

**TOWN OF DERBY, VERMONT**

**Financial Statements**

**Year Ended December 31, 2020**

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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, 2020, 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, 2020, 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 the Town's proportionate share of the net pension liability, and schedule of the Town's pension 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, 2021 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, 2021

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**TOWN OF DERBY, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2020**

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The following is a discussion and analysis of the Town of Derby, Vermont's financial performance for the fiscal year ended December 31, 2020.

**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 Town'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 \$5,303,474 (i.e., net position), a change of \$440,151 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental activities reported total revenue of \$3,067,975, a change of \$(42,101) in comparison to the prior year.
- As of the close of the current fiscal year, the governmental activities reported total expenses of \$2,627,824, a change of \$(413,024) 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 \$556,929, a change of \$319,465 in comparison to the prior year.
- As of the close of the current fiscal year, unassigned fund balance for the general fund was \$(180,120), a change of \$117,424 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, 2020	December 31, 2019	Percentage Change
<b>Assets</b>			
Other assets	\$ 923,609	\$ 753,071	22.7%
Capital assets	5,236,506	5,275,606	-0.7
Total assets	6,160,115	6,028,677	2.2
<b>Deferred outflows of resources</b>			
Pensions	70,580	76,192	-7.4
Total assets and deferred outflows of resources	\$ 6,230,695	\$ 6,104,869	2.1%
<b>Liabilities</b>			
Long-term debt outstanding	\$ 816,910	\$ 1,038,331	-21.3%
Other liabilities	38,280	34,691	10.4
Total liabilities	855,190	1,073,022	-20.3
<b>Deferred inflows of resources</b>			
State aid paid in advance	44,002	131,116	-66.4
Taxes paid in advance	24,423	32,407	-24.6
Pensions	3,606	5,001	-27.9
Total deferred inflows of resources	72,031	168,524	-57.3
<b>Net position</b>			
Net investment in capital assets	4,631,224	4,410,204	5.0
Restricted	737,434	535,008	38.4
Unrestricted	(65,184)	(81,889)	20.4
Total net position	5,303,474	4,863,323	9.1
Total liabilities, deferred inflows of resources, and net position	\$ 6,230,695	\$ 6,104,869	2.1%

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 \$5,303,474, a change of \$440,151 from the prior year.

The largest portion of net position, \$4,631,224, 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, \$737,434, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position amounted to \$(65,184).



Change in Net Position

	December 31, 2020	December 31, 2019	Percentage Change
Revenues			
Program Revenues			
Charges for services	\$ 128,830	\$ 87,450	47.3%
Operating grants	220,952	293,631	-24.8
Capital grants	69,883	54,503	28.2
General revenues			
Real property taxes	2,376,004	2,261,282	5.1
State sources	199,714	360,765	-44.6
Investment earnings	42,343	40,897	3.5
Miscellaneous	30,249	11,548	161.9
Total revenues	<u>3,067,975</u>	<u>3,110,076</u>	<u>-1.4</u>
Expenses			
General government	770,351	810,853	-5.0
Public safety	382,288	383,104	-0.2
Health and welfare	38,214	36,037	6.0
Transportation	823,220	1,215,332	-32.3
Recreation	54,717	42,822	27.8
Appropriations	346,578	340,475	1.8
Intergovernmental	168,138	175,198	-4.0
Debt service	44,318	37,027	19.7
Total expenses	<u>2,627,824</u>	<u>3,040,848</u>	<u>-13.6</u>
Change in net position	440,151	69,228	535.8
Net position – beginning of year	4,863,323	4,794,095	1.4
Net position – end of year	<u>\$ 5,303,474</u>	<u>\$ 4,863,323</u>	<u>9.1%</u>

**Governmental activities**

Governmental activities for the year resulted in a change in net position of \$440,151. Key elements of this change are as follows:

General fund operations, as discussed further in section below	\$ 319,850
Milfoil prevention activity	(385)
Change in unavailable revenue – taxes	(57,418)
Acquisition of fixed assets	283,387
Depreciation expense	(322,487)
Long term debt principal expenditure	260,120
Change in employee benefits	(42,916)
Total	<u>\$ 440,151</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 \$556,929, a change of \$319,465 in comparison with the prior year. Key elements of this change are as follows:

General Fund operations	\$ 319,850
Milfoil prevention activity	(385)
Total	<u>\$ 319,465</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$(180,120), while total fund balance was \$557,314. 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.

<u>General Fund</u>	<u>12/31/20</u>	<u>12/31/19</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ (180,120)	\$ (297,544)	\$ 117,424	-6.5%
Total fund balance	\$ 557,314	\$ 237,464	\$ 319,850	20.1%

The total fund balance of the general fund changed by \$319,850 during the current fiscal year. Key factors in this change are as follows:

Revenues less than budget	\$ (46,483)
Expenditures in excess of budget	366,333
Total	<u>\$ 319,850</u>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### **Capital assets**

Total investment in capital assets for governmental activities at year end amounted to \$5,236,506 (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	\$ 21,290
Hinman Settler Road Paving	262,097

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 \$605,282, 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

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and impact on individuals served by the Town, both of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

## 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, 2020**

	<b>Governmental Activities</b>	<b>Component Unit</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 395,976	\$ 74,622
Investments	-	25,641
Delinquent taxes receivable	272,551	-
Grants receivable	31,862	-
Due from other government	148,862	-
Due from other funds	6,238	-
Total current assets	855,489	100,263
Noncurrent assets:		
Restricted cash	68,120	-
Capital assets, net	5,236,506	9,065
Total noncurrent assets	5,304,626	9,065
Total assets	6,160,115	109,328
<b>Deferred outflows of resources</b>		
Pensions - VMERS	70,580	-
<b>Total assets and deferred outflows of resources</b>	\$ 6,230,695	\$ 109,328
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 16,427	\$ -
Accrued liabilities	21,853	-
Due to other funds	-	6,238
Notes payable, current	229,481	-
Total current liabilities	267,761	6,238
Long term liabilities:		
Notes payable, less current portion	375,801	-
Accrued compensated absences	10,910	-
Net pension liability	200,718	-
Total long term liabilities	587,429	-
Total liabilities	855,190	6,238
<b>Deferred inflows of resources</b>		
Unearned revenue - state aid	44,002	-
Taxes paid in advance	24,423	-
Pensions	3,606	-
Total deferred inflows of resources	72,031	-
<b>Net Position</b>		
Net investment in capital assets	4,631,224	9,065
Restricted	737,434	94,025
Unassigned	(65,184)	-
Total net position	5,303,474	103,090
<b>Total liabilities, deferred inflows of resources, and net position</b>	\$ 6,230,695	\$ 109,328

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

**TOWN OF DERBY, VERMONT**  
**Statement of Activities**  
**Year Ended December 31, 2020**

<u>Function/Program</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>	<u>Component Unit</u>
<b>Governmental activities</b>						
General government	\$ 770,351	\$ 112,166	\$ 5,717	\$ -	\$ (652,468)	\$ -
Public safety	382,288	7,471	-	-	(374,817)	-
Health and welfare	38,214	-	-	-	(38,214)	-
Transportation	823,220	3,997	196,110	69,883	(553,230)	-
Recreation	54,717	5,196	19,125	-	(30,396)	-
Appropriations	346,578	-	-	-	(346,578)	-
Intergovernmental	168,138	-	-	-	(168,138)	-
Debt service	44,318	-	-	-	(44,318)	-
<b>Total governmental activities</b>	<u>2,627,824</u>	<u>128,830</u>	<u>220,952</u>	<u>69,883</u>	<u>(2,208,159)</u>	<u>-</u>
<b>Component unit</b>						
Cemetery fund	45,815	5,310	-	-	-	(40,505)
<b>Total primary government</b>	<u>\$ 2,673,639</u>	<u>\$ 134,140</u>	<u>\$ 220,952</u>	<u>\$ 69,883</u>	<u>(2,208,159)</u>	<u>(40,505)</u>
<b>General revenues</b>						
Real property taxes					2,376,004	33,687
State sources, not restricted to specific programs					199,714	-
Investment earnings					42,343	1,927
Unrealized gain on investments					-	342
Miscellaneous					30,249	-
<b>Total general revenues</b>					<u>2,648,310</u>	<u>35,956</u>
<b>Change in net position</b>					440,151	(4,549)
<b>Net position - beginning of year</b>					<u>4,863,323</u>	<u>107,639</u>
<b>Net position - end of year</b>					<u>\$ 5,303,474</u>	<u>\$ 103,090</u>

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

**TOWN OF DERBY, VERMONT**  
**Balance Sheet - Governmental Funds**  
**December 31, 2020**

	<b>General</b>	<b>Milfoil Prevention</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash - unrestricted	\$ 395,976	\$ -	\$ 395,976
Cash - restricted	68,120	-	68,120
Delinquent taxes and fees receivable	272,551	-	272,551
Grants receivable	20,387	11,475	31,862
Due from other government	148,862	-	148,862
Due from other funds	18,098	-	18,098
<b>Total assets</b>	<b>\$ 923,994</b>	<b>\$ 11,475</b>	<b>\$ 935,469</b>
<b>Liabilities</b>			
Accounts payable	\$ 16,427	\$ -	\$ 16,427
Accrued liabilities	21,853	-	21,853
Due to other funds	-	11,860	11,860
Total liabilities	38,280	11,860	50,140
<b>Deferred inflows of resources</b>			
Unavailable revenue - property taxes	259,975	-	259,975
Unearned revenue - state aid	44,002	-	44,002
Taxes paid in advance	24,423	-	24,423
Total deferred inflows of resources	328,400	-	328,400
<b>Fund balance</b>			
Restricted	672,060	-	672,060
Committed	65,374	-	65,374
Unassigned	(180,120)	(385)	(180,505)
Total fund balance	557,314	(385)	556,929
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 923,994</b>	<b>\$ 11,475</b>	<b>\$ 935,469</b>

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

**TOWN OF DERBY, VERMONT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**December 31, 2020**

	<u>Total Governmental Funds</u>	<u>Long-term Assets, Liabilities</u>	<u>Reclassification and Elimination</u>	<u>Statement of Net Position</u>
<b>Assets</b>				
Current assets				
Cash - unrestricted	\$ 395,976	\$ -	\$ -	\$ 395,976
Cash - restricted	68,120	-	-	68,120
Delinquent taxes and fees receivable	272,551	-	-	272,551
Grants receivable	31,862	-	-	31,862
Due from other government	148,862	-	-	148,862
Due from other funds	18,098	-	(11,860)	6,238
Noncurrent assets				
Capital assets, net	-	5,236,506	-	5,236,506
Total assets	<u>935,469</u>	<u>5,236,506</u>	<u>(11,860)</u>	<u>6,160,115</u>
<b>Deferred outflows of resources</b>				
Pensions	-	70,580	-	70,580
<b>Total assets and deferred outflows of resources</b>	<u>\$ 935,469</u>	<u>\$ 5,307,086</u>	<u>\$ (11,860)</u>	<u>\$ 6,230,695</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 16,427	\$ -	\$ -	\$ 16,427
Accrued liabilities	21,853	-	-	21,853
Due to other funds	11,860	-	(11,860)	-
Long-term liabilities				
Notes payable	-	605,282	-	605,282
Accrued compensated absences	-	10,910	-	10,910
Net pension liability	-	200,718	-	200,718
Total liabilities	<u>50,140</u>	<u>816,910</u>	<u>(11,860)</u>	<u>855,190</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue - property taxes	259,975	(259,975)	-	-
Unearned revenue - state aid	44,002	-	-	44,002
Taxes paid in advance	24,423	-	-	24,423
Pensions	-	3,606	-	3,606
Total deferred inflows of resources	<u>328,400</u>	<u>(256,369)</u>	<u>-</u>	<u>72,031</u>
<b>Fund balance/net position</b>				
Total fund balance/net position	<u>556,929</u>	<u>4,746,545</u>	<u>-</u>	<u>5,303,474</u>
<b>Total liabilities, deferred inflows of resources and fund balance/net position</b>	<u>\$ 935,469</u>	<u>\$ 5,307,086</u>	<u>\$ (11,860)</u>	<u>\$ 6,230,695</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, 2020**

	<u>General</u>	<u>Milfoil Prevention</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Property taxes	\$ 2,418,422	\$ 15,000	\$ 2,433,422
Licenses and permits	26,728	-	26,728
Fees and charges for services	98,369	-	98,369
Intergovernmental revenue	471,424	19,125	490,549
Interest and penalties	42,343	-	42,343
Local fines	3,733	-	3,733
Miscellaneous	29,942	307	30,249
<b>Total revenues</b>	<u>3,090,961</u>	<u>34,432</u>	<u>3,125,393</u>
<b>Expenditures</b>			
General government	712,785	-	712,785
Public safety	289,410	-	289,410
Health and welfare	37,150	-	37,150
Transportation	897,268	-	897,268
Recreation	15,344	34,817	50,161
Appropriations	346,578	-	346,578
Intergovernmental	168,138	-	168,138
Debt service	304,438	-	304,438
<b>Total expenditures</b>	<u>2,771,111</u>	<u>34,817</u>	<u>2,805,928</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>319,850</u>	<u>(385)</u>	<u>319,465</u>
<b>Fund balance - beginning of year</b>	<u>237,464</u>	<u>-</u>	<u>237,464</u>
<b>Fund balance - end of year</b>	<u>\$ 557,314</u>	<u>\$ (385)</u>	<u>\$ 556,929</u>

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



**TOWN OF DERBY, VERMONT**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance to the Statement of Activities**  
**Year Ended December 31, 2020**

	<b>Total Governmental Funds</b>	<b>Long-term Revenues, Expenses</b>	<b>Capital Related Funds</b>	<b>Long-term Debt Transactions</b>	<b>Statement of Activities Totals</b>
<b>Revenues</b>					
Property taxes	\$ 2,433,422	\$ (57,418)	\$ -	\$ -	\$ 2,376,004
Licenses and permits	26,728	-	-	-	26,728
Fees and charges for services	98,369	-	-	-	98,369
Intergovernmental revenue	490,549	-	-	-	490,549
Interest and penalties	42,343	-	-	-	42,343
Local fines	3,733	-	-	-	3,733
Miscellaneous	30,249	-	-	-	30,249
<b>Total revenues</b>	<b>3,125,393</b>	<b>(57,418)</b>	<b>-</b>	<b>-</b>	<b>3,067,975</b>
<b>Expenditures</b>					
General government	712,785	57,566	-	-	770,351
Public safety	289,410	92,878	-	-	382,288
Health and welfare	37,150	1,064	-	-	38,214
Transportation	897,268	209,339	(283,387)	-	823,220
Recreation	50,161	4,556	-	-	54,717
Appropriations	346,578	-	-	-	346,578
Intergovernmental	168,138	-	-	-	168,138
Debt service	304,438	-	-	(260,120)	44,318
<b>Total expenditures</b>	<b>2,805,928</b>	<b>365,403</b>	<b>(283,387)</b>	<b>(260,120)</b>	<b>2,627,824</b>
<b>Net change for the year</b>	<b>\$ 319,465</b>	<b>\$ (422,821)</b>	<b>\$ 283,387</b>	<b>\$ 260,120</b>	<b>\$ 440,151</b>

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

**TOWN OF DERBY, VERMONT**  
**Balance Sheet - Cemetery Fund**  
**December 31, 2020**

<b>Assets</b>	
Cash	\$ 74,622
Investments	25,641
	<u>          </u>
<b>Total assets</b>	<b>\$ 100,263</b>
 <b>Liabilities</b>	
Due to other funds	\$ 6,238
	<u>          </u>
 <b>Fund balance</b>	
Restricted	94,025
	<u>          </u>
<b>Total liabilities and fund balance</b>	<b>\$ 100,263</b>
	<u>          </u>

**TOWN OF DERBY, VERMONT**  
**Reconciliation of the Balance Sheet to the Statement of Net Position -**  
**Cemetery Fund**  
**Year Ended December 31, 2020**

<b>Total fund balance</b>	\$ 94,025
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>(22,235)</u>
<b>Net position of the discretely presented component unit</b>	<b>\$ 103,090</b>
	<u>          </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 -**  
**Cemetery Fund**  
**Year Ended December 31, 2020**

<b>Revenues</b>	
Property taxes	\$ 33,687
Fees and charges for services	3,410
Interest and dividends	1,927
Sale of lots	<u>1,900</u>
<b>Total revenues</b>	40,924
 <b>Expenditures</b>	
Cemetery	<u>42,935</u>
<b>Excess of expenditures over revenues</b>	(2,011)
 <b>Other financing uses</b>	
Unrealized gain on investments	<u>342</u>
<b>Change in fund balance</b>	(1,669)
<b>Fund balance - beginning of year</b>	<u>95,694</u>
<b>Fund balance - end of year</b>	<u><u>\$ 94,025</u></u>

**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, 2020**

<b>Total net change in fund balance</b>	\$ (1,669)
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.	<u>(2,880)</u>
<b>Change in net position of the Cemetery Fund</b>	<u><u>\$ (4,549)</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, 2020**

**Assets**

Cash and cash equivalents	\$ 250
Investments - certificates of deposit	<u>2,000</u>
<b>Total assets</b>	<u><u>2,250</u></u>

**Net Position**

Held in Trust	<u><u>\$ 2,250</u></u>
---------------	------------------------

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 Town of Derby, Vermont (the "Town") has adopted accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board ("GASB"), the accepted standard setting body for establishing accounting and financial reporting principles for governmental units.

The Select Board of the Town adopted the following policies which are consistently applied in the preparation of the financial statements. The following is a summary of the more significant policies.

#### **a) Reporting Entity**

This report includes all of the funds of the Town. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on 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. Adjustments have been made to minimize the effect of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange 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 Activities presents a comparison between direct expenses and program 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 good or services offered by the programs, and grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

##### **Fund Financial Statements**

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for using a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures as appropriate.

## TOWN OF DERBY, VERMONT

### Notes to the Financial Statements

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

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

###### **Governmental Funds**

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account groups are grouped, in the financial statements in this report, as follows:

**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 Lake Salem Milfoil Prevention Fund is a special revenue fund.

The Town reports on the following fiduciary funds:

**Fiduciary Fund** - Fiduciary activities are those in which the Town acts as trustee or agent for resources that belong to others. These activities are not included in the Town-wide financial statements because their resources do not belong to the Town and are not available to be used.

##### **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 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.

**TOWN OF DERBY, VERMONT**

**Notes to the Financial Statements**

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

**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.

**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) Investments**

Investments are stated at fair value. Fair value of investments is based on quoted market prices. For additional information regarding types of investments and basis of valuation see Note 5 – Investments.

**h) Delinquent Taxes Receivable**

Delinquent taxes receivable represents property taxes in arrears as of June 30, 2020. 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.

**i) 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

## TOWN OF DERBY, VERMONT

### Notes to the Financial Statements

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

##### **j) Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial 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(s) 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 liability and the 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.

In addition to liabilities, the financial statements 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 three items that qualify for reporting in this category.

The first item is related to unearned property taxes, interest, and penalties. 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 prepaid property taxes on its governmental funds balance sheet a deferral related to a future period.

The third 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.

##### **k) Other Benefits**

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

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.



## TOWN OF DERBY, VERMONT

### Notes to the Financial Statements

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

##### **l) 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 8 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenue activity.

##### **m) Long-Term Liabilities**

Long-term liabilities include bonds and notes payable and other obligations such as net pension liability. Long-term liabilities are reported in the government-wide financial statements. Governmental fund financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current liabilities on their balance sheets.

##### **n) Net Position/Fund Balance**

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets – This category groups all capital assets into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions 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.

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

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

Restricted fund balance: 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.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

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

**n) Net Position/Fund Balance (continued)**

The Town has the following restricted fund balance:

Highway	\$	602,475
Hydro-seeder		1,465
Fire department equipment		29,314
Land record restoration		38,806
	\$	<u>672,060</u>

Committed fund balance: The amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board, which is the Town's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes voter approved reservations and contractual obligations to the extent that the existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. . The Town has established the following committed fund balance:

Salem Beach House	\$	667
Veterans Memorial		7,210
Dog Park		4,980
Recreation		52,517
	\$	<u>65,374</u>

Assigned fund balance: This classification reflects the amounts constrained by the Board's "intent" to be used for specific purposes but are neither restricted or committed. The Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances on other governmental funds.

When both restricted and unrestricted fund balances are available for use, it is the Town's policy to use restricted funds first, then unrestricted funds. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

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	\$	556,929
Capital assets net of related depreciation		5,236,506
Deferred outflows of resources:		
Pensions		70,580
Liabilities:		
Long term notes payable		(605,282)
Compensated Absences		(10,910)
Net pension liability – proportionate share		(200,718)
Deferred inflows of resources:		
Unavailable property taxes		259,975
Pensions		(3,606)
Ending net position reported in Statement of Net Position for governmental activities	\$	<u>5,303,474</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 four 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	\$	3,125,393
<p>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.</p>		
		<u>(57,418)</u>
Total revenues of governmental activities in the Statement of Activities	\$	<u>3,067,975</u>
Total expenditures reported in governmental funds	\$	2,805,928
<p>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 more than the amount used during the year.</p>		
		3,263
<p>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.</p>		
		39,653
<p>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.</p>		
Expenditures for capital outlays		(283,387)
Current year depreciation		322,487
<p>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.</p>		
Repayment of principal		<u>(260,120)</u>
Total expenses of governmental activities in the Statement of Activities	\$	<u><u>2,627,824</u></u>

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

**Note 3. 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.

**Note 4. 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.

At December 31, 2020, the carrying amount of the Town’s deposits was \$540,967 and the bank balance was \$972,063. 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, 2020, the Town’s deposits exceeded the Federal Depository Insurance coverage by \$606,585.

At December 31, 2020, the Town had \$68,120 in restricted cash balances. These balances were restricted for the following purposes:

Fire department equipment	29,314
Record restoration	38,806
	<u>68,120</u>
	\$ <u>68,120</u>

**Note 5. Investments**

All investments held in the name of the Town are stated at market value. At December 31, 2020, investments in corporate stock had a cost basis of \$200. The investments had an unrealized gain of \$342 for the year ended December 31, 2020.

**TOWN OF DERBY, VERMONT**

**Notes to the Financial Statements**

**Note 6. 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.

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

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Canadian Imperial Bank of Commerce stock	\$ 25,641	\$ -	\$ -	\$ 25,641

**TOWN OF DERBY, VERMONT**

**Notes to the Financial Statements**

**Note 7. Capital Assets**

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

	12/31/19 Balance	Additions	Retirement	12/31/20 Balance
Capital assets that are not depreciated:				
Land	\$ 210,684	\$ -	-	\$ 210,684
Construction in progress	17,528	21,290	-	38,818
Total	228,212	21,290	-	249,502
Capital assets that are depreciated:				
Equipment:				
Highway	2,018,674	-	-	2,018,674
General	160,848	-	-	160,848
Fire	1,174,801	-	-	1,174,801
Infrastructure	2,928,355	262,097	-	3,190,452
Recreation	22,012	-	-	22,012
Buildings	2,240,867	-	-	2,240,867
	8,545,557	262,097	-	8,807,654
Component Unit	31,300	-	-	31,300
Total	8,576,857	262,097	-	8,838,954
Less accumulated depreciation:				
Equipment:				
Highway	1,086,601	101,388	-	1,187,989
General	160,848	-	-	160,848
Fire	617,872	65,945	-	683,817
Infrastructure	521,427	103,326	-	624,753
Recreation	3,021	2,840	-	5,861
Buildings	1,108,394	48,988	-	1,157,382
	3,498,163	322,487	-	3,820,650
Component Unit	19,355	2,880	-	22,235
Total	3,517,518	325,367	-	3,842,885
Total capital assets - net	\$ 5,287,551	\$ (41,980)	-	\$ 5,245,571

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 14,650
Public safety	92,878
Recreation	4,556
Transportation	209,339
Health and welfare	1,064
	\$ 322,487



**TOWN OF DERBY, VERMONT**

**Notes to the Financial Statements**

**Note 8. Interfund Balances and Activity**

Interfund balances and activity at December 31, 2020 and for the year then ended, were as follows:

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenses
General Fund	\$ 18,098	\$ -	\$ -	\$ -
Lake Salem Milfoil Prevention	-	11,860	-	-
Cemetery – Component Unit	-	6,238	-	-
	<u>\$ 18,098</u>	<u>\$ 18,098</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Note 9. Indebtedness**

Short-term debt

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

Line of credit	Maturity	Stated Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
	12/31/20	2.800%	\$ -	\$ 708,099	\$ 708,099	\$ -

Interest paid on short-term debt for the year ended December 31, 2020 was \$18,256.

Long-term debt

During the year ended December 31, 2020, the following changes occurred in the long-term liabilities:

	12/31/19 Balance	Additions	Reductions	12/31/20 Balance
Governmental Activities				
Notes payable	\$ 865,402	\$ -	\$ (260,120)	\$ 605,282
Compensated absences	7,647	3,263	-	10,910
Net pension liability	165,282	35,436	-	200,718
Total long-term liabilities	<u>\$ 1,038,331</u>	<u>\$ 38,699</u>	<u>\$ (260,120)</u>	<u>\$ 816,910</u>

**TOWN OF DERBY, VERMONT**

**Notes to the Financial Statements**

**Note 9. Indebtedness (continued)**

Long-term notes payable consists of the following at December 31, 2020:

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.	46,377
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.	101,162
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.	127,743
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.	80,000
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.	<u>250,000</u>
Total governmental activities	605,282
Less current portion:	<u>(229,481)</u>
	<u>\$ 375,801</u>

Scheduled maturities of notes and bonds payable are as follows as December 31, 2020:

Years ended December 31	Principal	Interest	Total
2021	\$ 229,481	\$ 17,393	\$ 246,874
2022	185,801	10,312	196,113
2023	70,000	4,631	74,631
2024	70,000	2,776	72,776
2025	50,000	820	50,820
	<u>\$ 605,282</u>	<u>\$ 35,932</u>	<u>\$ 641,214</u>

**TOWN OF DERBY, VERMONT**

**Notes to the Financial Statements**

**Note 10. 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	\$	0.4291
Education tax rate - residential		1.3964
Education tax rate - nonresidential		1.6491

**Note 11. Pensions**

Vermont Municipal Employees' Retirement System

Plan description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and 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, 2019, the retirement system consisted of 379 participating employers.

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

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

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

**TOWN OF DERBY, VERMONT**

**Notes to the Financial Statements**

**Note 11. Pensions (continued)**

**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.
Amount	Group A – 1.4% of AFC x service.  Group B – 1.7% of AFC x service as Group B member plus percentage earned as a group A member x AFC.  Group C – 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x AFC.  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.  Maximum benefit is 60% of AFC for Group A and B and 50% of AFC for Groups C and D. The above amounts include the portion of the allowance provided by member contributions.
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.

**TOWN OF DERBY, VERMONT**

**Notes to the Financial Statements**

**Note 11. Pensions (continued)**

**Summary of system provisions (continued)**

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.

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.

Refund of Contribution

Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

Post-Retirement Adjustments

Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in consumer price index but not more than 2% for Group A and 3% for Groups B, C, and D.

Member Contributions

- Group A – 2.75%
- Group B – 5.125%
- Group C – 10.25%
- Group D – 11.60%

**TOWN OF DERBY, VERMONT**

**Notes to the Financial Statements**

**Note 11. Pensions (continued)**

**Summary of system provisions (continued)**

Employer Contributions	Group A – 4.25%
	Group B – 5.75%
	Group C – 7.50%
	Group D – 10.10%
Retirement Stipend	\$25 per month payable at the option of the Board of Retirees

Benefits provided: VMERS provides retirement, disability, and death benefits. Details of benefits can be obtained at [www.vermonttreasurer.gov/retirement/muni-group-plans](http://www.vermonttreasurer.gov/retirement/muni-group-plans) and [www.vermonttreasurer.gov/retirement/muni-group-comparison](http://www.vermonttreasurer.gov/retirement/muni-group-comparison).

Contributions: Per Title 24 Chapter 125 of the Vermont Statutes, contribution requirements of the active employees and the participating Town are established and may be amended by the Retirement Board. Employees and the Town contributions vary based on group classification (Group A, B, C, or D).

	Group A	Group B	Group C	Group D
Employees' contributions	2.75%	5.125%	10.25%	11.60%
Town's contributions	4.25%	5.75%	7.50%	10.10%

Further information on contributions can be obtained at [www.vermonttreasurer.gov/retirement/muni-group-comparisons](http://www.vermonttreasurer.gov/retirement/muni-group-comparisons).

The Town's contractually required contribution rate for the year ended June 30, 2020 was the percentage of annual payroll from the above table, which is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$23,918 for the year ended December 31, 2020.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At December 31, 2020, the Town reported net pension liability of \$200,718. The net pension liability was measured as of June 30, 2019 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, 2019, the Town's proportion was 0.11569%.

**TOWN OF DERBY, VERMONT**

**Notes to the Financial Statements**

**Note 11. Pensions (continued)**

For the year ended December 31, 2020, the Town recognized pension expense of \$61,850. At December 31, 2020, 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
Difference between expected and actual experience	\$ 26,005	\$ 1,735
Changes of assumptions	6,701	-
Difference between projected and actual investment earnings	13,671	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	285	1,871
Town's contributions subsequent to the measurement date	23,918	-
Total	\$ 70,580	\$ 3,606

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:	
2021	\$ 17,475
2022	9,144
2023	10,100
2024	6,338
Total	\$ 43,057

Employer contribution history for the Town as of December 31, 2020 is as follows:

FY 19	\$ 22,229
FY 18	20,579
FY 17	19,347

## TOWN OF DERBY, VERMONT

### Notes to the Financial Statements

#### **Note 11. Pensions (continued)**

##### Significant actuarial assumptions and methods

Inflation:	2.50%
Salary increases:	5.00% per year
Investment rate of return:	7.50%, net of pension plan investment expenses, including inflation
Mortality:	
Death in active service:	Group A, B, and C – 98% of RP-2006 Mortality Tables, blended 60% Blue Collar Employee and 40% Healthy Employee with generational projection using scale SSA-2017.  Group D – 100% of RP-2006 Blue Collar Mortality Table with generational projection using scale SSA-2017.
Healthy post-retirement:	Group A, B, and C – 98% of RP-2006 Mortality Table, blended 60% Blue Collar Annuitant and 40% Healthy Annuitant with generational projection using scale SSA-2017.  Group D – 100% of RP-2006 Blue Collar Annuitant Table with generational projection using scale SSA-2017.
Disabled post-retirement:	All groups – RP-2006 Disabled Mortality Table with generational projection using scale SSA-2017.
Spouse's age:	Females three years younger than males
Cost-of-living adjustments:	1.15% for Group A members and 1.30% for Groups B, C, and D members. The January 1, 2019 and January 1, 2020 COLAs are 1.30% and 0.80%, respectively, for all groups.

Actuarial cost method: Entry Age Actuarial Cost Method. Entry Age is the age at date of employment or, if date is unknown, current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

Assets: The valuation is based on the market value of assets as of the valuation date, as provided by the System. The System uses an "actuarial value of assets" that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.

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%.



**TOWN OF DERBY, VERMONT**

**Notes to the Financial Statements**

**Note 11. Pensions (continued)**

Long-term expected rate of return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major class included in the pension plan's target asset allocation at June 30, 2019, are summarized in the following table

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected</u>
Global Equity	29.0%	6.90%
US Equity – Large Cap	4.0	5.94
US Equity – Small/Mid Cap	3.0	6.72
Non-US Equity – Large Cap	5.0	6.81
Non-US Equity – Small Cap	2.0	7.31
Emerging Markets Debt	4.0	4.26
Core Bond	14.0	1.79
Non-Core Bonds	6.0	3.22
Short Quality Credit	5.0	1.81
Private Credit	5.0	6.00
US TIPS	3.0	1.45
Core Real Estate	5.0	4.26
Non-Core Real Estate	3.0	5.76
Private Equity	10.0	10.81
Infrastructure/Farmland	2.0	4.89
Total	100.0%	

Discount rate: The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employees will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised of an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate 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 of 7.50%, as well as what the proportionate share would be if it were calculated using a discount rate that in one percent lower (6.50%) and one percent higher (8.50%):

	<u>1% Decrease (6.50%)</u>	<u>Current discount rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Town's proportionate share of the net pension liability	\$ 329,148	\$ 200,718	\$ 94,402

## TOWN OF DERBY, VERMONT

### Notes to the Financial Statements

#### **Note 11. Pensions (continued)**

##### Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available as a part of the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance & Management website at:

<http://finance.vermont.gov/reports-and-publications/CAFR>

#### **Note 12. 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.

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and impact on individuals served by the Town, both of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

#### **Note 13. Contingencies**

##### **Federal and State Grants**

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 14. Subsequent Events**

Management has subsequently evaluated events and transactions that occurred between December 31, 2020 and January 25, 2021, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

**TOWN OF DERBY, VERMONT**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual - General Fund**  
**Year Ended December 31, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Property taxes	\$ 2,269,884	\$ 2,505,487	\$ 235,603
Permits and licenses	69,060	100,274	31,214
Investment income	14,000	25,422	11,422
Other revenue	509,500	459,778	(49,722)
Appropriated fund balance	275,000	-	(275,000)
<b>Total revenues</b>	<u>3,137,444</u>	<u>3,090,961</u>	<u>(46,483)</u>
<b>Expenditures</b>			
Select board	19,323	13,972	5,351
Election unit	8,800	8,390	410
Town clerk's office	197,945	202,902	(4,957)
Listers	102,205	206,901	(104,696)
Delinquent tax collector	6,000	4,152	1,848
Town administrator	50,553	51,755	(1,202)
Zoning administrator	57,006	57,932	(926)
Development review board	1,815	1,399	416
Planning	2,891	1,722	1,169
Auditors	12,500	12,252	248
Constable	1,607	818	789
Health Officer	1,477	773	704
Board of civil authority	2,115	6,245	(4,130)
Municipal buildings and grounds	26,333	27,046	(713)
Operation and maintenance	19,235	15,286	3,949
Recycling	35,445	36,377	(932)
Public safety	230,218	221,541	8,677
Recreation	15,506	13,392	2,114
Fire department	200,575	185,996	14,579
General obligations	666,365	366,931	299,434
Highway department	1,124,848	979,391	145,457
Animal control officer	8,104	9,360	(1,256)
Appropriations	346,578	346,578	-
<b>Total expenditures</b>	<u>3,137,444</u>	<u>2,771,111</u>	<u>366,333</u>
<b>Change in fund balance</b>	<u>\$ -</u>	<u>\$ 319,850</u>	<u>\$ 319,850</u>

See the independent auditor's report.

**TOWN OF DERBY, VERMONT**  
**Schedule of the Town's Proportionate Share of the Net Pension Liability**  
**Year Ended December 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Town's proportion of the net pension liability	0.11569%	0.11750%	0.11847%
Town's proportionate share of the net pension liability	\$ 200,718	\$ 165,282	\$ 143,534
Town's covered-employee payroll	\$ 419,270	\$ 420,781	\$ 397,402
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	47.87%	39.28%	36.12%

See the independent auditor's report.

**TOWN OF DERBY, VERMONT**  
**Schedule of the Town's Pensions Contributions**  
**Year Ended December 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 23,918	\$ 23,948	\$ 22,103
Contributions in relation to the contractually required contribution	<u>23,918</u>	<u>23,948</u>	<u>22,103</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 419,270	\$ 420,781	\$ 397,402
Contributions as a percentage of covered-employee payroll	5.70%	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, 2020, which collectively comprise Town of Derby, Vermont's basic financial statements and have issued our report thereon dated January 25, 2021.

### **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, 2021