

Audited Financial Statements
and Other Financial Information

Town of Sheldon, Vermont

December 31, 2022



Proven Expertise & Integrity

TOWN OF SHELDON, VERMONT

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DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Selectboard
Town of Sheldon
Sheldon, Vermont

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Sheldon, Vermont, as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial accompanying statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Sheldon, Vermont as of December 31, 2022 and the respective changes in financial position and, where applicable, cash flows thereof 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 (GAAS) 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 Sheldon, 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.

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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 Sheldon, Vermont's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatements 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 controls 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 Sheldon, 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 doubt about the Town of Sheldon, 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 information on pages 5 through 11 and 48 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sheldon, Vermont's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2023, on our consideration of the Town of Sheldon, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws,

regulations, contracts and grants 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 Sheldon, Maine'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 Sheldon, Vermont's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
May 5, 2023

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

(UNAUDITED)

The following management's discussion and analysis of the Town of Sheldon, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended December 31, 2022. Please read it in conjunction with the Town of Sheldon, Vermont's financial statements.

Financial Statement Overview

The Town of Sheldon, Vermont's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedules, pension schedules and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position – this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities – this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above mentioned financial statements have separate columns for the two different types of Town activities. The types of activities presented for the Town of Sheldon are:

- *Governmental activities* – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, health and welfare, culture and recreation and intergovernmental.
- *Business-type activities* – These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of Sheldon include the water and sewer fund.

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. The Town of Sheldon, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Sheldon can be divided into two categories: governmental funds and proprietary funds.

Governmental funds: Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

Because the focus of governmental funds is narrower than that of 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 funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Sheldon presents two columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental fund is the general fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The Town of Sheldon maintains one proprietary fund, the water and sewer fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

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 the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows - Proprietary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the Town's governmental activities. The Town's total net position for governmental activities increased by \$243,796 from \$2,594,157 to \$2,837,953. For the business-type activities, the Town's total net position decreased by \$93,488 from \$617,782 to \$524,294.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased for the governmental activities by \$72,575 to a

balance of \$944,988 at the end of the fiscal year. For the business-type activities, the unrestricted net position decreased by \$78,210 to a balance of \$168,906.

Table 1
Town of Sheldon, Vermont
Net Position
December 31,

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|---------------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Assets: | | | | |
| Current Assets | \$ 1,476,270 | \$ 981,813 | \$ 176,756 | \$ 255,488 |
| Noncurrent Assets - Capital Assets | 2,403,696 | 2,413,609 | 1,474,007 | 1,543,809 |
| Total Assets | <u>\$ 3,879,966</u> | <u>\$ 3,395,422</u> | <u>\$ 1,650,763</u> | <u>\$ 1,799,297</u> |
| Deferred Outflows of Resources: | | | | |
| Deferred Outflows Related to Pensions | \$ 36,647 | \$ 55,475 | \$ - | \$ - |
| Total Deferred Outflows of Resources | <u>\$ 36,647</u> | <u>\$ 55,475</u> | <u>\$ -</u> | <u>\$ -</u> |
| Liabilities: | | | | |
| Current Liabilities | \$ 414,909 | \$ 186,977 | \$ 62,575 | \$ 62,896 |
| Noncurrent Liabilities | 602,259 | 649,484 | 1,063,894 | 1,118,619 |
| Total Liabilities | <u>\$ 1,017,168</u> | <u>\$ 836,461</u> | <u>\$ 1,126,469</u> | <u>\$ 1,181,515</u> |
| Deferred Inflows of Resources: | | | | |
| Deferred Inflows Related to Pensions | \$ 61,492 | \$ 20,279 | \$ - | \$ - |
| Total Deferred Inflows of Resources | <u>\$ 61,492</u> | <u>\$ 20,279</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net Position: | | | | |
| Net Investment in Capital Assets | \$ 1,892,965 | \$ 1,721,744 | \$ 355,388 | \$ 370,666 |
| Unrestricted | 944,988 | 872,413 | 168,906 | 247,116 |
| Total Net Position | <u>\$ 2,837,953</u> | <u>\$ 2,594,157</u> | <u>\$ 524,294</u> | <u>\$ 617,782</u> |

Revenues and Expenses

Revenues for the governmental activities increased by 6.91% from the prior year while expenses increased by 24.49%. The increase in revenues was primarily due to taxes. The largest increase in expenses was in general government.

Revenues for the business-type activities increased by 3.23% while expenses increased by 11.97%.

Table 2
Town of Sheldon, Vermont
Change in Net Position
For the Years Ended December 31,

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|---|--------------------------------|---------------------|---------------------------------|-------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Revenues | | | | |
| <i>Program Revenues:</i> | | | | |
| Charges for services | \$ 29,390 | \$ 50,296 | \$ 191,019 | \$ 184,936 |
| Operating grants and contributions | 122,087 | 120,499 | - | - |
| <i>General Revenues:</i> | | | | |
| Taxes | 1,471,664 | 1,192,218 | - | - |
| Grants and contracts not restricted to specific programs | 625,414 | 513,979 | - | - |
| Miscellaneous | 24,836 | 249,463 | - | 114 |
| Total Revenues | <u>2,273,391</u> | <u>2,126,455</u> | <u>191,019</u> | <u>185,050</u> |
| Expenses | | | | |
| General government | 963,133 | 728,939 | - | - |
| Public safety | 203,608 | 195,265 | - | - |
| Public works | 746,625 | 597,770 | - | - |
| Health and welfare | 13,197 | 12,729 | - | - |
| Culture and recreation | 47,398 | 39,500 | - | - |
| Intergovernmental | 30,120 | 28,255 | - | - |
| Interest on long-term debt | 25,514 | 27,910 | - | - |
| Water and sewer | - | - | 284,507 | 254,102 |
| Total Expenses | <u>2,029,595</u> | <u>1,630,368</u> | <u>284,507</u> | <u>254,102</u> |
| Change in Net Position | 243,796 | 496,087 | (93,488) | (69,052) |
| Net Position - January 1 | <u>2,594,157</u> | <u>2,098,070</u> | <u>617,782</u> | <u>686,834</u> |
| Net Position - December 31 | <u>\$ 2,837,953</u> | <u>\$ 2,594,157</u> | <u>\$ 524,294</u> | <u>\$ 617,782</u> |

Financial Analysis of the Town's Fund Statements

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

Table 3
Town of Shelburne, Vermont
Fund Balances - Governmental Funds
December 31,

| | <u>2022</u> | <u>2021</u> | <u>Increase/ (Decrease)</u> |
|------------------------|---------------------|-------------------|---------------------------------|
| General Fund: | | | |
| Unassigned | \$ 251,063 | \$ 133,727 | \$ 117,336 |
| Total General Fund | <u>\$ 251,063</u> | <u>\$ 133,727</u> | <u>\$ 117,336</u> |
| Nonmajor Funds: | | | |
| Special Revenue Funds: | | | |
| Assigned | \$ 852,570 | \$ 508,162 | \$ 344,408 |
| Capital Project Funds: | | | |
| Committed | <u>273,075</u> | <u>240,600</u> | <u>32,475</u> |
| Total Nonmajor Funds | <u>\$ 1,125,645</u> | <u>\$ 748,762</u> | <u>\$ 376,883</u> |

The changes to total fund balances to the general fund and total nonmajor funds occurred due to the regular activity of operations.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The water and sewer fund's net position decreased by \$93,488 over the prior fiscal year.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund actual revenues were above budgeted amounts by \$293,192. This was the result of all revenue categories being receipted more than budgeted amounts except for property taxes.

The general fund actual expenditures were over budget by \$175,856. All expenditure categories were over budget with the exception of public safety, culture and recreation and debt service - principal and interest.

Capital Asset and Debt Administration

Capital Assets

As of December 31, 2022, the net book value of capital assets recorded by the Town decreased by \$79,715 over the prior year. The decrease is the result of capital additions of \$309,056 less current year depreciation of \$388,771. Refer to Note 5 of the Notes to Financial Statements for detailed information.

**Table 4
Town of Sheldon, Vermont
Capital Assets (Net of Depreciation)
December 31,**

| | 2022 | 2021 |
|----------------------------|---------------------|---------------------|
| Buildings and improvements | \$ 1,234,076 | \$ 1,292,051 |
| Equipment and vehicles | 581,084 | 580,458 |
| Infrastructure | 2,062,543 | 2,084,909 |
| Total | \$ 3,877,703 | \$ 3,957,418 |

Debt

At December 31, 2022, the Town had \$1,629,350 in bonds and notes from direct borrowings payable outstanding versus \$1,865,008 last year, a decrease of 12.64%. Refer to Note 6 of the Notes to Financial Statements for detailed information.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

The Town is working toward steadily maintaining a sufficient unassigned fund balance to sustain government operations for a period of approximately two months, while also maintaining significant reserve accounts for future capital and program needs.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at 1640 Main Street, Sheldon, Vermont 05483.

TOWN OF SHELDON, VERMONT

STATEMENT OF NET POSITION
DECEMBER 31, 2022

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,527,064 | \$ - | \$ 1,527,064 |
| Taxes receivable | 103,022 | - | 103,022 |
| Accounts receivable (net of allowance for uncollectibles) | - | 22,940 | 22,940 |
| Total current assets | <u>1,476,270</u> | <u>176,756</u> | <u>1,653,026</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Buildings, equipment, vehicles and infrastructure net of accumulated depreciation | 2,403,696 | 1,474,007 | 3,877,703 |
| Total noncurrent assets | <u>2,403,696</u> | <u>1,474,007</u> | <u>3,877,703</u> |
| TOTAL ASSETS | <u>3,879,966</u> | <u>1,650,763</u> | <u>5,530,729</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions | 36,647 | - | 36,647 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>36,647</u> | <u>-</u> | <u>36,647</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 3,916,613</u> | <u>\$ 1,650,763</u> | <u>\$ 5,567,376</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 5,975 | \$ 7,850 | \$ 13,825 |
| Current portion of long-term obligations | 408,934 | 54,725 | 463,659 |
| Total current liabilities | <u>414,909</u> | <u>62,575</u> | <u>477,484</u> |
| Noncurrent liabilities: | | | |
| Noncurrent portion of long-term obligations: | | | |
| Bond payable | - | 57,200 | 57,200 |
| Notes from direct borrowings payable | 373,351 | 1,006,694 | 1,380,045 |
| Tax settlement payable | 156,729 | - | 156,729 |
| Net pension liability | 72,179 | - | 72,179 |
| Total noncurrent liabilities | <u>602,259</u> | <u>1,063,894</u> | <u>1,666,153</u> |
| TOTAL LIABILITIES | <u>1,017,168</u> | <u>1,126,469</u> | <u>2,143,637</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pensions | 61,492 | - | 61,492 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>61,492</u> | <u>-</u> | <u>61,492</u> |
| NET POSITION | | | |
| Net investment in capital assets | 1,892,965 | 355,388 | 2,248,353 |
| Unrestricted | 944,988 | 168,906 | 1,113,894 |
| TOTAL NET POSITION | <u>2,837,953</u> | <u>524,294</u> | <u>3,362,247</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 3,916,613</u> | <u>\$ 1,650,763</u> | <u>\$ 5,567,376</u> |

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELDON, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--------------------------------|---------------------|-------------------------|--|--|--|---------------------------------|--------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business- type Activities | Total |
| Governmental activities | | | | | | | |
| General government | \$ 963,133 | \$ 26,862 | \$ - | \$ - | \$ (936,271) | \$ - | \$ (936,271) |
| Public safety | 203,608 | 2,528 | - | - | (201,080) | - | (201,080) |
| Public works | 746,625 | - | 122,087 | - | (624,538) | - | (624,538) |
| Health and welfare | 13,197 | - | - | - | (13,197) | - | (13,197) |
| Culture and recreation | 47,398 | - | - | - | (47,398) | - | (47,398) |
| Intergovernmental | 30,120 | - | - | - | (30,120) | - | (30,120) |
| Interest on long-term debt | 25,514 | - | - | - | (25,514) | - | (25,514) |
| Total governmental activities | <u>2,029,595</u> | <u>29,390</u> | <u>122,087</u> | <u>-</u> | <u>(1,878,118)</u> | <u>-</u> | <u>(1,878,118)</u> |
| Business-type activities: | | | | | | | |
| Water and sewer fund | <u>284,507</u> | <u>191,019</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(93,488)</u> | <u>(93,488)</u> |
| Total business-type activities | <u>284,507</u> | <u>191,019</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(93,488)</u> | <u>(93,488)</u> |
| Total government | <u>\$ 2,314,102</u> | <u>\$ 220,409</u> | <u>\$ 122,087</u> | <u>\$ -</u> | <u>(1,878,118)</u> | <u>(93,488)</u> | <u>(1,971,606)</u> |

STATEMENT B (CONTINUED)

TOWN OF SHELDON, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

| | <u>Governmental Activities</u> | <u>Business- type Activities</u> | <u>Total</u> |
|---|------------------------------------|--|---------------------|
| Changes in net position: | | | |
| Net (expense) revenue | <u>(1,878,118)</u> | <u>(93,488)</u> | <u>(1,971,606)</u> |
| General revenue: | | | |
| Taxes: | | | |
| Property taxes, levied for general purposes | 1,471,664 | - | 1,471,664 |
| Grants and contributions not restricted to specific programs | 625,414 | - | 625,414 |
| Miscellaneous | 24,836 | - | 24,836 |
| Total general revenues | <u>2,121,914</u> | <u>-</u> | <u>2,121,914</u> |
| Change in net position | 243,796 | (93,488) | 150,308 |
| NET POSITION - JANUARY 1 | <u>2,594,157</u> | <u>617,782</u> | <u>3,211,939</u> |
| NET POSITION - DECEMBER 31 | <u>\$ 2,837,953</u> | <u>\$ 524,294</u> | <u>\$ 3,362,247</u> |

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELDON, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2022

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|--------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,527,064 | \$ - | \$ 1,527,064 |
| Taxes receivable | 103,022 | - | 103,022 |
| Due from other funds | - | 1,125,645 | 1,125,645 |
| TOTAL ASSETS | <u>\$ 1,630,086</u> | <u>\$ 1,125,645</u> | <u>\$ 2,755,731</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 5,975 | \$ - | \$ 5,975 |
| Due to other funds | 1,279,461 | - | 1,279,461 |
| TOTAL LIABILITIES | <u>1,285,436</u> | <u>-</u> | <u>1,285,436</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred tax revenue | 93,587 | - | 93,587 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>93,587</u> | <u>-</u> | <u>93,587</u> |
| FUND BALANCES | | | |
| Nonspendable | - | - | - |
| Restricted | - | - | - |
| Committed | - | 273,075 | 273,075 |
| Assigned | - | 852,570 | 852,570 |
| Unassigned | 251,063 | - | 251,063 |
| TOTAL FUND BALANCES | <u>251,063</u> | <u>1,125,645</u> | <u>1,376,708</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 1,630,086</u> | <u>\$ 1,125,645</u> | <u>\$ 2,755,731</u> |

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELDON, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022

| | <u>Total Governmental Funds</u> |
|---|---|
| Total Fund Balances | \$ 1,376,708 |
| Amounts reported for governmental activities in the statement are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation | 2,403,696 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above: | |
| Taxes and liens receivable | 93,587 |
| Deferred outflows of resources are not financial resources and therefore are not reported in the funds | 36,647 |
| Long-term obligations are not due and payable in the current period and therefore are not reported in the funds: | |
| Notes from direct borrowings payable | (510,731) |
| Tax settlement payable | (428,283) |
| Net pension liability | (72,179) |
| Deferred inflows of resources are not financial resources and therefore are not reported in the funds | <u>(61,492)</u> |
| Net position of governmental activities | <u><u>\$ 2,837,953</u></u> |

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELDON, VERMONT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|--------------------------------|--------------------------------|
| REVENUES | | | |
| Taxes | \$ 1,471,664 | \$ - | \$ 1,471,664 |
| Intergovernmental | 413,996 | 333,505 | 747,501 |
| Charges for services | 29,390 | - | 29,390 |
| Miscellaneous revenues | 24,782 | 54 | 24,836 |
| TOTAL REVENUES | 1,939,832 | 333,559 | 2,273,391 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 507,628 | 3,706 | 511,334 |
| Public safety | 181,906 | - | 181,906 |
| Public works | 792,004 | - | 792,004 |
| Health and welfare | 13,197 | - | 13,197 |
| Culture and recreation | 47,398 | - | 47,398 |
| Intergovernmental | 30,120 | - | 30,120 |
| Debt service: | | | |
| Principal | 54,446 | 123,253 | 177,699 |
| Interest | 10,382 | 15,132 | 25,514 |
| TOTAL EXPENDITURES | 1,637,081 | 142,091 | 1,779,172 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 302,751 | 191,468 | 494,219 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 185,415 | 185,415 |
| Transfers (out) | (185,415) | - | (185,415) |
| TOTAL OTHER FINANCING SOURCES (USES) | (185,415) | 185,415 | - |
| NET CHANGE IN FUND BALANCES | 117,336 | 376,883 | 494,219 |
| FUND BALANCES - JANUARY 1 | 133,727 | 748,762 | 882,489 |
| FUND BALANCES - DECEMBER 31 | \$ 251,063 | \$ 1,125,645 | \$ 1,376,708 |

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELDON, VERMONT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

| | |
|---|--------------------------|
| Net change in fund balances - total governmental funds (Statement E) | <u>\$ 494,219</u> |
| Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because: | |
| Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense allocated to those expenditures over the life of the assets: | |
| Capital asset acquisitions | 264,949 |
| Depreciation expense | <u>(274,862)</u> |
| | <u>(9,913)</u> |
| Deferred outflows of resources is a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds. | <u>(18,828)</u> |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. | <u>181,134</u> |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds: | |
| Tax settlement payable | (428,283) |
| Net pension liability | <u>66,680</u> |
| | <u>(361,603)</u> |
| Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds. | <u>(41,213)</u> |
| Change in net position of governmental activities (Statement B) | <u><u>\$ 243,796</u></u> |

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELDON, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2022

| | Enterprise Funds <u>Water and Sewer Fund</u> |
|--|--|
| ASSETS | |
| Current assets: | |
| Accounts receivable (net of allowance for uncollectibles) | \$ 22,940 |
| Due from other funds | 153,816 |
| Total current assets | <u>176,756</u> |
| Capital assets: | |
| Buildings and improvements | 430,463 |
| Equipment, machinery and vehicles | 44,107 |
| Infrastructure | 2,545,882 |
| Total capital assets | 3,020,452 |
| Less: accumulated depreciation | <u>(1,546,445)</u> |
| Net capital assets | <u>1,474,007</u> |
| TOTAL ASSETS | <u><u>\$ 1,650,763</u></u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 7,850 |
| Current portion of long-term liabilities | 54,725 |
| Total current liabilities | <u>62,575</u> |
| Noncurrent liabilities: | |
| Noncurrent portion of long-term obligations: | |
| Bonds payable | 57,200 |
| Notes from direct borrowings payable | 1,006,694 |
| Total noncurrent liabilities | <u>1,063,894</u> |
| TOTAL LIABILITIES | <u>1,126,469</u> |
| NET POSITION | |
| Net investment in capital assets | 355,388 |
| Unrestricted | 168,906 |
| TOTAL NET POSITION | <u>524,294</u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 1,650,763</u></u> |

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELDON, VERMONT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2022

| | Enterprise Funds |
|---|---------------------------------|
| | <u>Water and Sewer Fund</u> |
| OPERATING REVENUES | |
| Charges for services | \$ 191,019 |
| TOTAL OPERATING REVENUES | <u>191,019</u> |
| OPERATING EXPENSES | |
| Salaries and benefits | 101,901 |
| Utilities | 24,763 |
| Supplies | 16,206 |
| Water operating fees | 6,035 |
| Bookkeeping expense | 3,100 |
| Waterline maintenance | 11,150 |
| Miscellaneous | 4,368 |
| Depreciation | 113,909 |
| TOTAL OPERATING EXPENSES | <u>281,432</u> |
| OPERATING INCOME | <u>(90,413)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest expense | <u>(3,075)</u> |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>(3,075)</u> |
| CHANGE IN NET POSITION | (93,488) |
| NET POSITION - JANUARY 1 | <u>617,782</u> |
| NET POSITION - DECEMBER 31 | <u><u>\$ 524,294</u></u> |

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELDON, VERMONT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | Enterprise Funds |
|--|---------------------------------|
| | <u>Water and Sewer Fund</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Receipts from customers | \$ 190,287 |
| Internal activity - receipts (payments) from/to other funds | (153,816) |
| Payments to suppliers | (59,377) |
| Payments to employees | (107,936) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(130,842)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Capital asset purchases | (44,107) |
| Principal payments on bonds and notes payable | (54,524) |
| Interest payments on bonds and notes payable | (3,075) |
| NET CASH PROVIDED BY (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(101,706)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (232,548) |
| CASH AND CASH EQUIVALENTS - JANUARY 1 | <u>232,548</u> |
| CASH AND CASH EQUIVALENTS - DECEMBER 31 | <u>\$ -</u> |
| RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Operating income | \$ (90,413) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation expense | 113,909 |
| Changes in operating assets and liabilities: | |
| (Increase) decrease in due from other funds | (153,816) |
| Increase (decrease) in accounts payable | 210 |
| Increase (decrease) in unearned revenues | (732) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ (130,842)</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | |
| Cash paid during the year for: | |
| Interest | <u>\$ 3,075</u> |

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Sheldon was incorporated under the laws of the State of Vermont. The Town operates under the selectboard-town clerk form of government and provides the following services: general government, public safety, public works, health and welfare, culture and recreation and intergovernmental.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so.

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

During the year ended December 31, 2022, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 98 "The Annual Comprehensive Financial Report". This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. Management has determined the impact of this Statement is not material to the financial statements.

Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's water and sewer fund is categorized as a business-type activity. All other activities of the Town are categorized as governmental.

TOWN OF SHELDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide Statement of Net position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – net investment in capital assets; restricted net position and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, protection, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Measurement Focus - Basic Financial Statements and Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

TOWN OF SHELDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

Major Fund

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

Nonmajor Funds

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Town:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column, GASB Statement No. 34 sets forth minimum criteria

TOWN OF SHELDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Town prepares a budget for the fiscal year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.

TOWN OF SHELDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. A meeting of the registered voters of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the registered voters of the Town.

Deposits and Investments

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

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposit and other evidence of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

The Town of Sheldon has a formal investment policy which follows the State of Vermont Statutes.

Receivables

Receivables include amounts due from governmental agencies. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible amounts is estimated to be \$0 as of December 31, 2022. Accounts receivable netted with allowances for uncollectible accounts were \$22,940 for the year ended December 31, 2022.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and

TOWN OF SHELDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

business-type activities are reported in the governmental-wide financial statements as “internal balances”.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated capital assets are reported at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure. The Town is currently working on completing its capital asset inventory.

Estimated useful lives are as follows:

| | |
|----------------------------|---------------|
| Buildings and improvements | 10 - 70 years |
| Infrastructure | 20 - 50 years |
| Machinery and equipment | 5 - 30 years |
| Vehicles | 5 - 30 years |

Long-term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

TOWN OF SHELDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in government-wide statements. The long-term obligations consist of a bond payable, notes from direct borrowings payable, tax settlement payable and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions 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 Plan fiduciary net position has been determined on the same basis as they are reported by the VMERS Plan. 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.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

TOWN OF SHELDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable – This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Committed – This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified or rescinded only through a Town meeting vote.

Assigned – This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is given through the Town Meeting and is expressed by the Selectboard.

Unassigned – This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times 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 currently has one type of this item, deferred outflows related to pensions. This item is reported in the statement of net position.

TOWN OF SHELDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of financial position and or balance sheet will at times 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. Deferred tax revenue qualifies for reporting in this category. This item is reported in the governmental funds balance sheet. Deferred inflows related to pensions qualify for reporting in this category. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - Modified Accrual Basis

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services or privileges provided, operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

TOWN OF SHELDON, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town’s investment policies, which follow state statutes, authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all Town funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Town does not have a policy covering custodial credit risk.

At December 31, 2022, the Town’s cash balance of \$1,527,064 was comprised of deposits amounting to \$1,660,636. Bank deposits and cash equivalents are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Town’s cash and cash equivalents balance. All of these deposits were insured by federal depository insurance and consequently was not exposed to custodial credit risk.

| Account Type | Bank Balance |
|-------------------|-----------------|
| Checking accounts | \$ 250,000 |
| ICS accounts | 1,410,636 |
| | \$1,660,636 |

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

At December 31, 2022, the Town did not have any investments.

TOWN OF SHELDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk – Statutes for the State of Vermont authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk. Generally, the Town invests excess funds in savings accounts and various certificates of deposit.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 2022 consisted of the following individual fund receivables and payables:

| | <u>Receivables (Due from)</u> | <u>Payables (Due to)</u> |
|---------------------------------|-----------------------------------|------------------------------|
| General Fund | \$ - | \$ 1,279,461 |
| Enterprise Funds | 153,816 | - |
| Nonmajor Special Revenue Funds | 852,570 | - |
| Nonmajor Capital Projects Funds | <u>273,075</u> | <u>-</u> |
| | <u>\$ 1,279,461</u> | <u>\$ 1,279,461</u> |

The result of amounts owed between funds are considered to be in the course of normal operations by the Town. Reconciliation of the amounts owed between funds may or may not be expected to be repaid within one year in their entirety due to the recurring nature of these transactions during operations.

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers at December 31, 2022 consisted of the following:

| | <u>Transfers From</u> | <u>Transfers To</u> |
|---------------------------------|---------------------------|-------------------------|
| General Fund | \$ 185,415 | \$ - |
| Nonmajor Special Revenue Funds | - | 65,415 |
| Nonmajor Capital Projects Funds | <u>-</u> | <u>120,000</u> |
| | <u>\$ 185,415</u> | <u>\$ 185,415</u> |

Interfund transfers are the results of legally authorized activity and are considered to be in the course of normal operations.

TOWN OF SHELDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2022:

| | Balance, 1/1/22 | Additions | Disposals | Balance, 12/31/22 |
|---------------------------------------|---------------------|--------------------|-------------|----------------------|
| <u>Governmental activities</u> | | | | |
| Depreciated assets: | | | | |
| Buildings and improvements | \$ 1,546,431 | \$ - | \$ - | \$ 1,546,431 |
| Furniture and fixtures | 218,800 | - | - | 218,800 |
| Machinery and equipment | 104,833 | 35,427 | - | 140,260 |
| Vehicles | 1,350,137 | - | - | 1,350,137 |
| Infrastructure | 2,342,231 | 229,522 | - | 2,571,753 |
| | 5,562,432 | 264,949 | - | 5,827,381 |
| Less: accumulated depreciation | (3,148,823) | (274,862) | - | (3,423,685) |
| Net governmental capital assets | <u>\$ 2,413,609</u> | <u>\$ (9,913)</u> | <u>\$ -</u> | <u>\$ 2,403,696</u> |
| <u>Business-type activities</u> | | | | |
| Depreciated assets: | | | | |
| Buildings and improvements | \$ 430,463 | \$ - | \$ - | \$ 430,463 |
| Vehicles, machinery and equipment | - | 44,107 | - | 44,107 |
| Infrastructure | 2,545,882 | - | - | 2,545,882 |
| | 2,976,345 | 44,107 | - | 3,020,452 |
| Less: accumulated depreciation | (1,432,536) | (113,909) | - | (1,546,445) |
| Net business-type capital assets | <u>\$ 1,543,809</u> | <u>\$ (69,802)</u> | <u>\$ -</u> | <u>\$ 1,474,007</u> |
| <u>Depreciation expense:</u> | | | | |
| General government | | | | \$ 33,590 |
| Public safety | | | | 50,009 |
| Public works | | | | 191,263 |
| Total governmental fund depreciation | | | | <u>274,862</u> |
| Water and sewer fund | | | | 113,909 |
| Total business-type fund depreciation | | | | <u>113,909</u> |
| Total depreciation expense | | | | <u>\$ 388,771</u> |

TOWN OF SHELDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended December 31, 2022:

| | Balance, 1/1/22 | Additions | Deletions | Balance, 12/31/22 | Current Portion |
|--------------------------------------|--------------------|-------------|--------------------|----------------------|--------------------|
| <u>Governmental activities:</u> | | | | | |
| Notes from direct borrowings payable | \$ 691,865 | \$ - | \$ (181,134) | \$ 510,731 | \$ 137,380 |
| <u>Business-type activities:</u> | | | | | |
| Bond payable | \$ 65,779 | \$ - | \$ (4,189) | \$ 61,590 | \$ 4,390 |
| Notes from direct borrowings payable | 1,107,364 | - | (50,335) | 1,057,029 | 50,335 |
| Total | <u>\$1,173,143</u> | <u>\$ -</u> | <u>\$ (54,524)</u> | <u>\$1,118,619</u> | <u>\$ 54,725</u> |

The following is a summary of the outstanding bond and notes from direct borrowings payable:

Governmental activities

Notes from direct borrowings payable:

| | |
|--|-------------------|
| \$131,747 note payable to Peoples Trust Company in annual principal and interest payments of \$30,220 through December of 2024. Interest is charged at a fixed rate of 4.75%. | \$ 56,392 |
| \$400,000 note payable to Peoples Trust Company in annual principal and interest payments of \$34,608 through December of 2027. Interest is charged at a fixed rate of 3.50%. | 156,236 |
| \$365,732 note payable to Peoples Trust Company in annual principal and interest payments of \$50,820 through April of 2026. Interest is charged at a fixed rate of 3.00%. | 188,827 |
| \$177,839 note payable to Peoples Trust Company in annual principal and interest payments of \$38,223 starting in July of 2021 through July of 2025. Interest is charged at a fixed rate of 2.45%. | <u>109,276</u> |
| | <u>\$ 510,731</u> |

TOWN OF SHELDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Business-type activities

Bond payable:

\$115,500 bond payable to the USDA Rural Development in semi-annual principal and interest payments of \$3,632 through May of 2033 and one payment of \$3,483 in November of 2033. Interest is charged at a fixed rate of 4.75%

\$ 61,590

Note from direct borrowings payable:

\$1,915,140 note payable to Peoples United Bank in annual principal payments of \$50,334 through December of 2044. No interest is charged.

\$ 1,057,029

The following is a summary of outstanding bond and notes from direct borrowings principal and interest requirements for the fiscal years ending December 31:

Governmental activities:

| | Notes from direct borrowings payable | | Total Debt Service |
|------|--------------------------------------|------------------|--------------------|
| | Principal | Interest | |
| 2023 | \$ 137,380 | \$ 16,481 | \$ 153,861 |
| 2024 | 141,934 | 11,927 | 153,861 |
| 2025 | 116,431 | 7,213 | 123,644 |
| 2026 | 81,647 | 3,769 | 85,416 |
| 2027 | 33,339 | 1,158 | 34,497 |
| | <u>\$ 510,731</u> | <u>\$ 40,548</u> | <u>\$ 551,279</u> |

Business-type activities:

| | Bond payable | | Note from direct borrowings payable | | Total Debt Service |
|-----------|------------------|------------------|-------------------------------------|-------------|---------------------|
| | Principal | Interest | Principal | Interest | |
| 2023 | \$ 4,390 | \$ 2,874 | \$ 50,335 | \$ - | \$ 57,599 |
| 2024 | 4,601 | 2,663 | 50,335 | - | 57,599 |
| 2025 | 4,822 | 2,442 | 50,335 | - | 57,599 |
| 2026 | 5,054 | 2,210 | 50,335 | - | 57,599 |
| 2027 | 5,297 | 1,967 | 50,335 | - | 57,599 |
| 2028-2032 | 30,556 | 5,764 | 251,675 | - | 287,995 |
| 2033-2037 | 6,870 | 244 | 251,675 | - | 258,789 |
| 2038-2042 | - | - | 251,675 | - | 251,675 |
| 2043-2047 | - | - | 50,329 | - | 50,329 |
| | <u>\$ 61,590</u> | <u>\$ 18,164</u> | <u>\$ 1,057,029</u> | <u>\$ -</u> | <u>\$ 1,136,783</u> |

TOWN OF SHELDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 - LONG-TERM DEBT (CONTINUED)

All bonds and notes from direct borrowings payable are direct obligations of the Town, for which its full faith and credit are pledged. No interest costs were capitalized during the period. The amount of proprietary fund interest costs incurred and charged to expense for the year ended December 31, 2022 was \$3,075.

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended December 31, 2022 is as follows:

| | Balance, 1/1/22 | Additions | Deletions | Balance, 12/31/22 | Current Portion |
|---------------------------------|--------------------|-------------------|---------------------|----------------------|--------------------|
| <u>Governmental activities:</u> | | | | | |
| Tax settlement payable | \$ - | \$ 687,530 | \$ (259,247) | \$ 428,283 | \$ 271,554 |
| Net pension liability | 138,859 | 5,146 | (71,826) | 72,179 | - |
| Total | <u>\$ 138,859</u> | <u>\$ 692,676</u> | <u>\$ (331,073)</u> | <u>\$ 500,462</u> | <u>\$ 271,554</u> |

Please see Notes 8 and 13 for detailed information on the tax settlement payable and net pension liability.

NOTE 8 - TAX SETTLEMENT PAYABLE

The Town is liable for the overassessment of a business in the amount of \$687,530. This payment is due in 3 annual installments of principal and interest. The following is the outstanding principal and interest requirements for the liability:

| | Tax settlement payable | | Total |
|------|---------------------------|------------------|-------------------|
| | Principal | Interest | |
| 2023 | \$ 271,554 | \$ 43,449 | \$ 315,003 |
| 2024 | 156,728 | 6,269 | 162,997 |
| | <u>\$ 428,282</u> | <u>\$ 49,718</u> | <u>\$ 478,000</u> |

TOWN OF SHELDON, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

NOTE 9 - NET INVESTMENT IN CAPITAL ASSETS

The following is the calculation of the net investment in capital assets for the Town at December 31, 2022:

| | Governmental Activities | Business-type Activities |
|----------------------------------|----------------------------|-----------------------------|
| Invested in capital assets | \$ 5,827,381 | \$ 3,020,452 |
| Accumulated depreciation | (3,423,685) | (1,546,445) |
| Outstanding capital related debt | (510,731) | (1,118,619) |
| | \$ 1,892,965 | \$ 355,388 |

NOTE 10 - COMMITTED FUND BALANCE

At December 31, 2022, the committed fund balance was made up of the following account balance:

| | |
|---------------------------------|------------|
| Nonmajor capital projects funds | \$ 273,075 |
|---------------------------------|------------|

NOTE 11 - ASSIGNED FUND BALANCE

At December 31, 2022, the assigned fund balance was made up of the following account balance:

| | |
|--------------------------------|------------|
| Nonmajor special revenue funds | \$ 852,570 |
|--------------------------------|------------|

NOTE 12 - EXPENDITURES OVER APPROPRIATIONS

At December 31, 2022, the Town was noncompliant with the legally adopted budget, overspending the entire allowed appropriation of \$1,646,640 by \$175,856.

NOTE 13 - DEFINED BENEFIT PENSION PLAN

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost sharing, multi-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125. It is designed for persons employed on a regular basis by a school district or by a supervisory union for no fewer than 1,040 hours in a year and for no fewer than 30 hours a week for the school year, as defined in 16

TOWN OF SHELDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

V.S.A. § 1071, or for no fewer than 1,040 hours in a year and for no fewer than 24 hours a week year-round; provided, however, that if a person who was employed on a regular basis by a school district as either a special education or transportation employee and who was transferred to and is working in a supervisory union in the same capacity pursuant to 16 V.S.A. § 261a(a)(6) or (8)(E) and if that person is also employed on a regular basis by a school district within the supervisory union, then the person is an "employee" if these criteria are met by the combined hours worked for the supervisory union and school district. The term shall also mean persons employed on a regular basis by a municipality other than a school district for no fewer than 1,040 hours in a year and for no fewer than 24 hours per week, including persons employed in a library at least one-half of whose operating expenses are met by municipal funding. For the year ended June 30, 2020 (the most recent data available), the retirement system consisted of 15,548 participating members.

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. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Annual Comprehensive Financial Report (CAFR). The CAFR may be viewed on the State's Department of Finance and Management website at: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](#).

Benefits Provided

The pension plan is divided into four membership groups:

- Group A - general employees whose legislative bodies have not elected to become a member of Group B or Group C
- Groups B and C - general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D - sworn police officers, firefighters and emergency medical personnel

TOWN OF SHELDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The Town participates in Group B. Benefits available to each group are based on average final compensation (AFC) and years of creditable service and are summarized below:

| VMERS | Group A | Group B | Group C | Group D |
|--|--|--|--|--|
| Normal service retirement eligibility | Age 65 with 5 years of service, or age 55 with 35 years of service | Age 62 with 5 years of service, or age 55 with 30 years of service | Age 55 with 5 years of service | Age 55 with 5 years of service |
| Average Final Compensation (AFC) | Highest 5 consecutive years | Highest 3 consecutive years | Highest 3 consecutive years | Highest 2 consecutive years |
| Benefit formula - Normal Service Retirement (no reduction) | 1.4% x creditable service x AFC | 1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC | 2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC | 2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC |
| Maximum Benefit Payable | 60% of AFC | 60% of AFC | 50% of AFC | 50% of AFC |
| Post-Retirement COLA | 50% of CPI, up to 2% per year | 50% of CPI, up to 3% per year | 50% of CPI, up to 3% per year | 50% of CPI, up to 3% per year |
| Early Retirement Eligibility | Age 55 with 5 years of service | Age 55 with 5 years of service | N/A | Age 50 with 20 years of service |
| Early Retirement Reduction | 6% per year from age 65 ** | 6% per year from age 62 ** | N/A | No reduction |

TOWN OF SHELDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

** A special early retirement factor of 3% per year only for municipal police officers who have attained age 60

Members of all groups may qualify for vested deferred allowance, disability allowances and death benefit allowance subject to meeting various eligibility requirements. Benefits are based on AFC and service.

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group are as follows:

| VMERS | Group A | Group B | Group C | Group D |
|------------------------|------------------------|------------------------|-------------------------|-------------------------|
| Employee Contributions | 3.250% of gross salary | 5.625% of gross salary | 10.750% of gross salary | 12.100% of gross salary |
| Employer Contributions | 4.750% of gross salary | 6.250% of gross salary | 8.000% of gross salary | 10.600% of gross salary |

Employee contributions are withheld pre-income tax by the Town and are remitted to the State of Vermont. Such withholdings for the year ended December 31, 2022 totaled \$10,360. The Town contributed \$11,785 for the year ended December 31, 2022. The Town's total payroll for the year ended December 31, 2022 for all employees covered under this plan was \$184,900.

Pension Liabilities

VMERS Plan

At December 31, 2022, the Town reported a liability of \$72,179 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2021 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2020. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

TOWN OF SHELDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

At June 30, 2021, the Town's proportion was 0.049040% for VMERS, which was a decrease of 0.005851% from its proportion measured as of June 30, 2020 for VMERS.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2022, the Town recognized net pension revenue of \$6,639 for the VMERS plan. At December 31, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | VMERS | |
|--|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 13,453 | \$ - |
| Changes of assumptions | 11,409 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 42,559 |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | 18,933 |
| Contributions subsequent to the measurement date | 11,785 | - |
| Total | <u>\$ 36,647</u> | <u>\$ 61,492</u> |

\$11,785 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 pensions will be recognized in pension expense as follows:

| | VMERS Plan |
|--------------------------|---------------|
| Plan year ended June 30: | |
| 2022 | \$ (7,412) |
| 2023 | (7,653) |
| 2024 | (8,046) |
| 2025 | (13,518) |
| 2026 | - |
| Thereafter | - |

TOWN OF SHELDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2021 measurement date was determined by rolling forward the total pension liability as of June 30, 2020 to June 30, 2021. The total pension liability was calculated using the following actuarial assumptions:

Investment Rate of Return: 7.00%, net of pension plan investment expense, including inflation.

Inflation: 2.30%

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.

Deaths After Retirement: Mortality rates for pre-retirement, healthy retirees and disabled retirees in the VMERS plan for Groups A, B, C and D were based on historical and current demographic data, adjusted to reflect health characteristics of the underlying groups and estimated future experience and professional judgment. The mortality tables were then adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

Pre-Retirement:

- Groups A/B/C - 40% PubG-2010 General Employee Amount-Weighted below-median and 60% of PubG-2010 General Employee Amount-Weighted, with generational projection using Scale MP-2019.
- Group D - PubG-2010 General Employee Amount-Weighted above-median, with generational projection using scale MP-2019.

Healthy Post-Retirement - Retirees:

- Groups A/B/C - 104% of 40% PubG-2010 General Healthy Retiree Amount-Weighted below-median and 60% of PubG-2010 General Healthy Retiree Amount-Weighted, with generational projection using scale MP-2019.
- Group D - PubG-2010 General Healthy Retiree Amount-Weighted, with generational projection using scale MP-2019.

TOWN OF SHELDON, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Disabled Post-Retirement:

- All Groups - PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using Scale MP-2019.

Inactive Members: Valuation liability equals 100% of accumulated contributions. Inactive who are vested immediately become Deferred Members and the liabilities for all Deferred Members are based on the accrued benefit.

Future Administrative Expenses: An expense adjustment based on actual expenses for the previous year is reflected in the development of recommended employer contribution levels.

Unknown Data for Participants: The same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

Percent Married: 85% of male members and 50% of female members are assumed to be married.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.10% per annum for Group A members and 1.20% per annum for Groups B, C and D members (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group A, B and D who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2021 COLA is 0.40% for all groups. The January 1, 2022 COLA is 2.00% for Group A members and 2.30% for Group B, C and D members.

Actuarial Cost Method: The Entry Age Actuarial Cost Method is used. Entry age is the age at date of employment, or, if date is unknown, current age minus years of service. Normal Cost and Accrued Actuarial 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.

A smoothing *asset valuation method* was used for funding purposes in the VMERS plan, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

TOWN OF SHELDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The *long-term expected rate of return* on 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 investment expense and inflation) developed for each major asset class. These best estimate ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|----------------------------------|-------------------|--|
| Passive Global Equities | 24.00% | 5.05% |
| Active Global Equities | 5.00% | 5.05% |
| US Equity - Large Cap | 4.00% | 4.00% |
| US Equity - Small/Mid Cap | 3.00% | 4.50% |
| Non-US Developed Market Equities | 7.00% | 5.50% |
| Non-US Equity - Small Cap | 0.00% | 0.00% |
| Emerging Markets Debt | 4.00% | 3.00% |
| Core Bonds | 19.00% | 0.00% |
| Private and Alternative 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% |

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for the VMERS plan. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy which exceeds the actuarially determined contribution rate. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

TOWN OF SHELDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 13 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Town’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.00% for the VMERS plan, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

| | 1% Decrease | Discount Rate | 1% Increase |
|--|----------------|------------------|----------------|
| <u>VMERS:</u> | | | |
| Discount rate | 6.00% | 7.00% | 8.00% |
| Town's proportionate share of the net pension liability | \$ 142,666 | \$ 72,179 | \$ 14,218 |

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VMERS or their participating employers. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont’s Annual Comprehensive Financial Report (CAFR). The CAFR can be viewed on the State’s Department of Finance and Management website at: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](https://www.vermont.gov/annual-comprehensive-financial-report).

NOTE 14 - RELATED PARTIES

The Town Clerk/Treasurer’s is related to the owner of Dufresne’s Gas Heating & Appliances. The Town paid the business \$4,690 during the year ended December 31, 2022.

NOTE 15 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. (PACIF) 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

TOWN OF SHELDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 15 - RISK MANAGEMENT (CONTINUED)

coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the fund after that time by giving sixty days' notice. Fund underwriting and rate setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the fund were to be exhausted, members would be responsible for the fund's liabilities.

The Town of also a member of the Vermont League of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

NOTE 16 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - General Fund - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions
- Notes to Required Supplementary Information

TOWN OF SHELDON, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2022

| | Budgeted Amounts | | Actual Amounts | Variance Positive (Negative) |
|---------------------------------------|------------------|------------|-------------------|------------------------------------|
| | Original | Final | | |
| Budgetary Fund Balance, January 1 | \$ 133,727 | \$ 133,727 | \$ 133,727 | \$ - |
| Resources (Inflows): | | | | |
| Property taxes | 1,496,164 | 1,496,164 | 1,471,664 | (24,500) |
| Intergovernmental | 122,971 | 122,971 | 413,996 | 291,025 |
| Charges for services | 25,505 | 25,505 | 29,390 | 3,885 |
| Miscellaneous revenues | 2,000 | 2,000 | 24,782 | 22,782 |
| Amounts Available for Appropriation | 1,780,367 | 1,780,367 | 2,073,559 | 293,192 |
| Charges to Appropriations (Outflows): | | | | |
| Current: | | | | |
| General government | 379,273 | 379,273 | 507,628 | (128,355) |
| Public safety | 226,119 | 226,119 | 181,906 | 44,213 |
| Public works | 705,298 | 705,298 | 792,004 | (86,706) |
| Health and welfare | 12,850 | 12,850 | 13,197 | (347) |
| Culture and recreation | 58,850 | 58,850 | 47,398 | 11,452 |
| Intergovernmental | 28,602 | 28,602 | 30,120 | (1,518) |
| Debt service: | | | | |
| Principal | 54,446 | 54,446 | 54,446 | - |
| Interest | 10,382 | 10,382 | 10,382 | - |
| Transfers to other funds | 170,820 | 170,820 | 185,415 | (14,595) |
| Total Charges to Appropriations | 1,646,640 | 1,646,640 | 1,822,496 | (175,856) |
| Budgetary Fund Balance, December 31 | \$ 133,727 | \$ 133,727 | \$ 251,063 | \$ 117,336 |

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELDON, VERMONT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|------------|------------|------------|------------|------------|------------|------------|
| <u>VMERS:</u> | | | | | | | |
| Proportion of the net pension liability | 0.05% | 0.05% | 0.06% | 0.07% | 0.08% | 0.11% | 0.10% |
| Proportionate share of the net pension liability | \$ 72,179 | \$ 138,859 | \$ 104,962 | \$ 102,505 | \$ 99,465 | \$ 142,507 | \$ 80,455 |
| Covered payroll | \$ 180,972 | \$ 182,217 | \$ 195,795 | \$ 206,650 | \$ 232,053 | \$ 243,764 | \$ 297,178 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 39.88% | 76.21% | 53.61% | 49.60% | 42.86% | 58.46% | 27.07% |
| Plan fiduciary net position as a percentage of the total pension liability | 86.29% | 74.52% | 80.35% | 82.60% | 83.64% | 80.95% | 87.42% |

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELDON, VERMONT

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <u>VMERS:</u> | | | | | | | |
| Contractually required contribution | \$ 11,785 | \$ 11,071 | \$ 10,692 | \$ 11,624 | \$ 12,763 | \$ 13,407 | \$ 14,588 |
| Contributions in relation to the contractually required contribution | <u>(11,785)</u> | <u>(11,071)</u> | <u>(10,692)</u> | <u>(11,624)</u> | <u>(12,763)</u> | <u>(13,407)</u> | <u>(14,588)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 184,900 | \$ 180,972 | \$ 182,217 | \$ 204,192 | \$ 206,525 | \$ 246,106 | \$ 297,178 |
| Contributions as a percentage of covered payroll | 6.37% | 6.12% | 5.87% | 5.69% | 6.18% | 5.45% | 4.91% |

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELDON, VERMONT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022

Changes of Assumptions

VMERS Pension Plan:

There have been no changes in actuarial assumptions since the last measurement date.

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Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

TOWN OF SHELDON, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND REVENUES
 FOR THE YEAR ENDED DECEMBER 31, 2022

| | Final Budget | Actual | Variance Positive (Negative) |
|---------------------------------|---------------------|---------------------|------------------------------------|
| REVENUES | | | |
| Property taxes: | | | |
| Property taxes | \$ 1,394,964 | \$ 1,319,428 | \$ (75,536) |
| Municipal portion of taxes | 10,000 | 8,111 | (1,889) |
| Current use tax | 85,000 | 91,369 | 6,369 |
| School tax overpayment | - | 34,021 | 34,021 |
| Penalties and interest | 6,200 | 18,735 | 12,535 |
| Intergovernmental: | | | |
| Highway state aid | 114,166 | 122,087 | 7,921 |
| State of VT taxpayer settlement | - | 268,499 | 268,499 |
| Other intergovernmental revenue | 8,805 | 23,410 | 14,605 |
| Charges for services: | | | |
| Licenses and fees | 19,405 | 23,762 | 4,357 |
| Police department | 1,000 | 698 | (302) |
| Animal control | 2,000 | 1,830 | (170) |
| Water and sewer administration | 3,100 | 3,100 | - |
| Other income: | | | |
| Book restoration | - | 6,681 | 6,681 |
| Other grants | - | 7,940 | 7,940 |
| Other income | 2,000 | 10,161 | 8,161 |
| Total revenues | <u>\$ 1,646,640</u> | <u>\$ 1,939,832</u> | <u>\$ 293,192</u> |

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELDON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

| | Final Budget | Actual | Variance Positive (Negative) |
|-------------------------------|-----------------|----------------|------------------------------------|
| GENERAL GOVERNMENT | | | |
| Administration | \$ 214,058 | \$ 96,687 | \$ 117,371 |
| Tax settlement expense | - | 269,946 | (269,946) |
| Municipal office expenses | 36,130 | 31,061 | 5,069 |
| Town clerk/treasurer | 91,035 | 83,365 | 7,670 |
| Listers | 16,450 | 12,240 | 4,210 |
| Delinquent tax collector | 5,000 | - | 5,000 |
| Audit expenses | 16,600 | 14,329 | 2,271 |
| | <u>379,273</u> | <u>507,628</u> | <u>(128,355)</u> |
| PUBLIC SAFETY | | | |
| Fire department | 125,677 | 124,299 | 1,378 |
| Animal control | 2,050 | 950 | 1,100 |
| Ambulance | 50,000 | 49,430 | 570 |
| Sheriff | 35,000 | (2,817) | 37,817 |
| Dispatching | 13,392 | 10,044 | 3,348 |
| | <u>226,119</u> | <u>181,906</u> | <u>44,213</u> |
| PUBLIC WORKS | | | |
| Highways | 278,143 | 212,600 | 65,543 |
| Road maintenance | 338,605 | 477,751 | (139,146) |
| Highway equipment | 58,500 | 83,562 | (25,062) |
| Highway garage expenses | 30,050 | 18,091 | 11,959 |
| | <u>705,298</u> | <u>792,004</u> | <u>(86,706)</u> |
| HEALTH AND WELFARE | | | |
| Charitable organizations | 10,500 | 10,497 | 3 |
| Solid waste management | 2,350 | 2,700 | (350) |
| | <u>12,850</u> | <u>13,197</u> | <u>(347)</u> |
| CULTURE AND RECREATION | | | |
| Library | 40,350 | 39,438 | 912 |
| Parks and recreation | 18,500 | 7,960 | 10,540 |
| | <u>58,850</u> | <u>47,398</u> | <u>11,452</u> |

SCHEDULE B (CONTINUED)
TOWN OF SHELDON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

| | Final Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|---------------------|---------------------|------------------------------------|
| INTERGOVERNMENTAL | | | |
| County tax | 22,338 | 22,338 | - |
| VLCT dues | 3,783 | 3,783 | - |
| NW Regional Planning | 2,392 | 3,910 | (1,518) |
| Franklin County Chamber of Commerce | 89 | 89 | - |
| | <u>28,602</u> | <u>30,120</u> | <u>(1,518)</u> |
| DEBT SERVICE | | | |
| Principal | 54,446 | 54,446 | - |
| Interest | 10,382 | 10,382 | - |
| | <u>64,828</u> | <u>64,828</u> | <u>-</u> |
| TRANSFERS TO OTHER FUNDS | | | |
| Special revenue funds | 50,820 | 65,415 | (14,595) |
| Capital projects funds | 120,000 | 120,000 | - |
| | <u>170,820</u> | <u>185,415</u> | <u>(14,595)</u> |
| TOTAL DEPARTMENTAL OPERATIONS | <u>\$ 1,646,640</u> | <u>\$ 1,822,496</u> | <u>\$ (175,856)</u> |

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELDON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022

| | Special Revenue Funds | Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|-----------------------------|------------------------------|---|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | |
| Due from other funds | \$ 852,570 | \$ 273,075 | \$ 1,125,645 |
| TOTAL ASSETS | <u>\$ 852,570</u> | <u>\$ 273,075</u> | <u>\$ 1,125,645</u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable | - | - | - |
| Restricted | - | - | - |
| Committed | - | 273,075 | 273,075 |
| Assigned | 852,570 | - | 852,570 |
| Unassigned | - | - | - |
| TOTAL FUND BALANCES | <u>852,570</u> | <u>273,075</u> | <u>1,125,645</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 852,570</u> | <u>\$ 273,075</u> | <u>\$ 1,125,645</u> |

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELDON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2022

| | Special Revenue Funds | Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|-----------------------------|------------------------------|---|
| REVENUES | | | |
| Intergovernmental | \$ 333,505 | \$ - | \$ 333,505 |
| Interest income | 14 | 40 | 54 |
| TOTAL REVENUES | <u>333,519</u> | <u>40</u> | <u>333,559</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 3,706 | - | 3,706 |
| Debt service: | | | |
| Principal | 42,344 | 80,909 | 123,253 |
| Interest | 8,476 | 6,656 | 15,132 |
| TOTAL EXPENDITURES | <u>54,526</u> | <u>87,565</u> | <u>142,091</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>278,993</u> | <u>(87,525)</u> | <u>191,468</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 65,415 | 120,000 | 185,415 |
| Transfers (out) | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>65,415</u> | <u>120,000</u> | <u>185,415</u> |
| NET CHANGE IN FUND BALANCES | 344,408 | 32,475 | 376,883 |
| FUND BALANCES - JANUARY 1 | <u>508,162</u> | <u>240,600</u> | <u>748,762</u> |
| FUND BALANCES - DECEMBER 31 | <u>\$ 852,570</u> | <u>\$ 273,075</u> | <u>\$ 1,125,645</u> |

See accompanying independent auditor's report and notes to financial statements.

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

TOWN OF SHELDON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2022

| | Record Preservation Fund | Fire Department Fund | Appraisal Fund | ARPA Library Fund | Total |
|--|--------------------------------|----------------------------|-------------------|-------------------------|------------------|
| ASSETS | | | | | |
| Due from other funds | \$ 77,173 | \$ 52,892 | \$ 57,985 | \$ 664,520 | \$852,570 |
| TOTAL ASSETS | <u>\$ 77,173</u> | <u>\$ 52,892</u> | <u>\$ 57,985</u> | <u>\$ 664,520</u> | <u>\$852,570</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | - |
| Committed | - | - | - | - | - |
| Assigned | 77,173 | 52,892 | 57,985 | 664,520 | 852,570 |
| Unassigned | - | - | - | - | - |
| TOTAL FUND BALANCES | <u>77,173</u> | <u>52,892</u> | <u>57,985</u> | <u>664,520</u> | <u>852,570</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 77,173</u> | <u>\$ 52,892</u> | <u>\$ 57,985</u> | <u>\$ 664,520</u> | <u>\$852,570</u> |

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELDON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | Record Preservation Fund | Fire Department Fund | Appraisal Fund | ARPA Library Fund | Total |
|--|--------------------------------|----------------------------|-------------------|-------------------------|-------------------|
| REVENUES | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ 333,505 | \$ 333,505 |
| Interest income | 3 | 9 | 2 | - | 14 |
| TOTAL REVENUES | <u>3</u> | <u>9</u> | <u>2</u> | <u>333,505</u> | <u>333,519</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | 105 | - | - | 3,601 | 3,706 |
| Debt service: | | | | | |
| Principal | - | 42,344 | - | - | 42,344 |
| Interest | - | 8,476 | - | - | 8,476 |
| TOTAL EXPENDITURES | <u>105</u> | <u>50,820</u> | <u>-</u> | <u>3,601</u> | <u>54,526</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(102)</u> | <u>(50,811)</u> | <u>2</u> | <u>329,904</u> | <u>278,993</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | 6,681 | 50,820 | 7,914 | - | 65,415 |
| Transfers (Out) | - | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>6,681</u> | <u>50,820</u> | <u>7,914</u> | <u>-</u> | <u>65,415</u> |
| NET CHANGE IN FUND BALANCES | 6,579 | 9 | 7,916 | 329,904 | 344,408 |
| FUND BALANCES - JANUARY 1 | <u>70,594</u> | <u>52,883</u> | <u>50,069</u> | <u>334,616</u> | <u>508,162</u> |
| FUND BALANCES - DECEMBER 31 | <u>\$ 77,173</u> | <u>\$ 52,892</u> | <u>\$ 57,985</u> | <u>\$ 664,520</u> | <u>\$ 852,570</u> |

See accompanying independent auditor's report and notes to financial statements.

Capital Project Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

TOWN OF SHELDON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2022

| | Highway Equipment Fund | Bridge and Culvert Fund | Total |
|--|------------------------------|-------------------------------|-------------------|
| ASSETS | | | |
| Due from other funds | \$ 97,391 | \$ 175,684 | \$ 273,075 |
| TOTAL ASSETS | <u>\$ 97,391</u> | <u>\$ 175,684</u> | <u>\$ 273,075</u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable | - | - | - |
| Restricted | - | - | - |
| Committed | 97,391 | 175,684 | 273,075 |
| Assigned | - | - | - |
| Unassigned | - | - | - |
| TOTAL FUND BALANCES | <u>97,391</u> | <u>175,684</u> | <u>273,075</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 97,391</u> | <u>\$ 175,684</u> | <u>\$ 273,075</u> |

TOWN OF SHELDON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR CAPITAL PROJECT FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2022

| | Highway Equipment Fund | Bridge and Culvert Fund | Total |
|---|------------------------------|-------------------------------|-------------------|
| REVENUES | | | |
| Interest | \$ 14 | \$ 26 | \$ 40 |
| TOTAL REVENUES | <u>14</u> | <u>26</u> | <u>40</u> |
| EXPENDITURES | | | |
| Debt service: | | | |
| Principal | 80,909 | - | 80,909 |
| Interest | 6,656 | - | 6,656 |
| TOTAL EXPENDITURES | <u>87,565</u> | <u>-</u> | <u>87,565</u> |
| EXCESS (DEFICIENCY) OF REVENUES | | | |
| OVER (UNDER) EXPENDITURES | <u>(87,551)</u> | <u>26</u> | <u>(87,525)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 100,000 | 20,000 | 120,000 |
| Transfers (out) | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>100,000</u> | <u>20,000</u> | <u>120,000</u> |
| NET CHANGE IN FUND BALANCES | 12,449 | 20,026 | 32,475 |
| FUND BALANCES - JANUARY 1 | <u>84,942</u> | <u>155,658</u> | <u>240,600</u> |
| FUND BALANCES - DECEMBER 31 | <u>\$ 97,391</u> | <u>\$ 175,684</u> | <u>\$ 273,075</u> |

See accompanying independent auditor's report and notes to financial statements.

Capital Assets Description

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position.

TOWN OF SHELDON, VERMONT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION

DECEMBER 31, 2022

| | Land and Non-depreciable Assets | Buildings, Building Improvements and Land Improvements | Furniture, Fixtures, Equipment and Vehicles | Infrastructure | Total |
|--------------------------------|---------------------------------------|---|--|----------------|--------------|
| General government | \$ - | \$ 1,181,876 | \$ 884,705 | \$ - | \$ 2,066,581 |
| Public safety | - | 355,000 | 410,072 | - | 765,072 |
| Public works | - | 9,555 | 414,420 | 2,571,753 | 2,995,728 |
| Water and sewer | - | 430,463 | 44,107 | 2,545,882 | 3,020,452 |
| Total General Capital Assets | - | 1,976,894 | 1,753,304 | 5,117,635 | 8,847,833 |
| Less: Accumulated Depreciation | - | (742,818) | (1,172,220) | (3,055,092) | (4,970,130) |
| Net General Capital Assets | \$ - | \$ 1,234,076 | \$ 581,084 | \$ 2,062,543 | \$ 3,877,703 |

See accompanying independent auditor's report and notes to financial statements.

TOWN OF SHELDON, VERMONT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2022

| | General Capital Assets 1/1/22 | Additions | Deletions | General Capital Assets 12/31/22 |
|--------------------------------|--|--------------------|-------------|--|
| General government | \$ 2,066,581 | \$ - | \$ - | \$ 2,066,581 |
| Public safety | 736,765 | 28,307 | - | 765,072 |
| Public works | 2,759,086 | 236,642 | - | 2,995,728 |
| Water and sewer | <u>2,976,345</u> | <u>44,107</u> | <u>-</u> | <u>3,020,452</u> |
| Total General Capital Assets | 8,538,777 | 309,056 | - | 8,847,833 |
| Less: Accumulated Depreciation | <u>(4,581,359)</u> | <u>(388,771)</u> | <u>-</u> | <u>(4,970,130)</u> |
| Net General Capital Assets | <u>\$ 3,957,418</u> | <u>\$ (79,715)</u> | <u>\$ -</u> | <u>\$ 3,877,703</u> |

See accompanying independent auditor's report and notes to financial statements.



Proven Expertise & Integrity

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Selectboard
Town of Sheldon
Sheldon, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Sheldon, Vermont, as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise Town of Sheldon, Vermont's basic financial statements and have issued our report thereon dated May 5, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Sheldon, Vermont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Sheldon, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 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.

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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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Sheldon, Vermont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the Town of Sheldon, Vermont in a separate letter dated May 5, 2023.

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 organization's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
May 5, 2023