipment Reserve Fund, and Fire Department Equipment Reserve Fund.

FINANCIAL ANALYSIS

Government-wide Financial Analysis

The Government-wide Statement of Net Position shows total assets of the Town as of June 30, 2022, are \$4,339,203. Of that total, \$1,086,250 represents current assets. The noncurrent assets of \$3,252,953 at June 30, 2022 are estimated values of capital assets including land, buildings, equipment, and vehicles.

The liabilities of the Town as of June 30, 2022, are \$423,719. Of that total, \$37,520 represents current liabilities. The noncurrent liabilities of \$386,199 in the current year consist of compensated absences, net pension liability, and long-term debt.

The Government-wide Statement of Net Position also includes deferred pension expense and deferred pension credits. The State of Vermont reports these to the Town along with net pension liability to represent the Town's share of the Vermont Municipal Employees Retirement System.

The Government-wide Statement of Activities reports combined expenses and revenues of the Town. Expenses include all fund expenditures plus changes in pension values and other benefit obligations but excludes payments for capital assets and the principal portion of debt service. Certain revenues (labeled Program Revenues) offset expenses as they relate to specific programs, such as state and federal grants or fees charged for specific services. General revenues, mainly property taxes, totaled \$712,889 for 2022. Total revenues of \$1,066,894 were \$339,220 more than expenses of \$727,674 which increased net position at year end by that amount. At June 30, 2022, net position totaled \$3,903,352. At June 30, 2021, net position totaled \$3,564,132.

Fund Financial Analysis

At June 30, 2022, the Town's governmental funds reported a combined ending fund balance of \$1,085,459, an increase of \$212,728 from the combined fund balance at the end of the prior year. At June 30, 2021, the Town's governmental funds reported a combined ending fund balance of \$872,731. Of the 2022 fund balance, \$299,994 constitutes the surplus fund balance of the General Fund and \$422,795 is the surplus fund balance of the Highway Fund. The combined fund balances of the other funds are reported as \$362,670 on the Balance Sheet - Governmental Funds; details of the other individual funds are reported on Schedules 1 and 2.

General Fund -

At June 30, 2022, assets of the General Fund were \$300,785, liabilities were \$791 as reported using the Town's modified cash basis of accounting. General Fund revenues for 2022 were more than budgeted by \$116,954 with the largest variance caused by intergovernmental grant revenues from unbudgeted sources; the total expenditures were less than budgeted by \$1,413; the excess of revenues for the year increased fund balance by \$136,636. A summary of revenues and expenditures compared to the 2022 budget is shown on the Statement of Revenues and Expenditures - Budget and Actual - General Fund.

Highway Fund -

At June 30, 2022, assets of the Highway Fund were \$422,795, there were no liabilities reported using the Town's modified cash basis of accounting. Highway Fund revenues for 2022 were more than budgeted by \$38,353 with the largest variance caused by intergovernmental grant revenues from unbudgeted sources; the total expenditures were more than budgeted by \$12,055; the excess of revenues for the year increased fund balance by \$26,298. A summary of revenues and expenditures compared to the 2022 budget is shown on the Statement of Revenues and Expenditures - Budget and Actual - Highway Fund.

Capital Assets and Debt Administration

The Town reports capital assets at estimated values which management believes present a better approximation of the current value of the assets than the depreciated cost value which is the generally accepted accounting practice. Governmental accounting principles require capital assets to be reported at historical cost or estimated historical cost if purchased or constructed or at acquisition value if donated to the Town. The cost of capital assets would then be depreciated over their useful lives by including an annual depreciation expense in the government-wide statement of activities. Maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Governmental accounting principles would also include infrastructure improvements (roads, bridges, etc.) along with other capital assets. The Town has not reported the estimated value of infrastructure improvements in the Statement of Net Position.

The Town reports long-term debt and other long-term obligations as liabilities in the statement of net position. At June 30, 2022, the Town owed \$374,977 in long-term debt and also reported estimated values of certain employee benefits of \$47,951 as other long-term obligations. The Town did not borrow during the year.

General obligation bonds or notes of the Town of Elmore in an amount not to exceed \$2,500,000 were authorized by a Town vote at the March 2022 annual meeting for financing the cost of purchasing land and constructing a new Town highway maintenance facility. The Town has obtained a bond anticipation line of credit of \$1,100,000 with 1.49% interest for future use.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for citizens, taxpayers, and others with an interest in the Town's finances. Questions or requests for additional information should be addressed to the Town of Elmore, P.O. Box 123, Lake Elmore, VT 05657.

TOWN OF ELMORE, VERMONT
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Governmental Activities</u>
ASSETS:	
Current assets -	
Cash	\$ 23,044
Investments	1,034,359
Property taxes receivable	28,847
Total current assets	<u>1,086,250</u>
Noncurrent assets -	
Capital assets	3,252,953
Total assets	<u>4,339,203</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred pension expense	<u>13,549</u>
LIABILITIES:	
Current liabilities -	
Accounts payable	791
Current portion of long-term debt	36,729
Total current liabilities	<u>37,520</u>
Noncurrent liabilities -	
Compensated absences	9,287
Net pension liability	38,664
Long-term debt	338,248
Total noncurrent liabilities	<u>386,199</u>
Total liabilities	<u>423,719</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred pension credits	<u>25,681</u>
Total deferred inflows of resources	<u>25,681</u>
NET POSITION:	
Net investment in capital assets	2,877,976
Restricted	787,386
Unrestricted	237,990
Total net position	\$ <u>3,903,352</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF ELMORE, VERMONT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

		Program Revenues				Net (Expense)
	<u>Expenses</u>	<u>Grants and Contributions</u>	<u>Charges for Services</u>	<u>Other</u>		<u>Revenue and Change in Net Position</u>
FUNCTIONS/PROGRAMS:						
Governmental activities -						
General government	\$ 300,358	\$ 214,455	\$ 26,228	\$ 1,709	\$	(57,966)
Highways and roads	387,418	89,353	-	-		(298,065)
Appropriations	25,226	-	-	-		(25,226)
Water system	9,637	-	22,260	-		12,623
Interest	<u>5,035</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(5,035)</u>
 Total governmental activities	 \$ <u>727,674</u>	 \$ <u>303,808</u>	 \$ <u>48,488</u>	 \$ <u>1,709</u>		 <u>(373,669)</u>
 GENERAL REVENUES - PROPERTY TAXES						702,144
- LOCAL OPTION TAX						1,921
- INVESTMENT INCOME						<u>8,824</u>
						<u>712,889</u>
 CHANGE IN NET POSITION						 339,220
 NET POSITION, July 1, 2021						 <u>3,564,132</u>
 NET POSITION, June 30, 2022						 \$ <u>3,903,352</u>

The notes to financial statements are an integral part of this statement.

TOWN OF ELMORE, VERMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022
(Page 1 of 2)

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
ASSETS				
Cash	\$ 23,044	\$ -	\$ -	\$ 23,044
Investments	1,034,359	-	-	1,034,359
Property taxes receivable	28,847	-	-	28,847
Due (to) from other funds	<u>(785,465)</u>	<u>422,795</u>	<u>362,670</u>	<u>-</u>
Total assets	\$ <u>300,785</u>	\$ <u>422,795</u>	\$ <u>362,670</u>	\$ <u>1,086,250</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Due to taxpayers	\$ <u>791</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>791</u>
Total liabilities	<u>791</u>	<u>-</u>	<u>-</u>	<u>791</u>
Fund balances -				
Restricted	-	-	75,062	75,062
Committed	1,921	422,795	287,608	712,324
Unassigned	<u>298,073</u>	<u>-</u>	<u>-</u>	<u>298,073</u>
Total fund balances	<u>299,994</u>	<u>422,795</u>	<u>362,670</u>	<u>1,085,459</u>
Total liabilities, deferred inflows of resources and fund equity	\$ <u>300,785</u>	\$ <u>422,795</u>	\$ <u>362,670</u>	\$ <u>1,086,250</u>

The notes to financial statements are an integral part of this statement.

TOWN OF ELMORE, VERMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022
(Page 2 of 2)

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION:**

Amount reported on Balance Sheet - Governmental Funds - total fund balances	\$ 1,085,459
Amounts reported for governmental activities in the Government-wide Statement of Net Position are different because -	
Capital assets used in governmental funds are not financial resources and are therefore not reported in the funds.	
Capital assets	3,252,953
Liabilities not due and payable in the year are not reported in the governmental funds.	
Long-term debt	(374,977)
Compensated absences	(9,287)
Balances related to net pension asset or liability and related deferred outflows/inflows of resources are not reported in the governmental funds.	
Deferred pension expense	13,549
Deferred pension credits	(25,681)
Net pension liability	<u>(38,664)</u>
Net position of governmental activities - Government-wide Statement of Net Position	\$ <u>3,903,352</u>

The notes to financial statements are an integral part of this statement.

TOWN OF ELMORE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

(Page 1 of 2)

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
REVENUES:				
Property Taxes	\$ 249,849	\$ 452,295	\$ -	\$ 702,144
Intergovernmental	208,930	89,353	5,525	303,808
Charges for services	20,662	-	27,826	48,488
Local Option Tax	1,921	-	-	1,921
Investment income	8,824	-	-	8,824
Miscellaneous	1,709	-	-	1,709
Total revenues	<u>491,895</u>	<u>541,648</u>	<u>33,351</u>	<u>1,066,894</u>
EXPENDITURES:				
General government	289,927	-	8,363	298,290
Highways and roads	-	384,714	-	384,714
Appropriations	25,226	-	-	25,226
Water system	-	-	9,637	9,637
Capital outlay	-	69,350	-	69,350
Debt service - principal	26,466	25,891	9,557	61,914
Debt service - interest	4,640	395	-	5,035
Total expenditures	<u>346,259</u>	<u>480,350</u>	<u>27,557</u>	<u>854,166</u>
EXCESS OF REVENUES OR (EXPENDITURES)	145,636	61,298	5,794	212,728
OTHER FINANCING SOURCES (USES):				
Interfund transfers, net	<u>(9,000)</u>	<u>(35,000)</u>	<u>44,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	136,636	26,298	49,794	212,728
FUND BALANCES, July 1, 2021	<u>163,358</u>	<u>396,497</u>	<u>312,876</u>	<u>872,731</u>
FUND BALANCES, June 30, 2022	\$ <u><u>299,994</u></u>	\$ <u><u>422,795</u></u>	\$ <u><u>362,670</u></u>	\$ <u><u>1,085,459</u></u>

The notes to financial statements are an integral part of this statement.

**TOWN OF ELMORE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

(Page 2 of 2)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES:**

Net change in fund balance - total Governmental Funds	\$	212,728
Amounts reported for governmental activities in the Government-wide Statement of Activities are different because -		
<p>Governmental funds report capital outlays as expenditures. However, in the Town's Government-wide Statement of Activities, the cost of capital assets has not been allocated over their estimated useful lives as depreciation expense.</p>		
Additions to capital assets, net of dispositions		69,350
<p>The issuance of long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.</p>		
Principal payments on notes payable		61,914
Net (increase) decrease in compensated absences		(2,704)
<p>Changes in net pension asset or liability and related deferred outflows/inflows of resources will increase or decrease the amounts reported in the government-wide statements, but are only recorded as an expenditure when paid in the governmental funds.</p>		
Net (increase) decrease in net pension obligation		<u>(2,068)</u>
Change in net position of governmental activities - Government-wide Statement of Activities	\$	<u>339,220</u>

The notes to financial statements are an integral part of this statement.

TOWN OF ELMORE, VERMONT
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Original and Final <u>Budget</u>	Actual (Budgetary Basis) <u> </u>	Variance Over <u>(Under)</u>
REVENUES:			
Property Taxes	\$ 235,575	\$ 249,849	\$ 14,274
Intergovernmental	81,396	208,930	127,534
Permits and Fees	7,970	20,662	12,692
Investment Interest	10,000	8,824	(1,176)
Elmore 5K Run, net	-	1,709	1,709
Local Option Tax	-	1,921	1,921
Prior Year Surplus	<u>40,000</u>	<u>-</u>	<u>(40,000)</u>
Total revenues	<u>374,941</u>	<u>491,895</u>	<u>116,954</u>
EXPENDITURES:			
General Government -			
Payroll & Benefits	81,500	83,906	2,406
Office Operations	24,450	33,111	8,661
Buildings & Grounds	30,000	16,851	(13,149)
Public Safety	117,754	117,754	-
Equipment Expense	6,000	3,862	(2,138)
General Expense	32,036	34,443	2,407
Debt Service	31,106	31,106	-
Appropriations	<u>24,826</u>	<u>25,226</u>	<u>400</u>
Total expenditures	<u>347,672</u>	<u>346,259</u>	<u>(1,413)</u>
 EXCESS OF REVENUES OR (EXPENDITURES)	 <u>27,269</u>	 <u>145,636</u>	 <u>118,367</u>
OTHER FINANCING SOURCES (USES):			
Transfers in (out), net	<u>(9,000)</u>	<u>(9,000)</u>	<u>-</u>
 NET CHANGE IN FUND BALANCE	 \$ <u>18,269</u>	 \$ <u>136,636</u>	 \$ <u>118,367</u>

The notes to financial statements are an integral part of this statement.

TOWN OF ELMORE, VERMONT
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Original and Final <u>Budget</u>	Actual (Budgetary Basis) <u> </u>	Variance Over <u>(Under)</u>
REVENUES:			
Property Taxes	\$ 452,295	\$ 452,295	\$ -
State Aid	51,000	58,939	7,939
Highway Grants	<u>-</u>	<u>30,414</u>	<u>30,414</u>
Total revenues	<u>503,295</u>	<u>541,648</u>	<u>38,353</u>
EXPENDITURES:			
Payroll & benefits	199,550	182,377	(17,173)
Town garage	18,500	14,233	(4,267)
Road maintainance	134,500	112,475	(22,025)
Equipment maintenance	43,500	39,216	(4,284)
General expenses	46,000	36,413	(9,587)
Garage construction	-	69,350	69,350
Debt service	<u>26,245</u>	<u>26,286</u>	<u>41</u>
Total expenditures	<u>468,295</u>	<u>480,350</u>	<u>12,055</u>
EXCESS OF REVENUES OR (EXPENDITURES)	<u>35,000</u>	<u>61,298</u>	<u>26,298</u>
OTHER FINANCING SOURCES (USES):			
Transfers in (out), net	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>26,298</u>	\$ <u>26,298</u>

The notes to financial statements are an integral part of this statement.

TOWN OF ELMORE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. Summary of significant accounting policies:

The Town of Elmore, Vermont (the Town) is a unit of local government organized under the statutes of the State of Vermont. A three-member Selectboard (the Board) governs the Town. The Town provides various services as authorized and funded by State government or Town voters.

- A. Reporting entity - The Town is a primary unit of government under reporting criteria established by the Governmental Accounting Standards Board (GASB). Those criteria include a separately elected governing body, separate legal standing, and fiscal independence from other state and local governmental entities. Based on these criteria, there are no other entities which are component units of the Town.

The financial statements of the Town have been prepared on the modified cash basis of accounting, as described in note 1.D. below, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing *Governmental Accounting and Financial Reporting Standards* which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.

- B. Government-wide and fund financial statements - The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all activities of the Town. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town has no business-type activities.

In the government-wide Statement of Net Position, the financial position of the Town is consolidated and incorporates capital assets as well as all long-term debt and obligations. The government-wide Statement of Activities reflects both the gross and net costs by category. Direct expenses that are clearly identifiable with the category are offset by program revenues of the category. Program revenues include charges for services provided by a particular function or program and grants that are restricted to meeting the operational or capital requirements of that segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are summarized in a single column. The individual nonmajor funds are reported in Schedule 1 and 2.

- C. Basis of presentation - The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures, as appropriate.

TOWN OF ELMORE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. Summary of significant accounting policies (continued):

C. Basis of presentation (continued) -

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.

Highway Fund - The Highway Fund is used to account for voter committed funds used to maintain the Town's highways, streets, and bridges and related capital projects.

Additionally, the Town reports as other governmental funds several funds which are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified services. These other governmental funds are the Water Fund, Reappraisal Fund, Records Restoration Fund, Garage Construction Reserve, Equipment Reserve, and Fire Department Equipment Reserve.

- D. Measurement focus and basis of accounting - The accounts of the Town are maintained and the accompanying financial statements have been prepared on a modified cash basis of accounting. Under the cash basis of accounting, revenues and the related assets are recognized when received rather than when earned and expenditures are recognized when paid rather than when the obligation is incurred. Modifications to cash basis accounting in the individual funds include recognition of assets and liabilities arising from cash transactions (certificates of deposit, investments, payroll withholdings, tax overpayments), recognition of property taxes receivable as an asset. Additional modifications in the government-wide financial statements include capital assets, long-term debt, pension deferrals, and certain other obligations. Receivables, payables, accrued revenue and expenditures, which may be material in amount, have not been recognized in the accompanying financial statements.

Accordingly, the accompanying financial statements are not intended to present the complete financial position and results of operations in conformity with U.S. GAAP.

- E. Budgets and budgetary accounting - The Town approves budgets for the General Fund and Highway Fund at an annual Town Meeting. The tax rate is determined by the Selectboard based on the education and municipal grand lists and the approved operating budgets. The accounting method used for budget presentation is the same modified cash method used for the financial presentation of the individual funds. Formal budgetary integration is employed as management control during the year for the General Fund and Highway Fund. The Town does not legally adopt budgets for other governmental funds. All budgeted amounts lapse at year end.
- F. Property taxes - Property taxes attach as an enforceable lien on property owned as of April 1st. Elected listers establish a grand list of all property and the Board sets the tax rate required to raise the tax revenue authorized by Town and School District voters and the Vermont Agency of Education. Property taxes for the fiscal year ended June 30, 2022 were payable in two installments due September 15, 2021 and March 15, 2022.

TOWN OF ELMORE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. Summary of significant accounting policies (continued):

- G. Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.
- H. 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 others; environmental liability; and natural disasters. The Town manages these risks through commercial insurance packages and participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.
- I. Cash, cash equivalents and investments - The Town considers all cash accounts and certificates of deposit, where the principal is not at risk for loss due to early withdrawal, to be cash and cash equivalents. Investments of the Town consist of IntraFi Network Deposits placed by the Town's primary bank with other FDIC insured institutions. These investments are reported at fair value using the reported balances held by the several institutions. This is considered a level 1 input valuation technique under the framework established by U.S. GAAP for measuring fair value. The Town does not own investments valued with level 2 or level 3 inputs, which would use quoted prices for similar assets or in inactive markets, or other methods for estimating fair value.
- J. Capital assets and infrastructure improvements - Capital assets, which include land, buildings, equipment, vehicles and infrastructure improvements, have not been reported in accordance with the requirements of the GASB. Capital assets, other than infrastructure, are reported in the government-wide statement of net position at estimated current values. The estimated values are primarily based on insured values or undepreciated purchase cost of equipment and vehicles. Depreciation is not included with expenses reported in the government-wide statement of activities. The Town does report expenditures for capital assets in the governmental funds.

Governmental accounting principles require such assets to be reported at historical cost or estimated historical cost if purchased or constructed or at acquisition value if donated to the Town. The GASB requires the cost of capital assets to be depreciated over their useful lives by including an annual depreciation expense in the government-wide statement of activities. Maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The GASB also requires towns to include infrastructure improvements along with other capital assets. The Town has not reported the cost of infrastructure improvements in the Statement of Net Position.

- K. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources and deferred inflows of resources are reported as separate sections in the applicable statement of net position or balance sheet. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period.

TOWN OF ELMORE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

1. Summary of significant accounting policies (continued):

- L. Compensated absences - Employees are granted personal leave (vacation, personal time, illness) based upon their number of years of employment with the Town. Upon termination employees may be paid for accumulated personal leave at their then current rates of pay, subject to a maximum limit of one half of the annual accrual rate for accumulated personal leave. An estimated liability of \$9,287 for compensated absences is reported in the government-wide financial statements.
- M. Long-term obligations - Governmental activities report long-term debt and other long-term obligations as liabilities in the statement of net position. Governmental funds report the amount borrowed as a financing source and the repayment of debt as debt service expenditures.
- N. Fund equity - In the fund financial statements, governmental funds may report five categories of fund balances: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance includes amounts associated with inventory, prepaid expenditures, long-term loans or notes receivable, and trust fund principal to be held in perpetuity.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes determined by the Town's highest level of decision making authority, the voters, as a result of articles passed at Annual or Special Meetings.

Assigned fund balance includes amounts that are intended to be used by the Town for specific purposes as authorized by the Board.

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in another classification. Deficits are also classified as unassigned.

The Town's policy is to apply expenditures against unassigned fund balance unless motions by the Board specify otherwise.

2. Deposits and investments:

Fair value and classification - Cash deposits and investments, which consist of IntraFi Network deposits in other FDIC insured institutions, are stated at fair value as described in note 1.I.

Custodial credit risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town 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. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The Town addresses this risk by depositing cash in FDIC insured banks up to the insured limit. As of June 30, 2022, none of the Town's cash deposits and investments were uninsured.

**TOWN OF ELMORE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

3. Capital assets:

Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2022</u>
Governmental activities -				
Construction in progress	\$ -	\$ 69,350	\$ -	\$ 69,350
Capital assets, estimated values:				
Buildings	2,005,003	-	-	2,005,003
Equipment and vehicles	<u>1,178,600</u>	<u>-</u>	<u>-</u>	<u>1,178,600</u>
Total capital assets, estimated values	<u>3,183,603</u>	<u>-</u>	<u>-</u>	<u>3,183,603</u>
Total capital assets	\$ <u>3,183,603</u>	\$ <u>69,350</u>	\$ <u>-</u>	\$ <u>3,252,953</u>

4. Interfund receivable and payable balances:

Interfund receivable and payable balances, due to the pooling of cash for cash receipts and disbursements, as of June 30, 2022, are as follows.

	<u>Interfund</u> <u>Receivables</u>	<u>Interfund</u> <u>Payables</u>
Governmental funds -		
General Fund	\$ -	\$ 775,465
Highway Fund	412,795	-
Water Fund	55,831	-
Reappraisal Fund	57,442	-
Records Restoration Fund	17,620	-
Garage Construction Fund	100,000	-
Equipment Reserve Fund	113,777	-
Fire Department Equipment Reserve Fund	<u>18,000</u>	<u>-</u>
	\$ <u>775,465</u>	\$ <u>775,465</u>

5. Interfund transfers:

Interfund transfers constitute the transfer of resources from the fund that receives the resource to the fund that utilizes them. Interfund transfers for the year ended June 30, 2022, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds -		
General Fund	\$ -	\$ 9,000
Highway Fund	-	35,000
Garage Construction Fund	10,000	-
Equipment Reserve Fund	25,000	-
Fire Dept Equipment Reserve Fund	<u>9,000</u>	<u>-</u>
	\$ <u>44,000</u>	\$ <u>44,000</u>

**TOWN OF ELMORE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

6. Long-term obligations:

Long-term obligations activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Governmental activities -					
Long-term debt	\$ 436,891	\$ -	\$ 61,914	\$ 374,977	\$ 36,729
Compensated absences	6,583	5,600	2,896	9,287	-
Net pension liability	<u>68,887</u>	<u>-</u>	<u>30,223</u>	<u>38,664</u>	<u>-</u>
Total long-term obligations	\$ <u>512,361</u>	\$ <u>5,600</u>	\$ <u>95,033</u>	\$ <u>422,928</u>	\$ <u>36,729</u>

7. Debt:

Long-term - Outstanding long-term debt as of June 30, 2022, is as follows:

Governmental activities -

Notes from direct borrowings:

VT/EPA Revolving Loan Fund - RF3-297 (water system improvements) - loan authorized \$475,840; amount borrowed net of forgiveness \$248,477, payable in annual payments of 9,577 including 0% interest through December 2044	\$ 219,807
2.65% Bank note (Fire Truck) - dated July 2019, payable in semi-annual payments of 15,553 including interest through April 2029	<u>155,170</u>
Total governmental activities	\$ <u>374,977</u>

Long-term debt activity for the year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Governmental activities -					
Notes from direct borrowings:					
Water-RF3-297	\$ 229,364	\$ -	\$ 9,557	\$ 219,807	\$ 9,557
Bank loan - fire truck	181,636	-	26,466	155,170	27,172
Bank loan - grader	<u>25,891</u>	<u>-</u>	<u>25,891</u>	<u>-</u>	<u>-</u>
Total governmental activities	\$ <u>436,891</u>	\$ <u>-</u>	\$ <u>61,914</u>	\$ <u>374,977</u>	\$ <u>36,729</u>

**TOWN OF ELMORE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

7. Debt (continued):

Debt service requirements to maturity are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 36,729	\$ 3,934
2024	37,448	3,215
2025	38,203	2,460
2026	38,962	1,731
2027	39,746	916
2028-2032	59,650	158
2033-2037	47,784	-
2038-2042	47,784	-
2043-2047	<u>28,671</u>	<u>-</u>
	<u>\$ 374,977</u>	<u>\$ 12,414</u>

In the event that the Town is in default on their payment obligations issued from the Vermont Municipal Bond Bank (VMBB), the State Treasurer has the ability to intercept State funding until the default is cured.

General obligation bonds or notes of the Town of Elmore in an amount not to exceed \$2,500,000 were authorized by a Town vote at the March 2022 annual meeting for financing the cost of purchasing land and constructing a new Town highway maintenance facility. The Town has entered into a bond anticipation line of credit of \$1,100,000 with 1.49% interest. The Town has not borrowed from this line of credit.

8. Fund balances:

As of June 30, 2022, fund balances consist of the following:

Restricted -	
Reappraisal	\$ 57,442
Records restoration	<u>17,620</u>
Total restricted	<u>75,062</u>
Committed -	
Local option tax for capital projects	1,921
Road system	422,795
Water system	55,831
Garage construction	100,000
Town equipment	113,777
Fire Department equipment	<u>18,000</u>
Total committed	<u>712,324</u>
Unassigned -	
	<u>298,073</u>
Total fund balances	<u>\$ 1,085,459</u>

**TOWN OF ELMORE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

9. Pension plan:

Vermont Municipal Employees' Retirement System -

Plan description: The Town contributes to the Vermont Municipal Employees' Retirement System (VMERS or the Plan) a cost-sharing multiple-employer public employee retirement system with defined benefit and defined contribution plans, administered by the State of Vermont. The State statutory provisions, found in Title 24, Chapter 125, of the V.S.A., govern eligibility for benefits, service requirements and benefit provisions. The general administration and responsibility for the proper operation of VMERS is vested in the Board of Trustees consisting of five members. VMERS issues annual financial information which is available and may be reviewed at the VMERS' office, 109 State Street, Montpelier, Vermont, 05609-6200, by calling (802) 828-2305 or online at <http://www.vermonttreasurer.gov>.

Benefits provided: VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits do vary between the groups included in the Plan, but are determined for the members of each group as a percentage of average compensation in a certain number of the highest consecutive years of service. Eligibility for benefits requires five years of service.

Contributions: Defined benefit plan members are required to contribute 3.25% (Group A), 5.625% (Group B), 10.75% (Group C) or 12.1% (Group D) of their annual covered salary, and the Town is required to contribute 4.75% (Group A), 6.25% (Group B), 8.0% (Group C) or 10.6% (Group D) of the employees' compensation. Defined contribution plan members are required to contribute 5.0% of their annual covered salary and the Town is required to contribute an equal dollar amount. The contribution requirements of plan members and the Town are established and may be amended by the Board of Trustees. The Town's contributions to VMERS for the years ended June 30, 2022, 2021, and 2020, were \$5,793, \$5,841, and \$5,643, respectively. The amounts contributed were equal to the required contributions for each year.

Pension liabilities, deferred outflows of resources, deferred inflows of resources: These financial statements include the Town's proportionate share of the VMERS' net pension liability, deferred outflows of resources for pension expense, deferred inflows of resources from investment earnings and contributions, and the related effects on government-wide net position and activities. The State of Vermont has provided the following information to all employers participating in VMERS, which is based on its calculation of the Town's 0.21986% proportionate share of VMERS defined benefit plan.

Town's share of VMERS net pension liability	\$ 38,664
Deferred outflow of resources - Deferred pension expense	\$ 13,549
Deferred inflow of resources - Deferred pension credits	\$ 25,681

Additional information: VMERS obtains an annual actuarial valuation for the pension plan. Detailed information is provided in that report for actuarial assumptions of inflation rates, salary increases, investment rates of return, mortality rates, discount rates, and the calculations used to develop annual contributions and the VMERS net position.

GASB Statement No 68 requires that ten years of historical pension information be presented as supplementary information with annual financial statements. The Town has not produced complete financial statements in prior years and has only included the required information for the current fiscal year.

TOWN OF ELMORE, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

10. Commitments:

The Town has a commitment of \$324,00 for the purchase of land for construction of a new highway maintenance facility.

The Town has a commitment of \$67,000 for completion of the purchase of a storage building.

11. Subsequent events:

The Town completed the purchase of land for construction of the new highway maintenance facility on November 7, 2022. Construction bids for the project are due by December 2, 2022.

The Town has evaluated subsequent events through November 15, 2022, the date on which the financial statements were available to be issued.

TOWN OF ELMORE, VERMONT
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
JUNE 30, 2022

Schedule 1

	<u>Water Fund</u>	<u>Reappraisal Fund</u>	<u>Records Restoration Fund</u>	<u>Garage Construction Reserve Fund</u>	<u>Equipment Reserve Fund</u>	<u>Fire Department Equipment Reserve Fund</u>	<u>Totals</u>
ASSETS							
Due from other Funds	\$ <u>55,831</u>	\$ <u>57,442</u>	\$ <u>17,620</u>	\$ <u>100,000</u>	\$ <u>113,777</u>	\$ <u>18,000</u>	\$ <u>362,670</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY							
LIABILITIES	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
DEFERRED INFLOWS OF RESOURCES: Deferred grant revenue							
FUND EQUITY:							
Fund balances -							
Restricted	-	57,442	17,620	-	-	-	75,062
Committed	<u>55,831</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>113,777</u>	<u>18,000</u>	<u>287,608</u>
Total fund balances	<u>55,831</u>	<u>57,442</u>	<u>17,620</u>	<u>100,000</u>	<u>113,777</u>	<u>18,000</u>	<u>362,670</u>
 Total liabilities and fund equity	 \$ <u>55,831</u>	 \$ <u>57,442</u>	 \$ <u>17,620</u>	 \$ <u>100,000</u>	 \$ <u>113,777</u>	 \$ <u>18,000</u>	 \$ <u>362,670</u>

TOWN OF ELMORE, VERMONT
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

Schedule 2

	<u>Water Fund</u>	<u>Reappraisal Fund</u>	<u>Records Restoration Fund</u>	<u>Garage Construction Reserve Fund</u>	<u>Equipment Reserve Fund</u>	<u>Fire Department Equipment Reserve Fund</u>	<u>Totals</u>
REVENUE:							
Intergovernmental	\$ -	\$ 5,525	\$ -	\$ -	\$ -	\$ -	\$ 5,525
Other revenue	<u>22,260</u>	<u>-</u>	<u>5,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,826</u>
	<u>22,260</u>	<u>5,525</u>	<u>5,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,351</u>
EXPENDITURES:							
General government	-	-	8,363	-	-	-	8,363
Water system	9,637	-	-	-	-	-	9,637
Debt service	<u>9,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,557</u>
	<u>19,194</u>	<u>-</u>	<u>8,363</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,557</u>
EXCESS OF REVENUES OR (EXPENDITURES)	3,066	5,525	(2,797)	-	-	-	5,794
OTHER FINANCING SOURCES OR (USES):							
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>25,000</u>	<u>9,000</u>	<u>44,000</u>
NET CHANGE IN FUND BALANCES	3,066	5,525	(2,797)	10,000	25,000	9,000	49,794
FUND BALANCES, July 1, 2021	<u>52,765</u>	<u>51,917</u>	<u>20,417</u>	<u>90,000</u>	<u>88,777</u>	<u>9,000</u>	<u>312,876</u>
FUND BALANCES, June 30, 2022	\$ <u>55,831</u>	\$ <u>57,442</u>	\$ <u>17,620</u>	\$ <u>100,000</u>	\$ <u>113,777</u>	\$ <u>18,000</u>	\$ <u>362,670</u>

**TOWN OF ELMORE, VERMONT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF
NET PENSION LIABILITY
VMERS
JUNE 30, 2022**

Schedule 3

	<u>June 30,</u> <u>2022</u>
Town's proportion of the net pension liability	0.0263%
Town's proportionate share of the net pension liability	\$ 38,664
Town's covered payroll	\$ 120,763
Town's proportionate share of the net pension liability as a percentage of its covered payroll	32.016%
VMERS net position as a percentage of the total pension liability	86.29%

**SCHEDULE OF TOWN'S CONTRIBUTIONS
VMERS
JUNE 30, 2022**

Schedule 4

	<u>June 30,</u> <u>2022</u>
Contractually required contribution	\$ 5,793
Contributions in relation to the contractually required contribution	<u>5,793</u>
Contribution deficiency (excess)	\$ <u>-</u>
Town's covered payroll	\$ 120,763
Contributions as a percentage of covered payroll	4.797%

**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**

The Selectboard
Town of Elmore, Vermont

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 Elmore, Vermont (the Town) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 15, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town'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. Material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control that we consider to be material weaknesses. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-001 and 2022-002 to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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*.

We consider the matter described in the accompanying Schedule of Findings as item 2022-004 to be an instance of noncompliance which did not have a direct and material effect on the financial statements, yet important enough to merit attention by those charged with governance.

The other accounting matters described in the accompanying Schedule of Findings as item 2022-003 are not control deficiencies or instances of noncompliance. Those recommendations are intended to improve current accounting practices.

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'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's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Montpelier, Vermont
November 15, 2022

Melgett Jennett 4
Shook-Nixon, P.C.

**TOWN OF ELMORE, VERMONT
SCHEDULE OF FINDINGS
FOR YEAR ENDED JUNE 30, 2022**

2022-001 Capital assets, infrastructure and depreciation:

Condition - The Town's general ledger does not include the accounts necessary to maintain values for capital assets and depreciation. Supplemental records were used to provide estimated values of the capital assets included in the 2022 financial statements. The estimates used insured values for real estate and undepreciated purchase cost of equipment and vehicles. Infrastructure improvements (roads, bridges, etc.) were not included. No depreciation of the cost of assets was reported.

Criteria - Governmental accounting principles require capital assets to be reported at historical cost or estimated historical cost if purchased or constructed, or at acquisition value if donated to the Town. The cost or acquisition value would then be depreciated over the asset's useful life by including an annual depreciation expense in the government-wide statement of activities. Maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Governmental accounting principles would also include infrastructure improvements (roads, bridges, etc.) along with other capital assets.

Recommendation - We recommend that the Town establish a capital asset accounting system to record the cost or acquisition value of capital assets and calculate annual depreciation for the assets. Accounts should be added in the general ledger to maintain control over the totals of capital asset groups and related depreciation.

2022-002 Long-term obligations:

Condition - The Town's general ledger included accounts for the balance of each long-term note payable. Other long-term obligations were not included. The Town has obligations for future payment of personal leave for certain employees and for the Town's share of the net pension liability associated with membership in the Vermont Municipal Employees Retirement System (VMERS). These obligations would not be reported in the Town's operating funds, but it would be appropriate to include them in the government-wide portion of the financial statements.

Criteria - Governmental accounting principles require government-wide financial statements in addition to the individual fund financial statements for a complete set of annual financial statements. Even though the Town reports activity in the funds on a modified cash basis, the government-wide statements should include the future obligations as liabilities. This modification would be consistent with the inclusion of property taxes receivable and depreciated capital assets with other assets.

Recommendation - We recommend that the Town calculate and record the value of long-term obligations in the general ledger annually and include those obligations when producing a complete set of financial statements.

2022-003 Other accounting matters:

Conditions and recommendations - Town bookkeeping included the following practices that are not considered best practices. Our recommendations are intended to improve current accounting practices.

Interfund Transfers - Transfers to the reserve funds were recorded directly in the fund balance of the reserve funds; interfund transfers should be recorded in the fund's operating accounts which then close to fund balance at year end. We recommend that interfund transfers from one fund to another always be matched using operating accounts titled transfer out and transfer in.

**TOWN OF ELMORE, VERMONT
SCHEDULE OF FINDINGS
FOR YEAR ENDED JUNE 30, 2022**

2022-003 Other accounting matters (continued):

Conditions and recommendations (continued) -

Prior year surplus - A portion of surplus from the previous year had been recorded as revenue in fiscal 2022. We proposed an adjustment to remove that revenue from 2022 as revenue cannot be recorded in more than one year and a prior year surplus does not meet the definition of revenue in the current fiscal year. We recommend that prior year surplus only be used as a budget item to reduce the budgeted tax revenue and that no entry be made to record revenue against that budget item.

Revenue or expenditure accounts - Certain accounts included both revenue and expenditures in the same account with the resulting balance showing either a net revenue or a net expenditure. While there was no significant effect of this limited practice, we recommend that revenue accounts only include revenue and expenditure accounts only include expenditures.

Reconciliation of accounts - The Town checking account was not fully reconciled at year end. Although the final unreconciled variance was very small, we recommend that the account be fully reconciled each month so there is no variance upon completion of the process. It may be helpful to have a second person review the reconciliation of all balance sheet accounts.

2022-004 Compensation reporting:

Condition - The Town did not provide complete annual reporting of all payments made to individuals to the Internal Revenue Service. While most compensation was reported on W-2 forms, we understand that certain payments to individuals were not considered compensation and were excluded from W-2 forms. The Town did not issue 1099 forms for payments that would be in excess of that reporting threshold.

Criteria - Governmental reporting requirements are available either in paper form or on the IRS website. The forms and instructions for payments to employees or other individuals are clearly stated. If payments are reimbursements for expenses incurred on behalf of the Town, those payments could be excluded if appropriate documentation of the expenses is provided.

Recommendation - We recommend that the Town report all payments to employees and other individuals in accordance with federal and state instructions.