

TOWN OF DERBY, VERMONT

Financial Statements

Year Ended December 31, 2021

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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, 2021, 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, 2021, 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, and pension benefits information 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 26, 2022 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 26, 2022

TOWN OF DERBY, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2021

The following is a discussion and analysis of the Town of Derby, Vermont's financial performance for the fiscal year ended December 31, 2021.

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.

The Town presents two columns in the governmental funds balance sheet and the governmental fund's statement of revenue, expenditures, and changes in fund balance. The Town's major governmental funds are the general and milfoil prevention funds.

The general fund is the only fund which the Town legally adopts a budget. The Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual provides a comparison of the original and final budget and the actual expenditures for the current year.

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. The notes provide explanations of the accounting principles followed and include tables with more detailed analyses of accounts requiring further clarification. The notes to the financial statements can be found immediately following the basic financial statements.

Required supplementary 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. The required supplementary information can be found immediately after the notes to the financial statements.

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 \$6,296,850 (i.e., net position), a change of \$868,742 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental activities reported total revenue of \$3,311,004, a change of \$118,395 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental activities reported total expenses of \$2,442,262, a change of \$(185,562) 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 \$506,944, a change of \$(174,619) in comparison to the prior year.
- As of the close of the current fiscal year, the governmental funds reported total revenue of \$3,464,611, a change of \$339,218 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental funds reported total expenses of \$3,639,230, a change of \$833,302 in comparison to the prior year.
- As of the close of the current fiscal year, unassigned fund balance for the general fund was \$(207,908), a change of \$(152,422) 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, 2021	December 31, 2020	Percentage Change
Assets			
Other assets	\$ 1,261,753	\$ 1,048,243	20.4%
Capital assets	6,178,101	5,236,506	18.0
Total assets	<u>7,439,854</u>	<u>6,284,749</u>	18.4
Deferred outflows of resources			
Pensions	130,713	70,580	85.2
Total assets and deferred outflows of resources	<u>\$ 7,570,567</u>	<u>\$ 6,355,329</u>	<u>19.1%</u>
Liabilities			
Long-term debt outstanding	\$ 688,002	\$ 816,910	-15.8%
Other liabilities	43,412	38,280	13.4
Total liabilities	<u>731,414</u>	<u>855,190</u>	-14.5
Deferred inflows of resources			
Unearned revenue – state aid	66,578	44,002	51.3
Unearned revenue – federal aid	442,800	-	-
Taxes paid in advance	30,651	24,423	25.5
Pensions	2,274	3,606	-36.9
Total deferred inflows of resources	<u>542,303</u>	<u>72,031</u>	<u>652.9</u>
Net position			
Net investment in capital assets	5,802,276	4,631,224	25.3
Restricted	714,852	737,434	-3.1
Unrestricted	(220,278)	59,450	-470.5
Total net position	<u>6,296,850</u>	<u>5,428,108</u>	<u>16.0</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,570,567</u>	<u>\$ 6,355,329</u>	<u>19.1%</u>

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 \$6,296,850, a change of \$868,742 from the prior year.

The largest portion of net position, \$5,802,276, 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, \$714,852, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(220,278) is unrestricted net position, which is the part of net position that may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Change in Net Position

	December 31, 2021	December 31, 2020	Percentage Change
Revenues			
Program Revenues			
Charges for services	\$ 136,015	\$ 128,830	5.6%
Operating grants	232,036	333,213	-30.4
Capital grants	689,326	194,517	254.4
General revenues			
Real property taxes	2,217,106	2,463,069	-10.0
State sources	20,156	17,500	15.2
Investment earnings	11,624	25,422	-54.3
Miscellaneous	4,741	30,058	-84.2
Total revenues	<u>3,311,004</u>	<u>3,192,609</u>	<u>3.7</u>
Expenses			
General government	713,410	852,923	-16.4
Public safety	435,470	382,288	13.9
Public works	54,643	56,625	-3.5
Transportation	805,955	890,375	-9.5
Recreation	56,489	54,717	3.2
Appropriations	352,775	346,578	1.8
Debt service	23,520	44,318	-46.9
Total expenses	<u>2,442,262</u>	<u>2,627,824</u>	<u>-7.1</u>
Change in net position	868,742	564,785	53.6
Net position – beginning of year	5,428,108	4,863,323	11.6
Net position – end of year	<u>\$ 6,296,850</u>	<u>\$ 5,428,108</u>	<u>16.0%</u>

Governmental activities

Governmental activities for the year resulted in a change in net position of \$868,742. Key elements of this change are as follows:

General fund operations, as discussed further in section below	\$ (178,051)
Milfoil prevention activity	3,432
Change in unavailable revenue – taxes	(88,607)
Acquisition of fixed assets	1,369,432
Disposal of fixed assets	(31,948)
Depreciation expense	(330,889)
Long term debt principal expenditure	229,457
Change in employee benefits	(39,084)
Total	<u>\$ 868,742</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.

The fund balance of the Town's governmental funds as of December 31, 2021 and 2020 are as follows:

	2021	2020	Change
Major funds:			
General fund:			
Restricted	645,640	672,060	(26,420)
Committed	66,165	65,374	791
Unassigned	(207,908)	(55,486)	(152,422)
Milfoil Preservation:			
Committed	3,047	-	3,047
Unassigned	-	(385)	385
 Total fund balance – governmental funds	 \$ 506,944	 \$ 681,563	 \$ (174,619)

The general fund is the chief operating fund. At December 31, 2021 the general fund's total fund balance was \$503,897.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

Total investment in capital assets for governmental activities at year end amounted to \$6,178,101 (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>	
Fire department roof	\$ 34,000
Town office	22,000
Server upgrade	16,500
2022 Mack truck	124,000
VT flap derby	457,873
2021 Paving	550,024
2021 Culvert	203,853

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 \$375,825, 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, 2021

	<u>Governmental Activities</u>	<u>Component Unit</u>
Assets		
Current assets:		
Cash	\$ 571,234	\$ 75,646
Investments	-	46,624
Delinquent taxes receivable	179,583	-
Grants receivable	289,893	-
Due from other government	148,664	-
Due from other funds	184	-
Total current assets	<u>1,189,558</u>	<u>122,270</u>
Noncurrent assets:		
Restricted cash	72,195	-
Capital assets, net	<u>6,178,101</u>	<u>6,475</u>
Total noncurrent assets	<u>6,250,296</u>	<u>6,475</u>
Total assets	<u>7,439,854</u>	<u>128,745</u>
Deferred outflows of resources		
Pensions - VMERS	<u>130,713</u>	-
Total assets and deferred outflows of resources	<u>\$ 7,570,567</u>	<u>\$ 128,745</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 19,885	\$ -
Accrued liabilities	23,527	-
Due to other funds	-	184
Notes payable, current	185,801	-
Total current liabilities	<u>229,213</u>	<u>184</u>
Long term liabilities:		
Notes payable, less current portion	190,024	-
Accrued compensated absences	5,994	-
Net pension liability	<u>306,183</u>	<u>-</u>
Total long term liabilities	<u>502,201</u>	<u>-</u>
Total liabilities	<u>731,414</u>	<u>184</u>
Deferred inflows of resources		
Unearned revenue - state aid	66,578	-
Unearned revenue - federal aid	442,800	-
Taxes paid in advance	30,651	-
Pensions - VMERS	2,274	-
Total deferred inflows of resources	<u>542,303</u>	<u>-</u>
Net Position		
Net investment in capital assets	5,802,276	6,475
Restricted	714,852	122,086
Unassigned	<u>(220,278)</u>	<u>-</u>
Total net position	<u>6,296,850</u>	<u>128,561</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,570,567</u>	<u>\$ 128,745</u>

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

TOWN OF DERBY, VERMONT
Statement of Activities
Year Ended December 31, 2021

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Component Unit
Governmental activities						
General government	\$ 713,410	\$ 113,465	\$ 16,500	\$ -	\$ (583,445)	\$ -
Public safety	435,470	8,614	-	-	(426,856)	-
Public works	54,643	-	-	-	(54,643)	-
Transportation	805,955	5,288	195,335	689,326	83,994	-
Recreation	56,489	8,648	20,201	-	(27,640)	-
Appropriations	352,775	-	-	-	(352,775)	-
Debt service	23,520	-	-	-	(23,520)	-
Total governmental activities	<u>2,442,262</u>	<u>136,015</u>	<u>232,036</u>	<u>689,326</u>	<u>(1,384,885)</u>	<u>-</u>
Component unit						
Cemetery fund	46,985	15,800	-	-	-	(31,185)
Total primary government	<u>\$ 2,489,247</u>	<u>\$ 151,815</u>	<u>\$ 232,036</u>	<u>\$ 689,326</u>	<u>(1,384,885)</u>	<u>(31,185)</u>
General revenues						
Real property taxes					2,217,106	33,883
State sources, not restricted to specific programs					20,156	-
Investment earnings					11,624	1,790
Unrealized gain on investments					-	20,983
Miscellaneous					4,741	-
Total general revenues					<u>2,253,627</u>	<u>56,656</u>
Change in net position					<u>868,742</u>	<u>25,471</u>
Net position - beginning of year, restated					5,303,474	103,090
Prior period adjustment					124,634	-
Net position - beginning of year, restated					<u>5,428,108</u>	<u>103,090</u>
Net position - end of year					<u>\$ 6,296,850</u>	<u>\$ 128,561</u>

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

TOWN OF DERBY, VERMONT
Balance Sheet - Governmental Funds
December 31, 2021

	General	Milfoil Prevention	Total Governmental Funds
Assets			
Cash - unrestricted	\$ 571,234	\$ -	\$ 571,234
Cash - restricted	72,195	-	72,195
Delinquent taxes and fees receivable	179,583	-	179,583
Grants receivable	277,772	12,121	289,893
Due from other government	148,664	-	148,664
Due from other funds	9,258	-	9,258
	<u>1,258,706</u>	<u>12,121</u>	<u>1,270,827</u>
Total assets	\$ 1,258,706	\$ 12,121	\$ 1,270,827
Liabilities			
Accounts payable	\$ 19,885	\$ -	\$ 19,885
Accrued liabilities	23,527	-	23,527
Due to other funds	-	9,074	9,074
Total liabilities	<u>43,412</u>	<u>9,074</u>	<u>52,486</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	171,368	-	171,368
Unearned revenue - state aid	66,578	-	66,578
Unearned revenue - federal aid	442,800	-	442,800
Taxes paid in advance	30,651	-	30,651
Total deferred inflows of resources	<u>711,397</u>	<u>-</u>	<u>711,397</u>
Fund balance			
Restricted	645,640	-	645,640
Committed	66,165	3,047	69,212
Unassigned	(207,908)	-	(207,908)
Total fund balance	<u>503,897</u>	<u>3,047</u>	<u>506,944</u>
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,258,706	\$ 12,121	\$ 1,270,827

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, 2021

	<u>Total Governmental Funds</u>	<u>Long-term Assets, Liabilities</u>	<u>Reclassification and Elimination</u>	<u>Statement of Net Position</u>
Assets				
Current assets				
Cash - unrestricted	\$ 571,234	\$ -	\$ -	\$ 571,234
Cash - restricted	72,195	-	-	72,195
Delinquent taxes and fees receivable	179,583	-	-	179,583
Grants receivable	289,893	-	-	289,893
Due from other government	148,664	-	-	148,664
Due from other funds	9,258	-	(9,074)	184
Noncurrent assets				
Capital assets, net	-	6,178,101	-	6,178,101
Total assets	<u>1,270,827</u>	<u>6,178,101</u>	<u>(9,074)</u>	<u>7,439,854</u>
Deferred outflows of resources				
Pensions	-	130,713	-	130,713
Total assets and deferred outflows of resources	<u>\$ 1,270,827</u>	<u>\$ 6,308,814</u>	<u>\$ (9,074)</u>	<u>\$ 7,570,567</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 19,885	\$ -	\$ -	\$ 19,885
Accrued liabilities	23,527	-	-	23,527
Due to other funds	9,074	-	(9,074)	-
Long-term liabilities				
Notes payable	-	375,825	-	375,825
Accrued compensated absences	-	5,994	-	5,994
Net pension liability	-	306,183	-	306,183
Total liabilities	<u>52,486</u>	<u>688,002</u>	<u>(9,074)</u>	<u>731,414</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	171,368	(171,368)	-	-
Unearned revenue - state aid	66,578	-	-	66,578
Unearned revenue - federal aid	442,800	-	-	442,800
Taxes paid in advance	30,651	-	-	30,651
Pensions	-	2,274	-	2,274
Total deferred inflows of resources	<u>711,397</u>	<u>(169,094)</u>	<u>-</u>	<u>542,303</u>
Fund balance/net position				
Total fund balance/net position	<u>506,944</u>	<u>5,789,906</u>	<u>-</u>	<u>6,296,850</u>
Total liabilities, deferred inflows of resources and fund balance/net position	<u>\$ 1,270,827</u>	<u>\$ 6,308,814</u>	<u>\$ (9,074)</u>	<u>\$ 7,570,567</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, 2021

	<u>General</u>	<u>Milfoil Prevention</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 2,290,713	\$ 15,000	\$ 2,305,713
Intergovernmental revenue	921,317	20,201	941,518
Licenses and permits	27,644	-	27,644
Fees and charges for services	104,092	-	104,092
Investment income	11,624	-	11,624
Local fines	4,278	-	4,278
Miscellaneous	69,357	385	69,742
Total revenues	<u>3,429,025</u>	<u>35,586</u>	<u>3,464,611</u>
Expenditures			
General government	695,976	-	695,976
Public safety	376,288	-	376,288
Public works	53,579	-	53,579
Transportation	1,855,702	-	1,855,702
Recreation	19,779	32,154	51,933
Appropriations	352,775	-	352,775
Debt service	252,977	-	252,977
Total expenditures	<u>3,607,076</u>	<u>32,154</u>	<u>3,639,230</u>
Excess (deficiency) of revenues over expenditures	<u>(178,051)</u>	<u>3,432</u>	<u>(174,619)</u>
Fund balance - beginning of year, as previously stated	557,314	(385)	556,929
Prior period adjustment	124,634	-	124,634
Fund balance - beginning of year, restated	<u>681,948</u>	<u>(385)</u>	<u>681,563</u>
Fund balance - end of year	<u>\$ 503,897</u>	<u>\$ 3,047</u>	<u>\$ 506,944</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, 2021

	Total Governmental Funds	Long-term Revenues, Expenses	Capital Related Funds	Long-term Debt Transactions	Statement of Activities Totals
Revenues					
Property taxes	\$ 2,305,713	\$ (88,607)	\$ -	\$ -	\$ 2,217,106
Intergovernmental revenue	941,518	-	-	-	941,518
Licenses and permits	27,644	-	-	-	27,644
Fees and charges for services	104,092	-	-	-	104,092
Investment income	11,624	-	-	-	11,624
Local fines	4,278	-	-	-	4,278
Miscellaneous	69,742	(65,000)	-	-	4,742
Total revenues	3,464,611	(153,607)	-	-	3,311,004
Expenditures					
General government	695,976	55,934	(38,500)	-	713,410
Public safety	376,288	93,182	(34,000)	-	435,470
Public works	53,579	1,064	-	-	54,643
Transportation	1,855,702	247,185	(1,296,932)	-	805,955
Recreation	51,933	4,556	-	-	56,489
Appropriations	352,775	-	-	-	352,775
Debt service	252,977	-	-	(229,457)	23,520
Total expenditures	3,639,230	401,921	(1,369,432)	(229,457)	2,442,262
Net change for the year	\$ (174,619)	\$ (555,528)	\$ 1,369,432	\$ 229,457	\$ 868,742

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

TOWN OF DERBY, VERMONT
Balance Sheet - Cemetery Fund
December 31, 2021

Assets	
Cash	\$ 75,646
Investments	<u>46,624</u>
Total assets	\$ <u>122,270</u>
Liabilities	
Due to other funds	\$ <u>184</u>
Fund balance	
Restricted	<u>122,086</u>
Total liabilities and fund balance	\$ <u>122,270</u>

TOWN OF DERBY, VERMONT
Reconciliation of the Balance Sheet to the Statement of Net Position -
Cemetery Fund
Year Ended December 31, 2021

Total fund balance	\$ 122,086
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>(24,825)</u>
Net position of the discretely presented component unit	\$ <u>128,561</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, 2021

Revenues	
Property taxes	\$ 33,883
Fees and charges for services	10,600
Interest and dividends	1,790
Sale of lots	<u>5,200</u>
Total revenues	<u>51,473</u>
 Expenditures	
Cemetery	<u>44,395</u>
Excess of expenditures over revenues	<u>7,078</u>
 Other financing uses	
Unrealized gain on investments	<u>20,983</u>
Change in fund balance	28,061
Fund balance - beginning of year	<u>94,025</u>
Fund balance - end of year	<u>\$ 122,086</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, 2021

Total net change in fund balance	\$ 28,061
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>(2,590)</u>
Change in net position of the Cemetery Fund	<u>\$ 25,471</u>

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

TOWN OF DERBY, VERMONT
Statement of Net Position -
Fiduciary Fund
December 31, 2021

Assets

Cash and cash equivalents	\$ 255
Investments - certificates of deposit	<u>2,000</u>
Total assets	<u><u>2,255</u></u>

Net Position

Held in Trust	\$ <u><u>2,255</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

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 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. All remaining governmental funds are aggregated and reported as non-major funds.

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 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 Lake Salem Milfoil Prevention Fund is a special revenue fund.

The Town reports on the following fiduciary funds:

Fiduciary Fund - Fiduciary activities are those 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 as it matches the liquidation of related obligations.

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 7 – Investments.

h) Delinquent Taxes Receivable

Delinquent taxes receivable represents property taxes in arrears as of December 31, 2021. 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. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not capitalized. 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

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are incurred.

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 four 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 and statement of net position a deferral related to a future period.

The third item is unearned state and federal aid. The Town reports prepaid property taxes on its governmental funds balance sheet and statement of net position 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.

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 5 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 – 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 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	\$	571,423
Hydro-seeder		2,037
Fire department equipment		12,171
Land record restoration		60,009
	\$	<u>645,640</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:

Milfoil Prevention	\$	3,047
Salem Beach House		667
Veterans Memorial		6,880
Dog Park		4,334
Recreation		51,237
	\$	<u>66,165</u>

Assigned fund balance - 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 fund balance - 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 been restricted or assigned. At December 31, 2021, the Town's unassigned fund balance in the general fund was \$(204,199).

Net Position/Fund Balance

Net position flow assumption: Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to be reported as restricted – net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

n) Net Position/Fund Balance (continued)

Fund balance flow assumption: Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned, and unassigned fund balance). In order to calculate the amounts to be reported as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

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.

Note 2. 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 the following January 1. The budgets, 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 is a summary of adjustments made to the actual revenues and expenditures to conform to the budgetary basis of accounting:

General fund:	
Total revenues (GAAP basis)	\$ 3,429,025
Add: appropriated fund balance	178,051
Total revenues budgetary basis	<u>\$ 3,607,076</u>

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 3. 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	\$	506,944
Capital assets net of related depreciation		6,178,101
Deferred outflows of resources:		
Pensions		130,713
Liabilities:		
Long term notes payable		(375,825)
Compensated Absences		(5,994)
Net pension liability – proportionate share		(306,183)
Deferred inflows of resources:		
Unavailable property taxes		171,368
Pensions		(2,274)
Ending net position reported in Statement of Net Position for governmental activities	\$	<u>6,296,850</u>

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 3. 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 3. 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	\$	3,464,611
<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>		
		(88,607)
<p>Reclassification of gain on vehicle traded in</p>		
		<u>(65,000)</u>
Total revenues of governmental activities in the Statement of Activities	\$	<u>3,311,004</u>
Total expenditures reported in governmental funds	\$	3,639,230
<p>In the Statement of Activities, certain operating expenses (compensated absences) are measured by the amount earning 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>		
		(4,916)
<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>		
		44,000
<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		(1,369,432)
Current year depreciation		330,889
Disposal of fixed assets		31,948
<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>(229,457)</u>
Total expenses of governmental activities in the Statement of Activities	\$	<u>2,442,262</u>

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

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, 2021, the carrying amount of the Town’s deposits was \$721,329 and the bank balance was \$774,984. 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, 2021, the Town’s deposits exceeded the Federal Depository Insurance coverage by \$524,984.

At December 31, 2021, the Town had \$72,195 in restricted cash balances. These balances were restricted for the following purposes:

Fire department equipment	12,171
Record restoration	<u>60,024</u>
	<u>\$ 72,195</u>

Note 5. Interfund Balances and Activity

Interfund balances and activity at December 31, 2021 and for the year then ended, were as follows:

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenses
General Fund	\$ 9,258	\$ -	\$ -	\$ -
Lake Salem Milfoil Prevention	-	9,074	-	-
Cemetery – Component Unit	-	184	-	-
	<u>\$ 9,258</u>	<u>\$ 9,258</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 6. Investments

All investments held in the name of the Town are stated at market value. At December 31, 2021, investments in corporate stock had a cost basis of \$200. The investments had an unrealized gain of \$20,983 for the year ended December 31, 2021.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

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 Village 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.

Investments	Level 1	Level 2	Level 3	Total
Canadian Imperial Bank of Commerce stock	\$ 46,624	\$ -	\$ -	\$ 46,624

Note 8. 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 16th and become delinquent on October 17th. 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 2021 were:

Town tax rate	0.3931
Education tax rate - residential	1.3405
Education tax rate - nonresidential	1.6212

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 9. Capital Assets

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

	12/31/20 Balance	Additions	Retirement	12/31/21 Balance
Capital assets that are not depreciated:				
Land	\$ 210,684	\$ -	-	\$ 210,684
Construction in progress	38,818	-	38,818	-
Total	249,502	-	38,818	210,684
Capital assets that are depreciated:				
Equipment:				
Highway	2,018,676	124,000	175,133	1,967,543
General	160,848	16,500	-	177,348
Fire	1,174,801	-	-	1,174,801
Infrastructure	3,190,452	1,211,750	-	4,402,202
Recreation	22,012	-	-	22,012
Buildings	2,240,867	56,000	-	2,296,867
	8,807,656	1,408,250	175,133	10,040,773
Component Unit	31,300	-	-	31,300
Total	8,838,956	1,408,250	175,133	10,072,073
Less accumulated depreciation:				
Equipment:				
Highway	1,187,989	70,441	78,184	1,180,246
General	160,848	1,650	-	162,498
Fire	683,817	65,399	-	749,216
Infrastructure	624,753	140,172	-	764,925
Recreation	5,861	2,840	-	8,701
Buildings	1,157,382	50,388	-	1,207,770
	3,820,650	330,890	78,184	4,073,356
Component Unit	22,235	2,590	-	24,825
Total	3,842,885	336,480	78,184	4,098,181
Total capital assets - net	\$ 5,245,573	\$ 1,074,770	135,767	\$ 6,184,576

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 16,851
Public safety	93,182
Recreation	4,556
Transportation	215,237
Health and welfare	1,064
	\$ 330,890

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 10. Indebtedness

Short-term debt

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

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
TAN	12/31/2021	1.250%	\$ -	\$ 781,946	\$ 781,946	\$ -

Interest paid on short-term debt for the year ended December 31, 2021 was \$6,025.

Long-term debt

During the year ended December 31, 2021, the following changes occurred in the long-term liabilities:

	<u>12/31/20 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/21 Balance</u>
Governmental Activities				
Notes payable	\$ 605,282	\$ -	\$ (229,457)	\$ 375,825
Compensated absences	10,910	-	(4,916)	5,994
Net pension liability	200,718	105,465	-	306,183
Total long-term liabilities	<u>\$ 816,910</u>	<u>\$ 105,465</u>	<u>\$ (234,373)</u>	<u>\$ 688,002</u>

Long-term notes payable consists of the following at December 31, 2021:

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.	51,161
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.	64,664
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.	60,000
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>200,000</u>
Total governmental activities	375,825
Less current portion:	<u>(185,801)</u>
	<u>\$ 190,024</u>

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, 2021:

<u>Years ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	185,801	10,312	196,113
2023	70,000	4,631	74,631
2024	70,000	2,776	72,776
2025	50,024	820	50,844
	<u>\$ 375,825</u>	<u>\$ 18,539</u>	<u>\$ 394,364</u>

Note 11. Pensions

Vermont Municipal Employees' Retirement System (VMERS)

Plan description

The Vermont Municipal Employees' Retirement System (VMERS) – a cost-sharing, multiple-employer defined benefit pension plan 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, 2020, the retirement plan consisted of 353 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.

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.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 11. Pensions (continued)

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

Group A – the earlier of age 65 with 5 years of service or age 55 with 35 years of service.

Eligibility

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.

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.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 11. Pensions (continued)

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

Death after 5 years of service.

Eligibility 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.

Amount

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 no more than 2% for Group A and 3% for Group B, C, and D.

Retirement Stipend

\$25 per month payable at the option of the Board of Trustees.

Member Contributions

Group A – 3.00%

Group B – 5.375%

Group C – 10.50%

Group D – 11.85%

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 11. Pensions (continued)

Employer Contributions	Group A – 4.2%
	Group B – 6.00%
	Group C – 7.75%
	Group D – 10.35%

Significant actuarial assumptions and methods

Investment rate of return:	7.00%, net of pension plan investment expenses, including inflation.
Salary increases:	Varying service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.
Mortality:	
Pre-retirement:	Group A, B, and C – 40% PubG-2010 general employee below-median and 60% of PubG-2010 General Employee, with generational projection using scale MP-2019. Group D – PubG-2010 general employee above-median, with generational projection using scale MP-2019.
Healthy post-retirement:	<u>Retiree</u> Group A, B, and C – 104% of 40% PubG-2010 general healthy retiree below-median and 60% of PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019. Group D – PubG-2010 general healthy retirees, with generational projection using scale MP-2019.
	<u>Beneficiaries</u> Group A, B, and C – 70% PubG-2010 contingent survivor below-median and 30% of PubG-2010 contingent survivor, with generational projection using scale MP-2019. Group D – PubG-2010 contingent survivor, with generational projection using scale MP-2019.
Disabled post-retirement:	All groups – PubNS-2010 non-safety disabled mortality table with generational projection using scale MP-2019.
Spouse's age:	Females three years younger than males

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 11. Pensions (continued)

Cost-of-living adjustments: 1.10% for Group A members and 1.20% for Groups B, C, and D members. The January 1, 2020 and January 1, 2021 COLAs are 0.80% and 0.40%, respectively, for all groups.

Inflation: 2.30%

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.

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, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected</u>
Global Equity	29.00%	7.07%
US Equity – Large Cap	4.00	6.19
US Equity – Small/Mid Cap	3.00	6.93
Non-US Equity – Large Cap	5.00	7.01
Non-US Equity – Small Cap	2.00	7.66
Emerging Markets Debt	4.00	3.66
Core Bond	20.00	0.39
Private and Alternative Credit	10.00	6.03
US TIPS	3.00	(0.20)
Core Real Estate	5.00	4.06
Non-Core Real Estate	3.00	6.43
Private Equity	10.00	11.27
Infrastructure/Farmland	2.00	5.44
Total	100.00%	

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 11. Pensions (continued)

Discount rate: The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members) with scheduled increases through July 1, 2021. Further, based upon Board resolution, projected contributions beginning July 1, 2020 and each subsequent July 1, through 2025 include additional total contribution increases of 0.50% per year. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service cost of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2020.

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.

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.00%) or one percent higher (8.00%) than the current rate:

1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
\$ 467,785	\$ 306,183	\$ 173,218

Pension liability, pension expense, and deferred outflow of resources and deferred inflows of resources related to pensions

As of June 30, 2020, the measurement date selected by the State of Vermont, VMERS was funded at 74.5% and has a plan fiduciary net position of \$740,052,895 and a total pension liability of \$993,026,959 resulting in a net position pension liability of \$252,974,064. As of June 30, 2021, the Town's proportionate share of this was 0.12103% resulting in a net pension liability of \$306,183. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Town's proportion of 0.12103% was an increase of .00534 from its proportion measured as of the prior year.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 11. Pensions (continued)

For the year ended June 30, 2021, the Town recognized pension expense of \$72,065. As of June 30, 2021 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 27,575	\$ 908
Changes of assumptions	41,049	-
Difference between projected and actual investment earnings	29,284	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	5,906	1,366
Town's contributions subsequent to the measurement date	26,899	-
Total	\$ 130,713	\$ 2,274

The \$26,899 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expenses as follows:

Year ended:	
2021	\$ 28,263
2022	29,270
2023	25,327
2024	18,680
Total	\$ 101,540

Employer contribution history for the Town as of June 30, 2021 is as follows:

FY 21	\$ 26,899
FY 20	25,085
FY 19	22,229

Additional Information

Additional information regarding the State of Vermont Municipal Employees' Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

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. Prior Period Adjustments

For the fiscal year ended June 30, 2021, the Town has corrected the opening balance of federal aid receivables in the general fund and government-wide financial statements to account for FEMA grant receivables. The effect of this adjustment increased fund balance in the general fund and net position in the government-wide financial statements by \$124,634 as of June 30, 2020.

Note 15. Subsequent Events

Management has subsequently evaluated events and transactions that occurred between December 31, 2021 and January 26, 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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Property taxes	\$ 2,144,178	\$ 2,290,713	\$ 146,535
Permits and licenses	68,760	101,502	32,742
Investment income	14,000	11,624	(2,376)
Other revenue	249,500	1,025,186	775,686
Appropriated fund balance	<u>523,533</u>	<u>178,051</u>	<u>(345,482)</u>
Total revenues	<u>\$ 2,999,971</u>	<u>\$ 3,607,076</u>	<u>\$ 607,105</u>
Expenditures			
Select board	\$ 18,323	\$ 13,953	\$ 4,370
Election unit	6,200	2,235	3,965
Town clerk's office	205,915	205,062	853
Listers	98,075	82,345	15,730
Delinquent tax collector	5,700	3,051	2,649
Town administrator	51,663	50,466	1,197
Zoning administrator	58,500	56,309	2,191
Development review board	1,815	2,018	(203)
Planning	2,891	1,722	1,169
Auditors	12,500	11,989	511
Constable	1,607	843	764
Health Officer	1,476	451	1,025
Board of civil authority	2,715	5	2,710
Municipal buildings and grounds	49,548	62,925	(13,377)
Operation and maintenance	19,368	16,989	2,379
Recycling	38,467	35,749	2,718
Public safety	239,852	255,867	(16,015)
Recreation	17,659	19,062	(1,403)
Fire department	232,379	236,589	(4,210)
General obligations	378,104	359,733	18,371
Highway department	1,196,155	1,828,630	(632,475)
Animal control officer	8,284	8,308	(24)
Appropriations	<u>352,775</u>	<u>352,775</u>	<u>-</u>
Total expenditures	<u>\$ 2,999,971</u>	<u>\$ 3,607,076</u>	<u>\$ (607,105)</u>

See the independent auditor's report.

TOWN OF DERBY, VERMONT
Schedule of Proportionate Share of the Net Pension Liabilities
Year Ended December 31, 2021

VMERS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Measurement date	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Town's proportion of the net pension liability	0.12103%	0.11569%	0.11750%	0.11847%
Town's proportionate share of the net pension liability	\$ 306,183	\$ 200,718	\$ 165,282	\$ 143,534
Town's covered-employee payroll	\$ 439,138	\$ 419,270	\$ 420,781	\$ 397,402
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	69.72%	47.87%	39.28%	36.12%
Plan fiduciary net position as a percentage of the total pension liability	50.00%	54.96%	54.81%	53.98%

See the independent auditor's report.

TOWN OF DERBY, VERMONT
Schedule of Contributions
Year Ended December 31, 2021

VMERS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 26,899	\$ 23,918	\$ 23,948	\$ 22,103
Contributions in relation to the contractually required contribution	<u>26,899</u>	<u>23,918</u>	<u>23,948</u>	<u>22,103</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 439,138	\$ 419,270	\$ 420,781	\$ 397,402
Contributions as a percentage of covered-employee payroll	6.13%	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, 2021, which collectively comprise Town of Derby, Vermont's basic financial statements and have issued our report thereon dated January 26, 2022.

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 26, 2022