

TOWN OF DERBY, VERMONT

Financial Statements

Year Ended December 31, 2022

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Independent Auditor's Report

To the Select Board
Town of Derby
Derby, Vermont

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Town of Derby, Vermont's basic financial statements as listed in the table of contents. 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Derby, Vermont and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Derby, Vermont ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Derby, Vermont's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Derby, Vermont's ability to continue as a going concern for a reasonable period of time.

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

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 benefit information on pages 3-8 and 39-41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 February 7, 2023 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
February 7, 2023

**TOWN OF DERBY, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2022**

The following is a discussion and analysis of the Town of Derby, Vermont's financial performance for the fiscal year ended December 31, 2022.

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 \$6,411,713 (i.e., net position), a change of \$(19,664) in comparison to the prior year.
- As of the close of the current fiscal year, the governmental activities reported total revenue of \$3,178,795, a change of \$(132,209) in comparison to the prior year.
- As of the close of the current fiscal year, the governmental activities reported total expenses of \$3,198,459, a change of \$756,197 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 \$66,702, a change of \$(574,769) in comparison to the prior year.
- As of the close of the current fiscal year, the governmental funds reported total revenue of \$3,196,220, a change of \$(268,391) in comparison to the prior year.
- As of the close of the current fiscal year, the governmental funds reported total expenses of \$3,770,989, a change of \$131,759 in comparison to the prior year.
- As of the close of the current fiscal year, unassigned fund balance for the general fund was \$(278,315), a change of \$(74,116) 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>		
	<u>12/31/22</u>	<u>Restated 12/31/21</u>	<u>Percentage Change</u>
Assets			
Other assets	\$ 1,087,037	\$ 1,396,280	-22.2%
Capital assets	<u>6,575,930</u>	<u>6,178,101</u>	<u>6.4</u>
Total assets	<u>7,662,967</u>	<u>7,574,381</u>	<u>1.2</u>
Deferred outflows of resources			
Pensions	<u>92,793</u>	<u>130,713</u>	<u>-29.0</u>
Total assets and deferred outflows of resources	<u>\$ 7,755,760</u>	<u>\$ 7,705,094</u>	<u>0.7%</u>
Liabilities			
Long-term debt outstanding	\$ 368,480	\$ 688,002	-46.4%
Other liabilities	<u>95,331</u>	<u>43,412</u>	<u>119.6</u>
Total liabilities	<u>463,811</u>	<u>731,414</u>	<u>-36.6</u>
Deferred inflows of resources			
Unearned revenue – state aid	89,035	66,578	33.7
Unearned revenue – federal aid	622,620	442,800	40.6
Taxes paid in advance	59,406	30,651	93.8
Pensions	<u>109,175</u>	<u>2,274</u>	<u>4,701.0</u>
Total deferred inflows of resources	<u>880,236</u>	<u>542,303</u>	<u>62.3</u>
Net position			
Net investment in capital assets	6,385,930	5,802,276	10.1
Restricted	345,017	714,852	-51.7
Unrestricted	<u>(319,234)</u>	<u>(85,751)</u>	<u>-272.3</u>
Total net position	<u>6,411,713</u>	<u>6,431,377</u>	<u>-0.3</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 7,755,760</u>	<u>\$ 7,705,094</u>	<u>0.7%</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 \$6,411,713, a change of \$(19,664) from the prior year.

The largest portion of net position, \$6,385,930, 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, \$345,017, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(319,234) 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

	<u>12/31/22</u>	<u>Restated 12/31/21</u>	<u>Percentage Change</u>
Revenues			
Program Revenues			
Charges for services	\$ 134,847	\$ 136,015	-0.9%
Operating grants	501,690	232,036	116.2
Capital grants	206,672	689,326	-70.0
General revenues			
Real property taxes	2,271,535	2,217,106	2.5
State sources	20,142	20,156	-0.1
Investment earnings	11,273	11,624	-3.0
Miscellaneous	32,636	4,741	588.4
Total revenues	<u>3,178,795</u>	<u>3,311,004</u>	<u>-4.0</u>
Expenses			
General government	905,941	713,410	27.0
Public safety	445,114	435,470	2.2
Public works	38,596	54,643	-29.4
Transportation	1,350,722	805,955	67.6
Recreation	86,811	56,489	53.7
Appropriations	351,788	352,775	-0.3
Debt service	19,487	23,520	-17.2
Total expenses	<u>3,198,459</u>	<u>2,442,262</u>	<u>-31.0</u>
Change in net position	(19,664)	868,742	-102.3
Net position – beginning of year	<u>6,431,377</u>	<u>5,562,635</u>	<u>15.6</u>
Net position – end of year	<u>\$ 6,411,713</u>	<u>\$ 6,431,377</u>	<u>-0.3%</u>

Governmental activities

Governmental activities for the year resulted in a change in net position of \$(19,664). Key elements of this change are as follows:

General fund operations, as discussed further in section below	\$ (571,722)
Milfoil prevention activity	(3,047)
Change in unavailable revenue – taxes	(17,425)
Acquisition of fixed assets	998,180
Disposal of fixed assets	(207,006)
Depreciation expense	(393,345)
Long term debt principal expenditure	185,825
Change in employee benefits	(11,124)
Total	<u>\$ (19,664)</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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Major funds:			
General fund:			
Restricted	278,003	688,000	(409,997)
Committed	67,014	66,165	849
Unassigned	(278,315)	(115,741)	(162,574)
Milfoil Preservation:			
Committed	<u>-</u>	<u>3,047</u>	<u>(3,047)</u>
 Total fund balance – governmental funds	 \$ <u>66,702</u>	 \$ <u>641,471</u>	 \$ <u>(574,769)</u>

The general fund is the chief operating fund. At December 31, 2022 the general fund's total fund balance was \$66,702.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

Total investment in capital assets for governmental activities at year end amounted to \$6,575,930 (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>	
2022 Paving	\$ 553,168
2022 Talbert AC-20 Trailer	28,162
2023 Freightliner Tanker	98,244
2023 GMC Sierra 3500	45,873
CASE CX75C Midi Excavator	114,000
Bed & Dumper for Truck #2	64,906
2022 Fire Equipment	88,533
Zoning Office New Floor	5,295

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 \$190,000, all of which was backed by the full faith and credit of the government.

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

FACTORS BEARING ON THE TOWN'S FUTURE

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

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

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

TOWN OF DERBY, VERMONT
Statement of Net Position
December 31, 2022

	Governmental Activities	Component Unit
Assets		
Current assets:		
Cash	\$ 635,733	\$ 81,212
Investments	-	11,245
Delinquent taxes receivable	161,983	-
Grants receivable	208,099	-
Due from other government	35,000	-
Due from other funds	11,908	-
Total current assets	1,052,723	92,457
Noncurrent assets:		
Restricted cash	34,314	-
Capital assets, net	6,575,930	3,885
Total noncurrent assets	6,610,244	3,885
Total assets	7,662,967	96,342
Deferred outflows of resources		
Pensions - VMERS	92,793	-
Total assets and deferred outflows of resources	\$ 7,755,760	\$ 96,342
Liabilities		
Current liabilities:		
Accounts payable	\$ 71,294	\$ -
Accrued liabilities	24,037	-
Due to other funds	-	11,908
Notes payable, current	70,000	-
Total current liabilities	165,331	11,908
Long term liabilities:		
Notes payable, less current portion	120,000	-
Accrued compensated absences	9,707	-
Net pension liability	168,773	-
Total long term liabilities	298,480	-
Total liabilities	463,811	11,908
Deferred inflows of resources		
Unearned revenue - state aid	89,035	-
Unearned revenue - federal aid	622,620	-
Taxes paid in advance	59,406	-
Pensions - VMERS	109,175	-
Total deferred inflows of resources	880,236	-
Net Position		
Net investment in capital assets	6,385,930	3,885
Restricted	345,017	80,549
Unassigned	(319,234)	-
Total net position	6,411,713	84,434
Total liabilities, deferred inflows of resources, and net position	\$ 7,755,760	\$ 96,342

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

TOWN OF DERBY, VERMONT
Statement of Activities
Year Ended December 31, 2022

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	\$ 905,941	\$ 96,519	\$ 279,696	\$ -	\$ (529,726)	\$ -
Public safety	445,114	8,764	-	-	(436,350)	-
Public works	38,596	-	-	-	(38,596)	-
Transportation	1,350,722	18,660	197,832	206,672	(927,558)	-
Recreation	86,811	10,904	24,162	-	(51,745)	-
Appropriations	351,788	-	-	-	(351,788)	-
Debt service	19,487	-	-	-	(19,487)	-
Total governmental activities	<u>3,198,459</u>	<u>134,847</u>	<u>501,690</u>	<u>206,672</u>	<u>(2,355,250)</u>	<u>-</u>
Component unit						
Cemetery fund	56,500	12,970	-	-	-	(43,530)
Total primary government	<u>\$ 3,254,959</u>	<u>\$ 147,817</u>	<u>\$ 501,690</u>	<u>\$ 206,672</u>	<u>(2,355,250)</u>	<u>(43,530)</u>
General revenues						
Real property taxes					2,271,535	32,896
State sources, not restricted to specific programs					20,142	-
Investment earnings					11,273	1,886
Unrealized gain/loss on investments					-	(35,379)
Miscellaneous					32,636	-
Total general revenues					<u>2,335,586</u>	<u>(597)</u>
Change in net position					<u>(19,664)</u>	<u>(44,127)</u>
Net position - beginning of year, previously stated					6,296,850	128,561
Prior period adjustment					134,527	-
Net position - beginning of year, restated					<u>6,431,377</u>	<u>128,561</u>
Net position - end of year					<u>\$ 6,411,713</u>	<u>\$ 84,434</u>

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

TOWN OF DERBY, VERMONT
Balance Sheet - Governmental Funds
December 31, 2022

	General	Milfoil Prevention	Total Governmental Funds
Assets			
Cash - unrestricted	\$ 635,733	\$ -	\$ 635,733
Cash - restricted	34,314	-	34,314
Delinquent taxes and fees receivable	161,983	-	161,983
Grants receivable	193,602	14,497	208,099
Due from other government	35,000	-	35,000
Due from other funds	26,405	-	26,405
Total assets	\$ 1,087,037	\$ 14,497	\$ 1,101,534
Liabilities			
Accounts payable	\$ 71,294	\$ -	\$ 71,294
Accrued liabilities	24,037	-	24,037
Due to other funds	-	14,497	14,497
Total liabilities	95,331	14,497	109,828
Deferred inflows of resources			
Unavailable revenue - property taxes	153,943	-	153,943
Unearned revenue - state aid	89,035	-	89,035
Unearned revenue - federal aid	622,620	-	622,620
Taxes paid in advance	59,406	-	59,406
Total deferred inflows of resources	925,004	-	925,004
Fund balance			
Restricted	278,003	-	278,003
Committed	67,014	-	67,014
Unassigned	(278,315)	-	(278,315)
Total fund balance	66,702	-	66,702
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,087,037	\$ 14,497	\$ 1,101,534

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, 2022

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassification and Elimination	Statement of Net Position
Assets				
Current assets				
Cash - unrestricted	\$ 635,733	\$ -	\$ -	\$ 635,733
Cash - restricted	34,314	-	-	34,314
Delinquent taxes and fees receivable	161,983	-	-	161,983
Grants receivable	208,099	-	-	208,099
Due from other government	35,000	-	-	35,000
Due from other funds	26,405	-	(14,497)	11,908
Noncurrent assets				
Capital assets, net	-	6,575,930	-	6,575,930
Total assets	1,101,534	6,575,930	(14,497)	7,662,967
Deferred outflows of resources				
Pensions	-	92,793	-	92,793
Total assets and deferred outflows of resources	\$ 1,101,534	\$ 6,668,723	\$ (14,497)	\$ 7,755,760
Liabilities				
Current liabilities				
Accounts payable	\$ 71,294	\$ -	\$ -	\$ 71,294
Accrued liabilities	24,037	-	-	24,037
Due to other funds	14,497	-	(14,497)	-
Long-term liabilities				
Notes payable	-	190,000	-	190,000
Accrued compensated absences	-	9,707	-	9,707
Net pension liability	-	168,773	-	168,773
Total liabilities	109,828	368,480	(14,497)	463,811
Deferred inflows of resources				
Unavailable revenue - property taxes	153,943	(153,943)	-	-
Unearned revenue - state aid	89,035	-	-	89,035
Unearned revenue - federal aid	622,620	-	-	622,620
Taxes paid in advance	59,406	-	-	59,406
Pensions	-	109,175	-	109,175
Total deferred inflows of resources	925,004	(44,768)	-	880,236
Fund balance/net position				
Total fund balance/net position	66,702	6,345,011	-	6,411,713
Total liabilities, deferred inflows of resources and fund balance/net position	\$ 1,101,534	\$ 6,668,723	\$ (14,497)	\$ 7,755,760

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, 2022

	<u>General</u>	<u>Milfoil Prevention</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 2,273,960	\$ 15,000	\$ 2,288,960
Intergovernmental revenue	704,342	24,162	728,504
Licenses and permits	27,956	-	27,956
Fees and charges for services	102,428	-	102,428
Investment income	11,273	-	11,273
Local fines	4,463	-	4,463
Miscellaneous	19,786	12,850	32,636
Total revenues	<u>3,144,208</u>	<u>52,012</u>	<u>3,196,220</u>
Expenditures			
General government	880,928	-	880,928
Public safety	527,019	-	527,019
Public works	37,533	-	37,533
Transportation	1,686,154	-	1,686,154
Recreation	27,196	55,059	82,255
Appropriations	351,788	-	351,788
Debt service	205,312	-	205,312
Total expenditures	<u>3,715,930</u>	<u>55,059</u>	<u>3,770,989</u>
Excess (deficiency) of revenues over expenditures	<u>(571,722)</u>	<u>(3,047)</u>	<u>(574,769)</u>
Fund balance - beginning of year, previously stated	503,897	3,047	506,944
Prior period adjustment	134,527	-	134,527
Fund balance - beginning of year, restated	<u>638,424</u>	<u>3,047</u>	<u>641,471</u>
Fund balance - end of year	<u>\$ 66,702</u>	<u>\$ -</u>	<u>\$ 66,702</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, 2022

	<u>Total Governmental Funds</u>	<u>Long-term Revenues, Expenses</u>	<u>Capital Related Funds</u>	<u>Long-term Debt Transactions</u>	<u>Statement of Activities Totals</u>
Revenues					
Property taxes	\$ 2,288,960	\$ (17,425)	\$ -	\$ -	\$ 2,271,535
Intergovernmental revenue	728,504	-	-	-	728,504
Licenses and permits	27,956	-	-	-	27,956
Fees and charges for services	102,428	-	-	-	102,428
Investment income	11,273	-	-	-	11,273
Local fines	4,463	-	-	-	4,463
Miscellaneous	32,636	-	-	-	32,636
Total revenues	<u>3,196,220</u>	<u>(17,425)</u>	<u>-</u>	<u>-</u>	<u>3,178,795</u>
Expenditures					
General government	880,928	30,307	(5,294)	-	905,941
Public safety	527,019	104,872	(186,777)	-	445,114
Public works	37,533	1,063	-	-	38,596
Transportation	1,686,154	470,677	(806,109)	-	1,350,722
Recreation	82,255	4,556	-	-	86,811
Appropriations	351,788	-	-	-	351,788
Debt service	205,312	-	-	(185,825)	19,487
Total expenditures	<u>3,770,989</u>	<u>611,475</u>	<u>(998,180)</u>	<u>(185,825)</u>	<u>3,198,459</u>
Net change for the year	<u>\$ (574,769)</u>	<u>\$ (628,900)</u>	<u>\$ 998,180</u>	<u>\$ 185,825</u>	<u>\$ (19,664)</u>

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

TOWN OF DERBY, VERMONT
Balance Sheet - Cemetery Fund
December 31, 2022

Assets	
Cash	\$ 81,212
Investments	<u>11,245</u>
Total assets	\$ <u>92,457</u>
Liabilities	
Due to other funds	\$ <u>11,908</u>
Fund balance	
Restricted	<u>80,549</u>
Total liabilities and fund balance	\$ <u>92,457</u>

TOWN OF DERBY, VERMONT
Reconciliation of the Balance Sheet to the Statement of Net Position -
Cemetery Fund
Year Ended December 31, 2022

Total fund balance	\$ 80,549
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>(27,415)</u>
Net position of the discretely presented component unit	\$ <u>84,434</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, 2022

Revenues	
Property taxes	\$ 32,896
Fees and charges for services	7,650
Interest and dividends	1,886
Sale of plots	<u>5,320</u>
Total revenues	<u>47,752</u>
 Expenditures	
Cemetery	<u>53,910</u>
Excess of expenditures over revenues	<u>(6,158)</u>
 Other financing uses	
Unrealized gain on investments	<u>(35,379)</u>
Change in fund balance	(41,537)
Fund balance - beginning of year	<u>122,086</u>
Fund balance - end of year	<u>\$ 80,549</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, 2022

Total net change in fund balance	\$ (41,537)
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><u>\$ (44,127)</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, 2022

Assets

Cash and cash equivalents	\$ 261
Investments - certificates of deposit	<u>2,000</u>
Total assets	<u><u>2,261</u></u>

Net Position

Held in Trust	\$ <u><u>2,261</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 financial reporting entity consist of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization’s governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Based on these criteria, 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 Net Position presents the financial position of the Town at fiscal year-end. 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 and fiduciary fund 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 governmental 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) 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.

f) 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.

g) 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.

h) 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 6 – Investments.

i) Delinquent Taxes Receivable

Delinquent taxes receivable represents property taxes in arrears as of December 31, 2022. 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.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

j) 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.

k) 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 unavailable property taxes, interest, and penalties. The Town reports unavailable 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 unearned revenue 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.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

l) Pensions

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

m) 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.

n) Short-term Debt

The Town may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN) in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The Town may issue Bond Anticipation Notes (BAN) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds.

o) 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.

p) 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.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

p) Net Position/Fund Balance (continued)

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. At December 31, 2022 the Town had no non-spendable fund balance.

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.

The Town had the following restricted fund balance at December 31, 2022:

Highway	\$	241,052
Hydro-seeder		2,637
Fire department equipment		12,183
Land record restoration		<u>22,131</u>
	\$	<u>278,003</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 had established the following committed fund balance at December 31, 2022:

Salem Beach House	\$	667
Veterans Memorial		6,880
Dog Park		4,100
Recreation		<u>55,367</u>
	\$	<u>67,014</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. At December 31, 2022 the Town had no assigned fund balance.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

p) Net Position/Fund Balance (continued)

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, 2022, the Town's unassigned fund balance in the general fund was \$(278,315).

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.

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. 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.

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.

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 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	\$ 66,702
Capital assets, net of related depreciation	6,575,930
Deferred outflows of resources:	
Pensions	92,793
Liabilities:	
Long term notes payable	(190,000)
Compensated Absences	(9,707)
Net pension liability – proportionate share	(168,773)
Deferred inflows of resources:	
Unavailable property taxes	153,943
Pensions	<u>(109,175)</u>
Ending net position reported in Statement of Net Position for governmental activities	\$ <u>6,411,713</u>

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.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

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

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.

Explanation of Differences Between Governmental Funds Operating Statements and the Government-wide Statement of Activities

Total revenues and other funding sources of governmental funds	\$	3,196,220
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Revenue in the statement of activities that do not provide current financial resources (property taxes not collected within 60 days of fiscal year end) are not reported as revenue in the funds. This amount represents an increase in deferred property taxes.		(17,425)
		(17,425)

Total revenues of governmental activities in the Statement of Activities	\$	3,178,795
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Total expenditures reported in governmental funds	\$	3,770,989
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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.		3,713
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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.		7,411
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When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statements of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital outlays		(998,180)
Current year depreciation		393,345
Disposal of fixed assets		207,006

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

Repayment of principal		(185,825)
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Total expenses of governmental activities in the Statement of Activities	\$	3,198,459
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TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 3. Stewardship, Compliance, and Accountability

The General Fund is the only fund with a legally approved budget for the fiscal year ended December 31, 2022.

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)	\$ 3,144,208
Add: appropriated fund balance	372,731
Total revenues budgetary basis	<u>\$ 3,516,939</u>

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, 2022, the carrying amount of the Town's deposits was \$753,520 and the bank balance was \$1,212,703. 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, 2022, the Town's deposits exceeded the Federal Depository Insurance coverage by \$712,703 however, the Town has an irrevocable stand-by letter of credit with the Federal Home Loan Bank of Boston which covered the excess deposits to \$2,250,000.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 4. Cash and Cash Equivalents (continued)

At December 31, 2022, the Town had \$34,314 in restricted cash balances. These balances were restricted for the following purposes:

Fire department equipment	12,183
Record restoration	22,131
	\$ 34,314

Note 5. Investments

All investments held in the name of the Town are stated at market value. At December 31, 2022, investments in corporate stock had a cost basis of \$200. The investments had an unrealized loss of \$(35,379) for the year ended December 31, 2022.

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 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	\$ 11,245	\$ -	\$ -	\$ 11,245

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 7. Capital Assets

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

	12/31/21 Balance	Additions	Retirement	12/31/22 Balance
Capital assets that are not depreciated:				
Land	\$ 210,684	\$ -	-	\$ 210,684
Total	210,684	-	-	210,684
Capital assets that are depreciated:				
Equipment:				
Highway	1,967,543	252,941	347,473	1,873,011
General	177,348	-	-	177,348
Fire	1,174,801	186,777	-	1,361,578
Infrastructure	4,402,202	553,168	-	4,955,370
Recreation	22,012	-	-	22,012
Buildings	2,296,867	5,294	-	2,302,161
	10,040,773	998,180	347,473	10,691,480
Component Unit	31,300	-	-	31,300
Total	10,072,073	998,180	347,473	10,722,780
Less accumulated depreciation:				
Equipment:				
Highway	1,180,246	74,750	140,467	1,114,529
General	162,498	3,300	-	165,798
Fire	749,216	76,240	-	825,456
Infrastructure	764,925	184,295	-	949,220
Recreation	8,701	2,840	-	11,541
Buildings	1,207,770	51,920	-	1,259,690
	4,073,356	393,345	140,467	4,326,234
Component Unit	24,825	2,590	-	27,415
Total	4,098,181	395,935	140,467	4,353,649
Total capital assets - net	\$ 6,184,576	\$ 602,245	207,006	\$ 6,579,815

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 19,183
Public safety	104,872
Recreation	4,556
Transportation	263,671
Health and welfare	1,063
	\$ 393,345

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 8. Interfund Balances and Activity

Interfund balances and activity at December 31, 2022 and for the year then ended, were as follows:

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenses
General Fund	\$ 26,405	\$ -	\$ -	\$ -
Lake Salem Milfoil Prevention	-	14,497	-	-
Cemetery – Component Unit	-	11,908	-	-
	<u>\$ 26,405</u>	<u>\$ 26,405</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. 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 2022 were:

Education tax rate - residential	\$ 1.5215
Education tax rate - nonresidential	1.2527
Local agreement	0.0030
Voted appropriations	0.0597
Cemetery	0.0063
Road	0.1666
General	0.1786

Note 10. Indebtedness

Short-term debt

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

	Maturity	Stated Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	12/31/2022	1.45%	\$ -	\$ 704,384	\$ 704,384	\$ -

Interest paid on short-term debt for the year ended December 31, 2022 was \$10,214.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 10. Indebtedness (continued)

Long-term debt

During the year ended December 31, 2022, the following changes occurred in the long-term liabilities:

	12/31/21 Balance	Additions	Reductions	12/31/22 Balance
Governmental Activities				
Notes payable	\$ 375,825	\$ -	\$ 185,825	\$ 190,000
Compensated absences	5,994	3,713	-	9,707
Net pension liability	306,183	-	137,410	168,773
Total long-term liabilities	\$ 688,002	\$ 3,713	\$ 323,235	\$ 368,480

Long-term notes payable consists of the following at December 31, 2022:

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. 40,000

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. 150,000

Total governmental activities 190,000
 Less current portion: (70,000)
\$ 120,000

Scheduled maturities of notes and bonds payable are as follows as December 31, 2021:

Years ended December 31	Principal	Interest	Total
2023	70,000	4,631	74,631
2024	70,000	2,776	72,776
2025	50,000	820	50,820
	\$ 190,000	\$ 8,227	\$ 198,227

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

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, 2021, the retirement plan consisted of 352 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. Group B and C – average annual compensation during highest 3 consecutive years. Group D – average annual compensation during highest 2 consecutive years.
Service Retirement Allowance Eligibility	Group A – the earlier of age 65 with 5 years of service or age 55 with 35 years of service. Group B – the earlier of age 62 with 5 years of service or age 55 with 30 years of service. Group C and D – age 55 with 5 years of service.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 11. Pensions (continued)

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.
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.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 11. Pensions (continued)

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 – 3.25%
	Group B – 5.625%
	Group C – 10.75%
	Group D – 12.10%
Employer Contributions	Group A – 4.75%
	Group B – 6.25%
	Group C – 8.00%
	Group D – 10.60%

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.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 11. Pensions (continued)

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
Cost-of-living adjustments:	1.10% for Group A members and 1.20% for Groups B, C, and D members. The January 1, 2021 COLA is 0.40% for all groups. The January 1, 2021 COLA is 2.00% for Group A members and 2.30% for Group B, C, and D members.
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.

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 11. Pensions (continued)

Best estimates of arithmetic rates of return for each major class included in the pension plan's target asset allocation at June 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected</u>
Passive Global Equities	24.00%	5.05%
Active Global Equities	5.00	5.05
US Equities – Large Cap	4.00	4.00
US Equities – Small/Mid Cap	3.00	4.50
Non-US Developed US Equities	7.00	5.50
Emerging Markets Debts	4.00	3.00
Core Fixed Income	19.00	0.00
Private & Alternate Credit	10.00	4.75
US TIPS	3.00	(0.50)
Core Real Estate	4.00	3.75
Non-Core Real Estate	4.00	5.75
Private Equity	10.00	6.75
Infrastructure/Farmland	3.00	4.25
Total	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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). The Board voted to authorize employer contribution rate increases of 0.50% each year for a period of four years beginning July 1, 2022 to be offset by any increases in the employee contribution rates as negotiated with employee groups and approved by the Legislature. 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, 2021. 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%)
\$ 333,589	\$ 168,773	\$ 33,246

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 11. Pensions (continued)

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

As of June 30, 2021, the measurement date selected by the State of Vermont, VMERS was funded at 86.29% and has a plan fiduciary net position of \$926,034,330 and a total pension liability of \$1,073,218,528 resulting in a net position pension liability of \$147,184,198. As of December 31, 2022, the Town's proportionate share of this was 0.11467% resulting in a net pension liability of \$168,773. The net pension liability was measured as of June 30, 2021, 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 0.11467% was a decrease of 0.00636% from its proportion measured as of the prior year. For the year ended December 31, 2022, the Town recognized pension expense of \$36,343. As of December 31, 2022 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ 31,456	\$ -
Changes of assumptions	26,677	-
Difference between projected and actual investment earnings	-	99,513
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	4,323	9,661
Town's contributions subsequent to the measurement date	<u>29,793</u>	<u>-</u>
Total	<u>\$ 92,249</u>	<u>\$ 109,174</u>

The \$29,793 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 December 31, 2023. 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:	
2022	\$ (1,301)
2023	(5,029)
2024	(11,307)
2025	(29,081)

TOWN OF DERBY, VERMONT

Notes to the Financial Statements

Note 11. Pensions (continued)

Employer contribution history for the Town as of December 30, 2022 is as follows:

FY 22	\$	29,793
FY 21		25,495
FY 20		25,085

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.

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.

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

As of December 31, 2022, the Town has corrected the balance previously reported in grants receivable in the general fund and government-wide financial statements to account for FEMA grants. The effect of this adjustment increased fund balance in the general fund and net position in the government-wide financial statements by \$42,360 as of December 31, 2021.

As of December 31, 2022, the Town has corrected the balance previously reported in notes receivable in the general fund and government-wide financial statements to account for the FHI note receivable. The effect of this adjustment increased fund balance in the general fund and net position in the government-wide financial statements by \$92,167 as of December 31, 2021.

Note 15. Subsequent Events

Management has subsequently evaluated events and transactions that occurred between December 31, 2022 and February 7, 2023, 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 and Expenditures
Budget and Actual - General Fund
Year Ended December 31, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Property taxes	\$ 2,475,763	\$ 2,273,960	\$ (201,803)
Permits and licenses	72,760	91,003	18,243
Investment income	13,000	11,273	(1,727)
Other revenue	503,800	767,972	264,172
Highway appropriated fund balance	427,500	372,731	(54,769)
Total revenues	<u>\$ 3,492,823</u>	<u>\$ 3,516,939</u>	<u>\$ 24,116</u>
Expenditures			
Select board	\$ 14,823	\$ 16,750	\$ (1,927)
Election unit	7,550	5,720	1,830
Town clerk's office	216,541	266,200	(49,659)
Listers	99,960	95,684	4,276
Delinquent tax collector	5,150	3,111	2,039
Town administrator	50,378	49,229	1,149
Zoning administrator	57,687	55,551	2,136
Development review board	2,137	2,072	65
Planning	2,568	2,045	523
Auditors	13,300	13,238	62
Constable	1,607	1,035	572
Health Officer	1,477	1,001	476
Board of civil authority	2,715	1,320	1,395
Municipal buildings and grounds	35,748	33,804	1,944
Operation and maintenance	24,635	20,305	4,330
Recycling	41,489	36,532	4,957
Public safety	275,898	249,553	26,345
Recreation	23,775	25,502	(1,727)
Fire department	401,528	390,033	11,495
General obligations	362,649	399,039	(36,390)
Highway department	1,490,886	1,686,154	(195,268)
Animal control officer	8,554	10,264	(1,710)
Appropriations	351,788	351,788	-
Total expenditures	<u>\$ 3,492,843</u>	<u>\$ 3,715,930</u>	<u>\$ (223,087)</u>

See the independent auditor's report.

TOWN OF DERBY, VERMONT
Schedule of Proportionate Share of the Net Pension Liabilities
Year Ended December 31, 2022

VMERS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Measurement date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Town's proportion of the net pension liability	0.11467%	0.12103%	0.11569%	0.11750%	0.11847%
Town's proportionate share of the net pension liability	\$ 168,773	\$ 306,183	\$ 200,718	\$ 165,282	\$ 143,534
Town's covered-employee payroll	\$ 467,568	\$ 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	36.10%	69.72%	47.87%	39.28%	36.12%
Plan fiduciary net position as a percentage of the total pension liability	86.29%	74.50%	80.35%	82.60%	83.64%

See the independent auditor's report.

TOWN OF DERBY, VERMONT
Schedule of Contributions
Year Ended December 31, 2022

VMERS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 29,793	\$ 26,899	\$ 23,918	\$ 23,948	\$ 22,103
Contributions in relation to the contractually required contribution	<u>29,793</u>	<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>	<u>\$ -</u>
Covered-employee payroll	\$ 467,568	\$ 439,138	\$ 419,270	\$ 420,781	\$ 397,402
Contributions as a percentage of covered-employee payroll	6.37%	6.13%	5.70%	5.69%	5.56%

See the independent auditor's report.

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Independent Auditor's Report

To the Select Board
Town of Derby
Derby, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Derby, Vermont, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town of Derby, Vermont's basic financial statements, and have issued our report thereon dated February 7, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of 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. We identified a deficiency in internal control, described in the accompanying schedule of findings and deficiencies in internal control as item 2022-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Derby, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Derby, Vermont’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Derby, Vermont’s response to the findings identified in our audit and described in the accompanying schedule of findings and deficiencies in internal control. The Town of Derby, Vermont’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
February 7, 2023

TOWN OF DERBY, VERMONT
Schedule of Findings and Deficiencies in Internal Control
December 31, 2022

Deficiencies in Internal Control:

Material Weaknesses:

2022-001 Reconciliation of Balance Sheet Accounts

Criteria: Internal controls should be in place to provide for the reconciliation of all balance sheet accounts to supporting documents on a monthly basis in order to detect and correct errors in account balances.

Condition: A number of the Town's balance sheet accounts were not reconciled to the actual balances at year end.

Cause: Unknown.

Effect: The balance sheet accounts that were not reconciled to the actual balances at year end resulted in adjustments to revenue and expenses.

Recommendation: We recommend that all balance sheet accounts be reconciled to supporting documentation at least monthly in order to detect and correct errors.

TOWN OF DERBY, VERMONT
Response to Findings
December 31, 2022

2022-001 Reconciliation of Balance Sheet Accounts

Summary of finding: Internal controls should be in place to provide for the reconciliation of all balance sheet accounts to supporting documents on a monthly basis in order to detect and correct errors in account balances. A number of the Town's balance sheet accounts were not reconciled to the actual balances at year end.

Recommendation: We recommend that all balance sheet accounts be reconciled to supporting documentation at least monthly in order to detect and correct errors.

Management's response: We agree with the findings of the independent auditor. The Town will work on updating its procedures to reconcile balance sheet accounts monthly.