

**TOWN OF DERBY, VERMONT**

**Financial Statements**

**Year Ended December 31, 2019**

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## Independent Auditor's Report

To the Select Board  
Town of Derby  
Derby, Vermont

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Derby, Vermont, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Derby, Vermont, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of local government's proportionate share of net pension liability, and schedule of the local government contributions on pages 3-8 and 40-42 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2020 on our consideration of the Town of Derby, 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 Derby, 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 Derby, Vermont's internal control over financial reporting and compliance.

*Telling & Hillman, P.C.*

Telling & Hillman, P.C.  
License # 092.0131564  
Middlebury, Vermont  
January 25, 2020

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**TOWN OF DERBY, VERMONT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended December 31, 2019**

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As management of Town of Derby, Vermont, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2019.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources, 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 is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

#### **Fund financial statements**

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental and fiduciary funds.

##### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

**FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$4,863,323 (i.e., net position), a change of \$69,228 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental activities reported total revenue of \$9,768,570, a change of \$215,138 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental activities reported total expenses of \$9,699,342, a change of \$193,431 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental funds reported a combined ending fund balance of \$237,464, a change of \$(255,938) in comparison to the prior year.
- As of the close of the current fiscal year, unassigned fund balance for the general fund was \$(297,544), a change of \$226,061 in comparison to the prior year.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>Net Position</u>		
	December 31, 2019	December 31, 2018	Percentage Change
<b>Assets</b>			
Other assets	\$ 753,071	\$ 1,022,276	-26.3%
Capital assets	5,275,606	4,785,032	10.3
Total assets	6,028,677	5,807,308	3.8
Deferred outflows of resources			
Pensions	76,192	78,718	-3.2
Total assets and deferred outflows of resources	\$ 6,104,869	\$ 5,886,026	3.7%
<b>Liabilities</b>			
Long-term debt outstanding	\$ 1,038,331	\$ 826,137	25.7%
Other liabilities	34,691	15,347	126.0
Total liabilities	1,073,022	841,484	27.5
Deferred inflows of resources			
State aid paid in advance	131,116	210,661	-37.8
Taxes paid in advance	32,407	31,298	3.5
Pensions	5,001	8,458	-40.9
Total deferred inflows of resources	168,524	250,417	-32.7
<b>Net position</b>			
Net investment in capital assets	4,410,204	4,110,833	7.3
Restricted	535,008	902,007	-40.7
Unrestricted	(81,889)	(218,745)	62.6
Total net position	4,863,323	4,794,095	1.4
Total liabilities, deferred inflows of resources, and net position	\$ 6,104,869	\$ 5,885,996	3.7%

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$4,863,323, a change of \$69,228 from the prior year.

The largest portion of net position, \$4,410,204, reflects our investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$535,008, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position amounted to \$(81,889).



	<u>Change in Net Position</u>		
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>Percentage Change</u>
Revenues			
Program Revenues			
Charges for services	\$ 87,450	\$ 92,577	-5.5%
Operating grants	293,631	312,733	-6.1
Capital grants	54,503	55,666	-2.1
General revenues			
Real property taxes	8,919,776	8,873,744	0.5
State sources	360,765	169,794	112.5
Investment earnings	40,897	33,548	21.9
Miscellaneous	11,548	15,370	-24.9
Total revenues	<u>9,768,570</u>	<u>9,553,432</u>	<u>2.3</u>
Expenses			
General government	810,853	618,408	31.1
Education	6,658,494	6,807,663	-2.2
Public safety	383,104	321,099	19.3
Health and welfare	36,037	27,311	32.0
Transportation	1,215,332	1,348,454	-9.9
Recreation	42,822	52,779	-18.9
Appropriations	340,475	112,486	202.7
Intergovernmental	175,198	188,307	-7.0
Debt service	37,027	29,404	25.9
Total expenses	<u>9,699,342</u>	<u>9,505,911</u>	<u>2.0</u>
Change in net position	69,228	47,521	45.7
Net position – beginning of year	<u>4,794,095</u>	<u>4,746,574</u>	<u>1.0</u>
Net position – end of year	\$ <u><u>4,863,323</u></u>	\$ <u><u>4,794,095</u></u>	<u><u>1.4%</u></u>

### Governmental activities

Governmental activities for the year resulted in a change in net position of \$69,228. Key elements of this change are as follows:

General fund operations, as discussed further in section below	\$ (142,060)
Community development activity	(115,000)
Milfoil prevention activity	1,122
Change in unavailable revenue – taxes	45,826
Acquisition of fixed assets	818,069
Depreciation expense	(327,495)
Note proceeds	(402,500)
Long term debt principal expenditure	211,297
Change in employee benefits	(20,031)
Total	\$ <u><u>69,228</u></u>

## FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental funds

The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balance of \$237,464, a change of \$(255,938) in comparison with the prior year.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$(297,544), while total fund balance was \$237,464. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

General Fund	12/31/19	12/31/18	Change	% of Total General Fund Expenditures
Unassigned fund balance	\$ (297,544)	\$ (523,605)	\$ 226,061	-2.9%
Total fund balance	\$ 237,464	\$ 379,524	\$ (142,060)	2.3%

The total fund balance of the general fund changed by \$(142,060) during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (142,060)
Revenues less than budget	(89)
Expenditures in excess of budget	(402,411)
Note proceeds	402,500
Total	\$ <u>(142,060)</u>

## GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's overall budget for the general fund was \$3,182,557. Revenues, including note proceeds, were over budget by \$402,411 and expenditures exceeded budget by \$402,411.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital assets

Total investment in capital assets for governmental activities at year end amounted to \$5,275,606 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, vehicles, monuments, construction in progress, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

<u>Capital Asset Additions</u>	
Johns River - Engineering	\$ 17,528
International Pumper	252,500
Poulin Trust Land	150,000
Wacker Compactor	4,599
Salem Beach Playground	18,013
Eagle Point Structure	375,429

Additional information on capital assets can be found in the Notes to the Financial Statements.

### **Long-term debt**

At the end of the current fiscal year, total bonded debt outstanding was \$865,402, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

## **FACTORS BEARING ON THE TOWN'S FUTURE**

At the time these financial statements were prepared and audited, the Town was not aware of any circumstances that could affect its future financial health.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Town's citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Town Office  
Town of Derby, Vermont  
124 Main Street  
Derby, VT 05829  
(802) 766-4906

**TOWN OF DERBY, VERMONT**  
**Statement of Net Position**  
**December 31, 2019**

	<b>Governmental Activities</b>	<b>Component Unit</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 41,436	\$ 76,833
Investments	-	25,299
Accounts receivable	1,571	-
Delinquent taxes receivable	347,356	-
Grants receivable	279,388	-
Due from other government	29,540	-
Due from other funds	6,438	-
Total current assets	<u>705,729</u>	<u>102,132</u>
Noncurrent assets:		
Restricted cash	47,342	-
Capital assets, net	5,275,606	11,945
Total noncurrent assets	<u>5,322,948</u>	<u>11,945</u>
Total assets	<u>6,028,677</u>	<u>114,077</u>
<b>Deferred outflows of resources</b>		
Pensions - VMERS	<u>76,192</u>	-
<b>Total assets and deferred outflows of resources</b>	<u><u>\$ 6,104,869</u></u>	<u><u>\$ 114,077</u></u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 34,691	\$ -
Due to other funds	-	6,438
Notes payable, current	260,065	-
Total current liabilities	<u>294,756</u>	<u>6,438</u>
Long term liabilities:		
Notes payable, less current portion	605,337	-
Accrued compensated absences	7,647	-
Net pension liability	165,282	-
Total long term liabilities	<u>778,266</u>	<u>-</u>
Total liabilities	<u>1,073,022</u>	<u>6,438</u>
<b>Deferred inflows of resources</b>		
Unearned revenue - state aid	131,116	-
Taxes paid in advance	32,407	-
Pensions	5,001	-
Total deferred inflows of resources	<u>168,524</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	4,410,204	11,945
Restricted	535,008	95,694
Unassigned	(81,889)	-
Total net position	<u>4,863,323</u>	<u>107,639</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u><u>\$ 6,104,869</u></u>	<u><u>\$ 114,077</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF DERBY, VERMONT**  
**Statement of Activities**  
**Year Ended December 31, 2019**

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Component Unit
<b>Governmental activities</b>						
General government	\$ 810,853	\$ 70,653	\$ 102,087	\$ -	\$ (638,113)	\$ -
Education	6,658,494	-	-	-	(6,658,494)	-
Public safety	383,104	7,020	-	-	(376,084)	-
Health and welfare	36,037	-	-	-	(36,037)	-
Transportation	1,215,332	3,418	184,227	54,503	(973,184)	-
Recreation	42,822	6,359	7,317	-	(29,146)	-
Appropriations	340,475	-	-	-	(340,475)	-
Intergovernmental	175,198	-	-	-	(175,198)	-
Debt service	37,027	-	-	-	(37,027)	-
<b>Total governmental activities</b>	<b>9,699,342</b>	<b>87,450</b>	<b>293,631</b>	<b>54,503</b>	<b>(9,263,758)</b>	<b>-</b>
<b>Component unit</b>						
Cemetery fund	46,543	12,540	-	-	-	(34,003)
<b>Total primary government</b>	<b>\$ 9,745,885</b>	<b>\$ 99,990</b>	<b>\$ 293,631</b>	<b>\$ 54,503</b>	<b>(9,263,758)</b>	<b>(34,003)</b>
<b>General revenues</b>						
Real property taxes					8,919,776	34,145
State sources, not restricted to specific programs					360,765	-
Investment earnings					40,897	2,681
Unrealized gain on investments					-	(3,169)
Miscellaneous					11,548	-
<b>Total general revenues</b>					<b>9,332,986</b>	<b>33,657</b>
Change in net position					69,228	(346)
<b>Net position - beginning of year, as previously stated</b>					<b>4,729,579</b>	<b>107,985</b>
Prior period adjustment					64,516	-
<b>Net position - beginning of year, restated</b>					<b>4,794,095</b>	<b>107,985</b>
<b>Net position - end of year</b>					<b>\$ 4,863,323</b>	<b>\$ 107,639</b>

The accompanying notes are an integral part of the financial statements.

**TOWN OF DERBY, VERMONT**  
**Balance Sheet - Governmental Funds**  
**December 31, 2019**

	<u>General</u>	<u>Community Development</u>	<u>Milfoil Prevention</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash - unrestricted	\$ 41,436	\$ -	\$ -	\$ 41,436
Cash - restricted	47,342	-	-	47,342
Accounts receivable	1,571	-	-	1,571
Delinquent taxes and fees receivable	347,356	-	-	347,356
Grants receivable	275,000	-	4,388	279,388
Due from other government	29,540	-	-	29,540
Due from other funds	10,826	-	-	10,826
<b>Total assets</b>	<b>\$ 753,071</b>	<b>\$ -</b>	<b>\$ 4,388</b>	<b>\$ 757,459</b>
<b>Liabilities</b>				
Accounts payable	\$ 34,691	\$ -	\$ -	\$ 34,691
Due to other funds	-	-	4,388	4,388
Total liabilities	34,691	-	4,388	39,079
<b>Deferred inflows of resources</b>				
Unavailable revenue - property taxes	317,393	-	-	317,393
Unearned revenue - state aid	131,116	-	-	131,116
Taxes paid in advance	32,407	-	-	32,407
Total deferred inflows of resources	480,916	-	-	480,916
<b>Fund balance</b>				
Restricted	469,146	-	-	469,146
Committed	65,862	-	-	65,862
Unassigned	(297,544)	-	-	(297,544)
Total fund balance	237,464	-	-	237,464
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 753,071</b>	<b>\$ -</b>	<b>\$ 4,388</b>	<b>\$ 757,459</b>

The accompanying notes are an integral part of the financial statements.

**TOWN OF DERBY, VERMONT**  
**Reconciliation of Governmental Fund Balance Sheet**  
**to the Statement of Net Position**  
**December 31, 2019**

	<b>Total Governmental Funds</b>	<b>Long-term Assets, Liabilities</b>	<b>Reclassification and Elimination</b>	<b>Statement of Net Position</b>
<b>Assets</b>				
Current assets				
Cash - unrestricted	\$ 41,436	\$ -	\$ -	\$ 41,436
Cash - restricted	47,342	-	-	47,342
Accounts receivable	1,571	-	-	1,571
Delinquent taxes and fees receivable	347,356	-	-	347,356
Grants receivable	279,388	-	-	279,388
Due from other government	29,540	-	-	29,540
Due from other funds	10,826	-	(4,388)	6,438
Noncurrent assets				-
Capital assets, net	-	5,275,606	-	5,275,606
Total assets	<u>757,459</u>	<u>5,275,606</u>	<u>(4,388)</u>	<u>6,028,677</u>
<b>Deferred outflows of resources</b>				
Pensions	-	76,192	-	76,192
<b>Total assets and deferred outflows of resources</b>	<u>\$ 757,459</u>	<u>\$ 5,351,798</u>	<u>\$ (4,388)</u>	<u>\$ 6,104,869</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 34,691	\$ -	\$ -	\$ 34,691
Due to other funds	4,388	-	(4,388)	-
Long-term liabilities				
Notes payable	-	865,402	-	865,402
Accrued compensated absences	-	7,647	-	7,647
Net pension liability	-	165,282	-	165,282
Total liabilities	<u>39,079</u>	<u>1,038,331</u>	<u>(4,388)</u>	<u>1,073,022</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue - property taxes	317,393	(317,393)	-	-
Unearned revenue - state aid	131,116	-	-	131,116
Taxes paid in advance	32,407	-	-	32,407
Pensions	-	5,001	-	5,001
Total deferred inflows of resources	<u>480,916</u>	<u>(312,392)</u>	<u>-</u>	<u>168,524</u>
<b>Fund balance/net position</b>				
Total fund balance/net position	<u>237,464</u>	<u>4,625,859</u>	<u>-</u>	<u>4,863,323</u>
<b>Total liabilities, deferred inflows of resources and fund balance/net position</b>	<u>\$ 757,459</u>	<u>\$ 5,351,798</u>	<u>\$ (4,388)</u>	<u>\$ 6,104,869</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF DERBY, VERMONT**  
**Statement of Revenues, Expenditures,**  
**And Changes in Fund Balance - Governmental Funds**  
**Year Ended December 31, 2019**

	<u>General</u>	<u>Community Development</u>	<u>Milfoil Prevention</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property taxes	\$ 8,858,950	\$ -	\$ 15,000	\$ 8,873,950
Licenses and permits	20,804	-	-	20,804
Fees and charges for services	63,985	-	-	63,985
Intergovernmental revenue	701,586	-	7,313	708,899
Interest and penalties	40,897	-	-	40,897
Local fines	2,661	-	-	2,661
Miscellaneous	10,019	-	1,529	11,548
<b>Total revenues</b>	<u>9,698,902</u>	<u>-</u>	<u>23,842</u>	<u>9,722,744</u>
<b>Expenditures</b>				
General government	811,103	115,000	-	926,103
Education	6,658,494	-	-	6,658,494
Public safety	548,426	-	-	548,426
Health and welfare	34,973	-	-	34,973
Transportation	1,391,624	-	-	1,391,624
Recreation	34,845	-	22,720	57,565
Appropriations	340,475	-	-	340,475
Intergovernmental	175,198	-	-	175,198
Debt service	248,324	-	-	248,324
<b>Total expenditures</b>	<u>10,243,462</u>	<u>115,000</u>	<u>22,720</u>	<u>10,381,182</u>
Excess (deficiency) of revenues over expenditures	<u>(544,560)</u>	<u>(115,000)</u>	<u>1,122</u>	<u>(658,438)</u>
<b>Other financing source (uses)</b>				
Note proceeds	<u>402,500</u>	<u>-</u>	<u>-</u>	<u>402,500</u>
Change in fund balance	<u>(142,060)</u>	<u>(115,000)</u>	<u>1,122</u>	<u>(255,938)</u>
<b>Fund balance - beginning of year - as previously stated</b>	586,576	115,000	(1,122)	700,454
Prior period adjustment	<u>(207,052)</u>	<u>-</u>	<u>-</u>	<u>(207,052)</u>
<b>Fund balance - beginning of year - restated</b>	<u>379,524</u>	<u>115,000</u>	<u>(1,122)</u>	<u>493,402</u>
<b>Fund balance - end of year</b>	<u>\$ 237,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 237,464</u>

The accompanying notes are an integral part of the financial statements.



**TOWN OF DERBY, VERMONT**  
**Reconciliation of Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance to the Statement of Activities**  
**Year Ended December 31, 2019**

	<b>Total Governmental Funds</b>	<b>Long-term Revenues, Expenses</b>	<b>Capital Related Funds</b>	<b>Long-term Debt Transactions</b>	<b>Reclassification and Elimination</b>	<b>Statement of Activities Totals</b>
<b>Revenues</b>						
Property taxes	\$ 8,873,950	\$ 45,826	\$ -	\$ -	\$ -	\$ 8,919,776
Licenses and permits	20,804	-	-	-	-	20,804
Fees and charges for services	63,985	-	-	-	-	63,985
Intergovernmental revenue	708,899	-	-	-	-	708,899
Interest and penalties	40,897	-	-	-	-	40,897
Local fines	2,661	-	-	-	-	2,661
Miscellaneous	11,548	-	-	-	-	11,548
<b>Total revenues</b>	<u>9,722,744</u>	<u>45,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,768,570</u>
<b>Expenditures</b>						
General government	926,103	34,750	(150,000)	-	-	810,853
Education	6,658,494	-	-	-	-	6,658,494
Public safety	548,426	87,178	(252,500)	-	-	383,104
Health and welfare	34,973	1,064	-	-	-	36,037
Transportation	1,391,624	221,264	(397,556)	-	-	1,215,332
Recreation	57,565	3,270	(18,013)	-	-	42,822
Appropriations	340,475	-	-	-	-	340,475
Intergovernmental	175,198	-	-	-	-	175,198
Debt service	248,324	-	-	(211,297)	-	37,027
<b>Total expenditures</b>	<u>10,381,182</u>	<u>347,526</u>	<u>(818,069)</u>	<u>(211,297)</u>	<u>-</u>	<u>9,699,342</u>
Excess (deficiency) of revenues over expenditures	<u>(658,438)</u>	<u>(301,700)</u>	<u>818,069</u>	<u>211,297</u>	<u>-</u>	<u>69,228</u>
<b>Other financing sources (uses)</b>						
Note proceeds	402,500	-	-	-	(402,500)	-
<b>Net change for the year</b>	<u>\$ (255,938)</u>	<u>\$ (301,700)</u>	<u>\$ 818,069</u>	<u>\$ 211,297</u>	<u>\$ (402,500)</u>	<u>\$ 69,228</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF DERBY, VERMONT**  
**Balance Sheet - Cemetery Fund**  
**December 31, 2019**

**Assets**

Cash	\$ 76,833
Investments	<u>25,299</u>
<b>Total assets</b>	<b>\$ <u><u>102,132</u></u></b>

**Liabilities**

Due to other funds	\$ <u>6,438</u>
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**Fund balance**

Restricted	<u>95,694</u>
<b>Total liabilities and fund balance</b>	<b>\$ <u><u>102,132</u></u></b>

**TOWN OF DERBY, VERMONT**  
**Reconciliation of the Balance Sheet to the Statement of Net Position -**  
**Cemetery Fund**  
**Year Ended December 31, 2019**

Total fund balance	\$ 95,694
Capital assets used in the discretely presented component unit are not financial resources and therefore are not reported in the balance sheet.	31,300
Accumulated depreciation has not been included in the balance sheet.	<u>(19,355)</u>
Net position of the discretely presented component unit	<b>\$ <u><u>107,639</u></u></b>

The accompanying notes are an integral part of the financial statements.

**TOWN OF DERBY, VERMONT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Cemetery Fund**  
**Year Ended December 31, 2019**

***Revenues***

Property taxes	\$ 34,145
Fees and charges for services	6,800
Interest and dividends	2,681
Sale of lots	5,740
<b><i>Total revenues</i></b>	<u>49,366</u>

***Expenditures***

Cemetery	<u>57,618</u>
Excess of expenditures over revenues	<u>(8,252)</u>

***Other financing uses***

Unrealized (loss) on investments	<u>(3,169)</u>
Change in fund balance	(11,421)

<b><i>Fund balance - beginning of year</i></b>	<u>107,115</u>
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<b><i>Fund balance - end of year</i></b>	<u><u>\$ 95,694</u></u>
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**TOWN OF DERBY, VERMONT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance to the Statement of Activities - Cemetery Fund**  
**Year Ended December 31, 2019**

Total net change in fund balance	\$ (11,421)
Depreciation is not recognized as an expense since it does not require the use of current financial resources. The effect of the current year depreciation is to decrease net position	(1,875)
Capital assets used in the cemetery fund are not current financial resources and therefore are not reported in the fund financial statements	<u>12,950</u>
Change in net position of the Cemetery Fund	<u><u>\$ (346)</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF DERBY, VERMONT**  
**Statement of Net Position**  
**Fiduciary Fund**  
**December 31, 2019**

**Assets**

Cash and cash equivalents	\$ 241
Investments - certificates of deposit	<u>2,000</u>
<b>Total assets</b>	<u><u>2,241</u></u>

**Net Position**

Held in Trust	\$ <u><u>2,241</u></u>
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The accompanying notes are an integral part of the financial statements.

## TOWN OF DERBY, VERMONT

### Notes to the Financial Statements

#### Note 1. Summary of Significant Accounting Policies

The financial statements of the Town of Derby, Vermont (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the Town are described below:

##### a) Reporting Entity

The Town is an independent entity governed by an elected Select Board consisting of five members. The Board is responsible for and controls all activities related to the Town.

The reporting entity of the Town is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Unit*. 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 exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the Town. The Town is not a component unit of another reporting entity. The decision to include potential component units in the Town's reporting entity is based on several criteria, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the cemetery fund is combined with the financial statements of the Town.

##### b) Basis of Presentation

###### Government-wide statements

The Statement of Net Position and the Statement of Activities present financial information about the Town's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Net Position presents the financial position of the Town at fiscal year-end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

###### Fund statements

The fund statements provide information about the Town's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Since resources in the fiduciary funds cannot be used for Town's operations, they are not included in the government-wide statements.

## TOWN OF DERBY, VERMONT

### Notes to the Financial Statements

#### Note 1. Summary of Significant Accounting Policies (continued)

##### b) Basis of Presentation (continued)

The Town reports the following major governmental funds:

*General Fund* – This is the Town's main operating fund. It accounts for all financial resources of the general government except those accounted for in another fund.

*Special Revenue Funds* – These funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Community Development Fund and Lake Salem Milfoil Prevention Fund are special revenue funds.

The Town reports on the following fiduciary funds:

*Nonexpendable Trust Fund* – This fund is used to account for assets held in trust or as an agent by the Town or others.

##### c) Measurement Focus and Basis of Accounting

Accounting and financial reporting treatment is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Government-wide and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

##### d) Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Town's policy concerning which to apply first varies with the intended use and with associated legal requirements, many of which are described elsewhere in these Notes.

# TOWN OF DERBY, VERMONT

## Notes to the Financial Statements

### Note 1. Summary of Significant Accounting Policies (continued)

#### e) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including potential contingent liabilities, net pension liability, and useful lives of long-lived assets.

#### f) Cash (and Cash Equivalents)

The Town's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

#### g) Delinquent Taxes Receivable

Delinquent taxes receivable represents property taxes in arrears as of December 31, 2019. The Town has the legal right to force sale of the property to recover these taxes. The value of the properties exceeds the amount of delinquent taxes, therefore, no allowance for doubtful accounts has been recognized.

#### h) Capital Assets

Capital assets are reported at actual cost for acquisitions. Donated assets are reported at estimated fair market value at the time received. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of general fixed assets reported in the Government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful life
Vehicles and Machinery	\$ 2,500	Straight line	5-15 years
Land Improvements	\$ 12,500	Straight line	40 years
Buildings and Building Improvements	\$ 25,000	Straight line	40 years
Infrastructure	\$ 100,000	Straight line	20-40 years

#### i) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has two items that qualify for reporting in this category.

The first item is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in Town's proportion of the collective net pension asset or liability and difference during the measurement period between the Town's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

The second item is the Town's contribution to the pension systems (VMERS) subsequent to the measurement date.

## **TOWN OF DERBY, VERMONT**

### **Notes to the Financial Statements**

#### **Note 1. Summary of Significant Accounting Policies (continued)**

##### **i) Deferred Outflows and Inflows of Resources (continued)**

In addition to liabilities, the Statement of Net Position or balance sheet 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. The Town has four items that qualify for reporting in this category.

The first item is related to unavailable property taxes. The Town reports unearned revenues in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

The second item is related to taxes paid in advance. The Town reports taxes paid in advance on its governmental funds balance sheet and Statement of Net Position as a deferral related to a future period.

The third item is related to State aid for reappraisals. The Town reports unearned state aid on its governmental funds balance sheet and Statement of Net Position as a deferral related to a future period.

The fourth item is related to pensions reported in the Government-wide Statement of Net Position. This represents the effect of the net change in the Town's proportion of the collective net pension liability (VMERS) and differences during the measurement periods between the Town's contributions and its proportion share of total contributions to the pension system not included in the pension expense.

##### **j) Compensated Absences**

All full-time employees of the Town accumulate vacation and sick leave during the calendar year. All full-time employees are entitled to three days of sick leave per year. Sick leave may be accumulated indefinitely; however, upon termination of employment voluntary, involuntary, or upon retirement, no compensation shall be granted for any unused portion of sick leave remaining. Vacation leave is based upon the number of years employed with the Town. A maximum of fifteen days accrued vacation may be carried over.

##### **k) Interfund Transactions**

The operations of the Town include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowing. The Town may loan resources between funds for the purpose of providing cash flow. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services. In the government-wide financial statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent the amount due between different fund types. Eliminations have been made for all interfund receivables and payables between funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the Town's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenue activity.



# TOWN OF DERBY, VERMONT

## Notes to the Financial Statements

### Note 1. Summary of Significant Accounting Policies (continued)

#### l) Pensions

Eligible Town employees participate in the Vermont Municipal Employees' Retirement System.

#### m) Equity Classifications

##### Government-wide statements:

In the government-wide statements there are three classes of net position:

**Net investment in capital assets** – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

**Restricted net position** – Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net position** – Reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the Town.

##### Fund statements:

In the fund basis statements, there are five classifications of fund balance:

**Non-spendable** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

**Restricted** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Town has the following restricted fund balance:

Highway	\$	421,805
Fire department equipment		29,240
Land record restoration		18,101
	\$	<u>469,146</u>

**Committed** – Includes amounts that can only be used for the specific purpose pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, i.e., the Select Board. The Town has established the following committed fund balance:

Salem Beach House	\$	667
Veterans Memorial		6,366
Dog Park		6,312
Recreation		52,517
	\$	<u>65,862</u>

## TOWN OF DERBY, VERMONT

### Notes to the Financial Statements

#### Note 1. Summary of Significant Accounting Policies (continued)

##### m) Equity Classifications (continued)

**Assigned** – Includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

**Unassigned** – Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the Town and could report a surplus or deficit. In the funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had be restricted or assigned.

Order of use of fund balance - The Town's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignment of fund balance cannot cause a negative unassigned fund balance

##### n) New Accounting Standards

The Town has adopted the following current Statements of the Governmental Accounting Standards Board (GASB) that are effective for the fiscal year ended December 31, 2019:

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*

##### o) Future Changes in Accounting Standards

GASB Statement No. 84, *Fiduciary Activities*      Effective for the year ending December 31, 2020

GASB Statement No. 87, *Leases*      Effective for the year ending December 31, 2021

The Town will evaluate the impact the pronouncement may have on its financial statements and will implement them as applicable and when material.

# TOWN OF DERBY, VERMONT

## Notes to the Financial Statements

### Note 2. Explanation of Certain Differences Between Fund Statements and Government-wide Statements

Due to the differences in the measurement focus and basis of accounting used in the fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

a) Total fund balances of governmental funds vs. net position of governmental activities:

Total fund balances of the Town's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets, as applied to the reporting on capital assets and long-term liabilities, including pensions.

Explanation of difference between Governmental Fund Balance and Government-wide Net Position

Ending fund balance reported on governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance	\$	237,464
Capital assets net of related depreciation		5,275,606
Deferred outflows of resources:		
Pensions		76,192
Liabilities:		
Long term notes payable		(865,402)
Compensated Absences		(7,647)
Net pension liability – proportionate share		(165,282)
Deferred inflows of resources:		
Unavailable property taxes		317,393
Pensions		<u>(5,001)</u>
Ending net position reported in Statement of Net Position for governmental activities	\$	<u>4,863,323</u>

## **TOWN OF DERBY, VERMONT**

### **Notes to the Financial Statements**

#### **Note 2. Explanation of Certain Differences Between Fund Statements and Government-wide Statements (continued)**

b) Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three categories. The amounts shown below represent:

i) Long-term revenue and expenses differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) Long-Term Debt Transaction Differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

iv) Pension differences:

Pension differences occur as a result of changes in the Town’s proportion of the collective net pension liability and difference between the Town’s contributions and its proportionate share of the total contributions to the pension system.

# TOWN OF DERBY, VERMONT

## Notes to the Financial Statements

### Note 2. Explanation of Certain Differences Between Fund Statements and Government-wide Statements (continued)

#### Explanation of Differences Between Governmental Funds Operating Statements and the Government Wide Statement of Activities

Total revenues and other funding sources of governmental funds	\$ 10,125,244
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Note proceeds	(402,500)
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Revenue in the statement of activities that do not provide current financial resources (property taxes not collected within 60 days of fiscal year end) are not reported as revenue in the funds. This amount represents an increase in deferred property taxes.

	45,826
Total revenues of governmental activities in the Statement of Activities	\$ <u>9,768,570</u>

Total expenditures reported in governmental funds	\$ 10,381,182
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In the Statement of Activities, certain operating expenses (compensated absences) are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Compensated absences earned were less than the amount used during the year.

(787)

Governmental funds report Town pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

20,818

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statements of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital outlays	(818,069)
Current year depreciation	327,495

Repayment of bond principal is an expenditure in the governmental funds but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Repayment of principal	(211,297)
Total expenses of governmental activities in the Statement of Activities	\$ <u>9,699,342</u>

## TOWN OF DERBY, VERMONT

### Notes to the Financial Statements

#### Note 3. Change in Accounting Principles

For the fiscal year ended December 31, 2019, the Town implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. The implementation of the statement requires the Town to disclose additional essential information related to debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

#### Note 4. Stewardship, Compliance, and Accountability

##### Budgetary Information

At the annual meeting, the Select Board presents a general fund budget for the proposed expenditures of the fiscal year commencing January 1. The budget, as enacted by town meeting establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues.

##### Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to the budgetary data.

The following are summaries of adjustments made to the actual revenues and expenditures to conform to the budgetary basis of accounting.

General Fund:	
Total revenues (GAAP basis)	\$ 9,698,902
Add: appropriated fund balance	142,060
Less: school taxes collected	(6,658,494)
Total revenues budgetary basis	\$ <u>3,182,468</u>
Total expenditures (GAAP basis)	\$ 10,243,462
Less: school taxes paid	(6,658,494)
Total expenditures budgetary basis	\$ <u>3,584,968</u>

#### Note 5. Cash and Cash Equivalents

For financial statement reporting purposes, cash and cash equivalent are defined as all bank deposits with original maturities of three months or less. The Town authorizes the treasurer to invest cash in bank accounts and obligations of the U.S. Treasury. The Town has adopted a formal deposit policy.

The Town's policy is as follows:

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. 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.

## TOWN OF DERBY, VERMONT

### Notes to the Financial Statements

#### Note 5. Cash and Cash Equivalents (continued)

At December 31, 2019, the carrying amount of the Town's deposits was \$167,852 and the bank balance was \$252,428. The bank balances are covered by Federal Depository Insurance to the limit of \$250,000 for interest bearing accounts and \$250,000 for non-interest bearing accounts per bank. At December 31, 2019, the Town's deposits did not exceed the Federal Depository Insurance coverage.

At December 31, 2019 the Town had \$47,341 in restricted cash balances. These balances were restricted for the following purposes:

Fire department equipment	29,240
Record restoration	18,101
	<u>\$ 47,341</u>

#### Note 6. Investments

All investments held in the name of the Town are stated at market value. At December 31, 2019, investments in corporate stock had a cost basis of \$200. The investments had an unrealized loss of \$3,169 for the year ended December 31, 2019.

#### Note 7. Fair Value Measurements - Investments

U.S GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

# TOWN OF DERBY, VERMONT

## Notes to the Financial Statements

### **Note 7. Fair Value Measurements – Investments (continued)**

All of the Town's investments are valued based on Level 1 of the hierarchy.

Investments	Level 1	Level 2	Level 3	Total
Canadian Imperial Bank of Commerce stock	\$ 25,299	\$ -	\$ -	\$ 25,299

### **Note 8. Capital Assets**

Property, vehicles, and equipment used by the Town are as follows:

	12/31/18 Balance	Additions	Retirement	12/31/19 Balance
Capital assets that are not depreciated:				
Land	\$ 60,684	\$ 150,000	\$ -	\$ 210,684
Construction in progress	-	17,528	-	17,528
Total	60,684	167,528	-	228,212
Capital assets that are depreciated:				
Equipment:				
Highway	2,014,075	4,599	-	2,018,674
General	160,848	-	-	160,848
Fire	1,098,301	252,500	(176,000)	1,174,801
Infrastructure	2,552,926	375,429	-	2,928,355
Recreation	3,999	18,013	-	22,012
Buildings	2,240,867	-	-	2,240,867
	8,131,700	818,069	(176,000)	8,545,557
Component Unit	18,350	12,950	-	31,300
Total	8,150,050	831,019	(176,000)	8,805,069
Less accumulated depreciation:				
Equipment:				
Highway	962,042	124,559	-	1,086,601
General	160,848	-	-	160,848
Fire	733,626	60,246	(176,000)	617,872
Infrastructure	429,347	92,080	-	521,427
Recreation	1,468	1,553	-	3,021
Buildings	1,059,337	49,057	-	1,108,394
	3,346,668	327,495	(176,000)	3,498,163
Component Unit	17,480	1,875	-	19,355
Total	3,364,148	329,370	(176,000)	3,517,518
Total capital assets - net	\$ 4,785,902	\$ 501,649	\$ -	\$ 5,287,551



# TOWN OF DERBY, VERMONT

## Notes to the Financial Statements

### Note 8. Capital Assets (continued)

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 14,719
Public safety	87,178
Recreation	3,270
Transportation	221,264
Health and welfare	1,064
	<u>\$ 327,495</u>

### Note 9. Interfund Balances and Activity

Interfund balances and activity at December 31, 2019 and for the fiscal year then ended, were as follows:

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenses
General Fund	\$ 10,826	\$ -	\$ -	\$ 13,878
Lake Salem Milfoil Prevention	-	4,388	13,878	-
Cemetery – Component Unit	-	6,438	-	-
	<u>\$ 10,826</u>	<u>\$ 10,826</u>	<u>\$ 13,878</u>	<u>\$ 13,878</u>

The Town typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

### Note 10. Indebtedness

#### Short-term debt

Transactions in short-term debt for the year are summarized below:

	Maturity	Stated Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
Line of credit	12/31/19	2.800%	\$ -	\$ 620,219	\$ 620,219	\$ -

Interest paid on short-term debt for the year ended December 31, 2019 was \$12,656.

# TOWN OF DERBY, VERMONT

## Notes to the Financial Statements

### Note 10. Indebtedness (continued)

#### Long-term debt

During the year ended December 31, 2019, the following changes occurred in the long-term liabilities:

	12/31/18 Balance		Additions		Reductions		12/31/19 Balance
Governmental Activities							
Notes payable	\$ 674,199	\$	402,500	\$	(211,297)	\$	865,402
Compensated absences	8,434		-		(787)		7,647
Net pension liability	143,534		21,748		-		165,282
Total long-term liabilities	\$ 826,167	\$	424,248	\$	(212,084)	\$	1,038,331

Long-term notes payable consists of the following at December 31, 2019:

Note payable, Community National Bank, payable September 12 of each year, yearly principal and interest payment of \$34,783, interest at 1.75%, final payment due September 12, 2020, unsecured. Original amount of note, \$100,800.	\$ 34,183
Note payable, Community National Bank, payable August 30 of each year, yearly principal and interest payments of \$47,350, interest at 2.05%, final payment due August 30, 2021, unsecured. Original amount of note, \$180,075.	91,844
Note payable, Community National Bank, payable June 5 of each year, yearly principal and interest payments of \$52,368, interest at 2.35%, final payment due June 5, 2022, unsecured. Original amount of note, \$150,000.	150,000
Note payable, Community National Bank, payable November 21 of each year, yearly principal and interest payments of \$66,307, interest at 2.50%, final payment due November 21, 2022, unsecured. Original amount of note, \$252,500.	189,375
Note payable, Vermont Municipal Bond Bank, payable December 1 of each year, yearly principal payment of \$20,000, interest due semi-annually at 4.65% to 5.09%, final payment due December 2024. Original amount of note, \$260,000.	100,000
Note payable, Vermont Municipal Bond Bank, payable December 1 of each year, yearly principal payment of \$50,000, interest due semi-annually at 4.28% to 4.58%, final payment due December 2025. Original amount of note \$1,035,000.	300,000
Total governmental activities	865,402
Less current portion:	(260,065)
	\$ 605,337

# TOWN OF DERBY, VERMONT

## Notes to the Financial Statements

### Note 10. Indebtedness (continued)

Scheduled maturities of notes and bonds payable are as follows as December 31, 2019:

Years ended December 31	Principal	Interest	Total
2020	\$ 260,065	\$ 24,455	\$ 284,520
2021	229,481	17,393	246,874
2022	185,856	10,312	196,168
2023	70,000	4,631	74,631
2024	70,000	2,776	72,776
2025	50,000	820	50,820
	<u>\$ 865,402</u>	<u>\$ 60,387</u>	<u>\$ 925,789</u>

### Note 11. Property Taxes

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied in July and are payable on October 16<sup>th</sup> and become delinquent on October 17<sup>th</sup>. Property taxes are recognized as revenue in the period for which they levied, which is the fiscal year during which tax payments are due, provided the taxes are received within sixty (60) days after year-end. The remaining receivables are reported as unearned revenue.

The tax rates for fiscal year 2019 were:

Town tax rate	\$ 0.4430
Education tax rate - residential	1.3007
Education tax rate - nonresidential	1.5985

### Note 12. Pensions

#### Summary of significant accounting policies

##### *Pensions*

For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pensions expense information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS), and additions to/deductions from VMERS's fiduciary net position has been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## TOWN OF DERBY, VERMONT

### Notes to the Financial Statements

#### Note 12. Pensions (continued)

##### General information about the pension plan

###### *Plan Description*

VMERS is a cost sharing, multi-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for Towns and other municipal 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. During the year ended June 30, 2018, the retirement system consisted of 402 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 Board 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.

##### Summary of system provisions

Membership	Full-time employees of participating municipalities. Municipality elects coverage under Group A, B, C, or D provisions.
Creditable service	Service as a member plus purchased service.
Average final compensation (AFC)	Group A – average annual compensation during the highest 5 consecutive years.  Group B and C – average annual compensation during highest 3 consecutive years.  Group D – average annual compensation during highest 2 consecutive years.
Service retirement allowance	
Eligibility	Group A – the earlier of age 65 with 5 years of service or age 55 with 35 years of service. Group B – the earlier of age 62 with 5 years of service or age 55 with 30 years of service. Group C and D – age 55 with 5 years of service.

## TOWN OF DERBY, VERMONT

### Notes to the Financial Statements

#### Note 12. Pensions (continued)

Amount	<p>Group A – 1.4% of AFC x service.</p> <p>Group B – 1.7% of AFC x service as Group B member plus percentage earned as a group A member x AFC.</p> <p>Group C – 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x service.</p> <p>Group D – 2.5 of AFC x service as a Group D member plus percentage earned as a Group A, B, or C member x AFC.</p> <p>Maximum benefit is 60% of AFC for Group A and B and 50% of AFC for Groups C and D. The above includes the portion of the allowance provided by member contributions.</p>
Early retirement allowance	
Eligibility	Age 55 with 5 years of service for Group A and B; age 50 with 20 years of service for Group D.
Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age for Group A and B members, and payable without reduction to Group D members.
Vested Retirement Allowance	
Eligibility	5 years of service.
Amount	Allowance beginning at normal retirement aged 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” described below.
Disability Retirement Allowance	
Eligibility	5 years of service and disability as determined by Retirement Board.
Amount	Immediate allowance based on AFC and service to date of disability; children’s benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.
Employer contributions	<p>Group A – 4.125%</p> <p>Group B – 5.625%</p> <p>Group C – 7.375%</p> <p>Group D – 9.975%</p>

## TOWN OF DERBY, VERMONT

### Notes to the Financial Statements

#### Note 12. Pensions (continued)

##### Death benefits

Eligibility	Death after 5 years of service.
Amount	For Groups A, B, and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.

Optional benefit and death after retirement	For Group A, B, and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.
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Refund of Contribution	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.
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Post-retirement adjustments	Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in consumer price index but not more than 2% for Group A and 3% for B, C, and D.
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Member contributions	Group A – 2.625%
	Group B – 5.00%
	Group C – 10.125%
	Group D – 11.475%

Retirement stipend	\$25 per month payable at the option of the Board of Retirees
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#### Pension Liabilities, Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019 the Town's net pension liability is \$165,282. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2018, the Town's proportion was 0.11750%, which was a decrease of 0.00097% from its proportion measured as of June 30, 2017.

# TOWN OF DERBY, VERMONT

## Notes to the Financial Statements

### Note 12. Pensions (continued)

For the year ended December 31, 2019, the Town recognized pension expense of \$43,241. At December 31, 2019, the Town reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 14,357	\$ 2,643
Changes of assumptions	18,303	-
Difference between projected and actual investment earnings	19,156	-
Change in proportional share of contributions	428	2,358
Town's contributions subsequent to the measurement date	<u>23,948</u>	<u>-</u>
Total	\$ <u>76,192</u>	\$ <u>5,001</u>

The Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	
2019	\$ 29,258
2020	11,311
2021	2,851
2022	<u>3,824</u>
Total	\$ <u>47,244</u>

Employer contribution history for the Town as of December 31, 2019 is as follows:

FY 18	\$ 20,579
FY 17	19,347
FY 16	17,835

# TOWN OF DERBY, VERMONT

## Notes to the Financial Statements

### Note 12. Pensions (continued)

#### Significant actuarial assumptions and methods

Investment rate of return: 7.50%, net of pension plan investment expense, including inflation

Salary increase: 5.00% per year

Inflation: 2.50%

Mortality:

#### *Death in active service:*

Group A, B, and C – 98% of RP-2016 blended 60% Blue Collar Employee, 40% Health Employee with generational improvement.

Group D – RP-2006 Blue Collar Annuitant Table with generational improvement.

#### *Healthy post-retirement:*

Group A, B, and C – 98% of RP-2014 blended 60% Blue Collar Employee, 40% Health Annuitant with generational improvement.

Group D – 100% of RP-2014 Healthy Annuitant with generational improvement.

#### *Disabled post-retirement:*

All groups – RP-2006 Disabled Mortality Table with generational improvement.

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

Cost-of-living adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.15% per annum for Group A members and 1.30% per annum for Groups B, C, and D members.

Actuarial cost method: Entry age normal cost method.

Asset valuation method: Invested assets are reported at fair value.

Note for funding purposes – a smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the difference between actual and assumed investment return. The value for actuarial purposes may not differ from market value of assets by more than 20%.

Long-term expected rate of return – The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.



## TOWN OF DERBY, VERMONT

### Notes to the Financial Statements

#### Note 12. Pensions (continued)

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected</b>
US equity	18.0%	6.10%
Non-US equity	16.0	7.45
Global equity	9.0	6.74
Fixed income	26.0	2.25
Real estate	8.0	5.11
Private markets	15.0	7.60
Hedge funds	8.0	3.86

#### Discount Rate

The discount rate to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with current funding policy. Based on assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

#### Sensitivity of the employer's share of the net pension liability to changes in the discount rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%).

1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
\$ 279,951	\$ 165,282	\$ 72,025

#### Note 13. Risk Management

The Town is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets, errors and omissions, and injuries to employees. The Town of Derby, Vermont maintains commercial insurance coverage 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 commercial coverage in any of the past three (3) fiscal years.

## **TOWN OF DERBY, VERMONT**

### **Notes to the Financial Statements**

#### **Note 14. Contingencies**

In the normal course of operations, the Town receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of such audits is not likely to have a material adverse effect on the Town's funds.

#### **Note 15. Prior Period Adjustment**

The Town recorded a receivable for overpayment of school taxes at December 31, 2018. The effect of the adjustment increased fund balance in the general fund and net position by \$64,516 as of December 31, 2018.

The Town recorded unavailable revenue – taxes at December 31, 2018. The effect of the adjustment decreased fund balance in the general fund by \$271,568 at December 31, 2018.

#### **Note 16. Subsequent Events**

The Select Board has evaluated subsequent events through January 25, 2020 the date on which the financial statements were available.

**TOWN OF DERBY, VERMONT**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget to Actual - General Fund**  
**Year Ended December 31, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Property taxes	\$ 2,388,291	\$ 2,290,352	\$ (97,939)
Permits and licenses	73,110	69,500	(3,610)
Investment income	14,000	16,817	2,817
Other revenue	202,500	663,739	461,239
Appropriated fund balance	504,656	142,060	(362,596)
<b>Total revenues</b>	<u>3,182,557</u>	<u>3,182,468</u>	<u>(89)</u>
<b>Expenditures</b>			
Select board	19,323	15,221	4,102
Election unit	3,600	2,438	1,162
Town clerk's office	190,982	188,757	2,225
Listers	96,643	175,337	(78,694)
Delinquent tax collector	10,200	2,695	7,505
Town administrator	47,975	46,779	1,196
Zoning administrator	54,271	52,992	1,279
Development review board	2,353	1,453	900
Planning	2,353	2,556	(203)
Auditors	12,500	11,749	751
Constable	1,705	795	910
Health Officer	1,477	842	635
Board of civil authority	1,038	1,566	(528)
Municipal buildings and grounds	43,678	43,036	642
Operation and maintenance	19,106	16,607	2,499
Recycling	27,895	34,183	(6,288)
Public safety	206,105	222,180	(16,075)
Recreation	15,444	34,845	(19,401)
Fire department	198,474	446,694	(248,220)
General obligations	714,904	462,295	252,609
Highway department	1,163,000	1,473,756	(310,756)
Animal control officer	7,934	7,717	217
Appropriations	341,597	340,475	1,122
<b>Total expenditures</b>	<u>3,182,557</u>	<u>3,584,968</u>	<u>(402,411)</u>
Excess of expenditures over revenues	<u>-</u>	<u>(402,500)</u>	<u>(402,500)</u>
<b>Other financing sources (uses)</b>			
Note proceeds	<u>-</u>	<u>402,500</u>	<u>402,500</u>
<b>Change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the independent auditor's report.

**TOWN OF DERBY, VERMONT**  
**Schedule of the Local Government's Proportionate Share of the Net Pension Liability**  
**Year Ended December 31, 2019**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	VMERS Pension Plan Last 10 Fiscal Years									
Town's proportion of the net pension liability	0.1175%	0.11847%	-	-	-	-	-	-	-	-
Town's proportionate share of the net pension liability	\$ 165,282	\$ 143,534	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 420,781	\$ 397,402	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's proportionate share of the net pension liability as a percentage of its covered employee payroll	39.28%	-	-	-	-	-	-	-	-	-

See the independent auditor's report.

**TOWN OF DERBY, VERMONT**  
**Schedule of Local Government Contributions**  
**Year Ended December 31, 2019**

VMERS Pension Plan  
Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contributions	\$ 23,948	\$ 22,103	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	23,948	22,103	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 420,781	\$ 397,402	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	5.69%	5.56%	-	-	-	-	-	-	-	-

See the independent auditor's report.

## **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 *Governmental Auditing Standards***

To the Select board  
Town of Derby  
Derby, Vermont

We have audited 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Derby, Vermont as of and for the year ended December 31, 2019, which collectively comprise Town of Derby, Vermont's basic financial statements and have issued our report thereon dated January 25, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Derby, Vermont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Derby, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Derby, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Telling & Hillman, P.C.

Telling & Hillman, P.C.  
License # 092.0131564  
Middlebury, Vermont  
January 25, 2020

