

TOWN OF CASTLETON, VERMONT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS
JUNE 30, 2021

TOWN OF CASTLETON, VERMONT

JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

The Select Board
Town of Castleton, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Castleton, Vermont, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion on the Discretely Presented Component Unit

The Town has not prepared a detailed listing of capital assets for the discretely presented component unit, Castleton Free Library. Therefore, we have been unable to perform sufficient audit procedures on the balances recorded. The amount by which this situation would affect the assets, net position, and expenses of the discretely presented component unit is not known.

Qualified Opinion

In our opinion, except for the possible effect of the matter discussed in the "Basis for Qualified Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit of the Town of Castleton, Vermont as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Castleton, Vermont as of June 30, 2021, 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.

Change in Accounting Principle

As described in Note 1.N. to the financial statements, in 2021 the Town adopted new accounting guidance, GASBS No 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 8, the budgetary comparison information on pages 32 and 33, the schedule of proportionate share of the net pension liability on page 34, and the schedule of pension contributions on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 8, 2022, on our consideration of the Town of Castleton, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Castleton, Vermont's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Castleton, Vermont's internal control over financial reporting and compliance.

Pace & Hawley, LLC

Berlin, Vermont
February 8, 2022

TOWN OF CASTLETON, VERMONT
Management's Discussion and Analysis
June 30, 2021

This discussion and analysis of the Town of Castleton, Vermont's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2021. Please read it in conjunction with the Town's financial statements.

Financial Highlights

- The Town's governmental activities net position increased by \$390,166 because of this year's operations.
- The Town's business-type activities net position decreased by \$111,703 because of this year's operations.
- The General Fund reported a net increase in fund balance of \$275,947 because of this year's operations.
- The unassigned fund balance for the General Fund was a surplus of \$153,403 as of June 30, 2021.

Overview of the Financial Statements

Management's discussion and analysis introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The government-wide financial statements present a long-term view and are designed to provide the reader with a broad overview of the Town's finances. Governmental and proprietary fund financial statements report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds.

Government-wide Financial Statements

One of the most important questions to ask about the Town's finances: "Is the Town as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the Town as a whole and about the activities in a way that helps answer this question. The statements are prepared similar to the private sector using the accrual basis of accounting. Under this basis of accounting, all of the current year's revenues and expenses are reported when earned or incurred regardless of when cash is paid or received.

The statement of net position is used to report all that the entity owns and owes. The difference between the two is reported as net position. This classification of net position is broken into three categories, the first being the portion of net investment in capital assets to indicate that this amount is not accessible for other purposes. A second portion of net position reflects resources not accessible for general use because their use is subject to restrictions enforceable by third parties. Any remaining net position is classified as unrestricted.

The statement of activities is used to report all changes in a Town's net position from one year to another. The statement is presented using a net cost format designed to highlight the portion of each functional activity that must be financed from the Town's own resources. The statement first reports all direct costs associated with each functional activity, then reports dedicated outside resources (program revenues) as a direct reduction to arrive at the programs net cost to the Town.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by state law. The Town's Select Board may establish other funds to help them control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. This Town uses governmental and proprietary type funds.

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Governmental Funds - Most of the Town's operations are reported in the governmental funds. These funds place their focus on near-term financing needs. Financial assets include cash as well as other assets that will convert to cash in the course of their ordinary lives. Governmental funds do not report capital assets because such assets will be used in operations, rather than be converted to cash, and therefore, are not available to spend. The Town reports three governmental funds; the General Fund, the Capital Project Fund and the Special Revenue Fund.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Fund – The Wastewater Fund is classified as an enterprise fund, which is a fund that is used to account for activity for which a fee is charged to external users for goods or services.

Fiduciary Fund – The custodial fund is used to report the collection and disbursement of statewide education property taxes.

Notes to Financial Statements

Notes to Financial Statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

Financial Analysis of the Government as a Whole

Government-wide Net Position – The following analysis focuses on the net position, and the changes in net position of the Town as a whole. The governmental activities net position of the Town increased from \$5,874,862 to \$6,265,028. The business-type activities net position of the Town decreased from \$2,149,377 to \$2,037,674. The governmental activities unrestricted net position, the part of net position that can be used to finance operations without constraints externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation stood at \$1,237,041 at June 30, 2021.

The following is a summary of the Town's government-wide net position as of June 30:

	Governmental Activities		Business-Type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 3,247,524	\$ 2,954,490	\$ 762,931	\$ 802,112	\$ 4,010,455	\$ 3,756,602
Capital assets, net	4,833,965	4,863,291	1,639,638	1,710,056	6,473,603	6,573,347
Total assets	8,081,489	7,817,781	2,402,569	2,512,168	10,484,058	10,329,949
Deferred outflows	258,324	155,590	20,945	12,615	279,269	168,205
Current liabilities	303,042	339,555	51,797	34,283	354,839	373,838
Noncurrent liabilities	1,715,958	1,718,604	330,816	339,104	2,046,774	2,057,708
Total liabilities	2,019,000	2,058,159	382,613	373,387	2,401,613	2,431,546
Deferred inflows	55,785	40,350	3,227	2,019	59,012	42,369
Net position						
Net investment in capital assets	3,634,454	3,513,516	1,345,048	1,392,392	4,979,502	4,905,908
Restricted	1,393,533	1,072,573	-	-	1,393,533	1,072,573
Unrestricted	1,237,041	1,288,773	692,626	756,985	1,929,667	2,045,758
	\$ 6,265,028	\$ 5,874,862	\$ 2,037,674	\$ 2,149,377	\$ 8,302,702	\$ 8,024,239

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Government-wide Statement of Activities – For the year ended June 30, 2021, governmental activities reported total revenues of \$4,161,969 and total expenses of \$3,873,303 and transfers-in of \$101,500 resulting in increase in net position of \$390,166. For the year ended June 30, 2020, governmental activities reported total revenues of \$4,425,809 and total expenses of \$5,544,564 and transfers-in of \$95,103 resulting in a decrease in net position of \$1,023,855. For the year ended June 30, 2021, business-type activities reported total revenues of \$603,156 and total expenses of \$537,054 and transfers-out of \$101,500 resulting in an increase in net position of \$64,602. For the year ended June 30, 2020, business-type activities reported total revenues of \$994,206 and total expenses of \$613,359 and transfers-out of \$101,500 resulting in an increase in net position of \$279,347.

The following is a summary of the Town's governmental and business-type activities for the year ending June 30, 2021:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 642,623	\$ 527,767	\$ 592,424	\$ 688,641	\$ 1,235,047	\$ 1,216,408
Operating grants and contributions	1,231,298	769,650	-	-	1,231,298	769,650
Capital grants and contributions	-	-	-	297,994	-	297,994
General revenues:						
Property taxes	2,293,843	2,108,408	-	-	2,293,843	2,108,408
Gain (loss) on sale of capital assets	(27,286)	(10,009)	-	-	(27,286)	(10,009)
Investment income	4,981	26,632	992	5,045	5,973	31,677
Miscellaneous	16,510	9,155	9,740	2,526	26,250	11,681
Total revenues	<u>4,161,969</u>	<u>3,431,603</u>	<u>603,156</u>	<u>994,206</u>	<u>4,765,125</u>	<u>4,425,809</u>
Expenses:						
General government	1,144,115	760,858	-	-	1,144,115	760,858
Public safety	912,854	907,991	-	-	912,854	907,991
Highways and streets	1,217,790	1,283,242	-	-	1,217,790	1,283,242
Culture and recreation	199,083	218,258	-	-	199,083	218,258
Solid waste	319,989	306,398	-	-	319,989	306,398
Cemetery	38,000	28,644	-	-	38,000	28,644
Interest on long-term debt	41,472	39,173	-	-	41,472	39,173
Wastewater operations	-	-	613,359	537,054	613,359	537,054
Total expenses	<u>3,873,303</u>	<u>3,544,564</u>	<u>613,359</u>	<u>537,054</u>	<u>4,486,662</u>	<u>4,081,618</u>
Transfers						
Transfers in (out)	101,500	95,103	(101,500)	(95,103)	-	-
Increase (decrease) in net position	<u>390,166</u>	<u>(17,858)</u>	<u>(111,703)</u>	<u>362,049</u>	<u>278,463</u>	<u>344,191</u>
Net position, beginning of year,	<u>5,874,862</u>	<u>5,892,720</u>	<u>2,149,377</u>	<u>1,787,328</u>	<u>8,024,239</u>	<u>7,680,048</u>
Net position, end of year	<u>\$ 6,265,028</u>	<u>\$ 5,874,862</u>	<u>\$ 2,037,674</u>	<u>\$ 2,149,377</u>	<u>\$ 8,302,702</u>	<u>\$ 8,024,239</u>

Some of the significant changes in governmental activities revenues and expenses were as follows:

- General Revenues (Property taxes) - The Town raised \$185,435 more in property tax revenue than the previous fiscal year.
- Capital Grants and Contributions – The Town received \$461,648 less in grants/contributions than the previous fiscal year.
- Investment Income – Due to lower interest rates, the Town investment income was \$21,651 less than the previous fiscal year.

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- Charges for services – The Town raised \$114,856 more than the previous year. There was an increase in fees collected for services provided by the Town Clerk and by the Police Department. The Castleton Police Department is the only facility in the region that conducts fingerprinting. The real estate market in the Castleton area exploded during the past two fiscal years. The Town Clerk experienced an increase in research by law firms and real estate agents resulting in an increase in revenue for her services.
- The Transfer Station (Solid Waste) expenses exceeded the operating budget due to some needed upgrades. It was fortunate that the Transfer Station revenue exceeded what was anticipated and help offset increased operating expenses.
- The Town experienced a loss of income at Crystal Beach (Town-owned public facility) which can be attributed to COVID and a decrease two years in a row of facility rentals.

Some of the significant changes in business-type activities revenues and expenses were as follows:

- The Town experienced a loss in sewer revenue due to Castleton University paying \$80K+ less in fees due to COVID-19 due to the lack of students on campus.
- Repairs to the garage at the main plant used to keep the Kubota tractor and pickup truck protected from the elements.
- The Town lost approximately \$80K in sewer revenue based on how the Town was billing Castleton University for sewer collection. This was addressed and changed moving forward.

Financial Analysis of the Town's Governmental, Proprietary and Fiduciary Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations.

Governmental funds – Governmental fund financial reporting focuses on short-term spendable resources and balances of spendable resources at year-end. The major governmental funds of the Town are the General Fund, Capital Project Fund and Special Revenue Fund.

As of June 30, 2021, the Town's governmental funds reported combined ending fund balances of \$2,770,693. Of this \$66,169 was nonspendable, \$1,393,533 was restricted, \$754,843 was committed for specific purposes, \$490,145 was assigned and \$66,003 was unassigned.

General Fund - The General Fund is the primary operating fund of the Town and supports the majority of the services provided by the Town. Total fund balance of the General Fund as of June 30, 2021, was \$1,303,863 of which \$153,403 was unassigned. The General Fund had an increase in fund balance of \$275,947 for the year ended June 30, 2021, compared to a net budgeted decrease in fund balance of \$103,001.

Capital Project Fund – The Capital Project Fund is used to account for funds restricted or committed for capital projects, capital equipment or related purposes. Total fund balance of the Capital Project Fund as of June 30, 2021, was \$1,543,432 of which \$723,739 was restricted, \$754,803 was committed and \$64,850 was assigned. The Capital Project Fund had an increase in fund balance of \$45,473 for the year ended June 30, 2021.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of special revenue sources (other than major capital improvements) that are legally restricted to expenditures for specified purposes. Total fund balance of the Special Revenue Fund as of June 30, 2021, was a deficit of \$76,602. The Special Revenue Fund had a decrease in fund balance of \$313 for the year ended June 30, 2021.

Enterprise funds – Enterprise funds are used to report activities which rely to a significant extent on fees and charges for support. The major enterprise fund of the Town is the Wastewater Fund.

Wastewater Fund - The Wastewater Fund is used to account for the Town's wastewater facility and operations. Total net position of the Wastewater Fund as of June 30, 2021, was \$2,037,674 of which \$692,626 was unrestricted. The Wastewater Fund had a decrease in net position of \$111,703 for the year ended June 30, 2021.

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Fiduciary Fund – The Custodial Fund is used for statewide education property taxes. For the year ended June 30, 2021, the Town collected and distributed \$7,019,027 in education property taxes as required by the State of Vermont.

General Fund Budgetary Highlights

The schedule comparing the Town's original budget and actual results are included on pages 32 - 33 of the following report.

For the year ended June 30, 2021, actual General Fund revenues were \$3,491,047 compared to budgeted revenues of \$3,368,302. Differences in actual versus budgeted revenues were primarily the results of the following items:

- \$103,000 in revenue in the form of a general fund surplus for the previous fiscal year.
- \$23,675 more in grant funds than anticipated
- \$40,000 more in State Aid to Highways than anticipated.
- \$17,000 less in VT PILOT money than anticipated.
- \$51,000 more in Transfer Station revenue than anticipated.
- \$41,000 more in miscellaneous and Town clerk revenue than anticipated
- \$14,000 more in revenue than anticipated in the form of a VLCT refund and rent from the State Police for a working area at the Castleton Police Department.

For the year ended June 30, 2021, actual General Fund expenditures were \$3,025,732 compared to budgeted expenditures of \$3,303,403. Differences in actual versus budgeted expenditures were primarily the results of the following items:

The total difference between budgeted and actual for the general fund expenditures is \$277,671. Within the operating budget, there some departments that expended more than budgeted and many spent less than budgeted. The below list are departments whose expenditures are \$5,000 or more less than budgeted.

- \$5,000 less spent than budgeted in Legislating
- \$7,000 less spent than budgeted in Managing Municipalities
- \$39,000 less spent than budgeted in Tax Listing
- \$6,000 less spent than budgeted in Tax Collecting
- \$12,000 less spent than budgeted for Legal Services
- \$5,000 less spent than budgeted in Municipal Planning and Zoning
- \$3,000 less spent than budgeted for the Community & Economic Development Committee
- \$13,000 less spent than budgeted for Total General Government Buildings
- \$34,000 less spent than budgeted for the Police Department
- \$12,000 less spent than budgeted for the Fire Department
- \$8,000 less spent than budgeted for Emergency Management
- \$143,000 less spent than budgeted for the Highway Department
- \$14,000 less spent than budgeted for the First Constable
- \$19,000 less spent than budgeted for total Recreation Department

Capital Assets and Debt Administration

Capital assets governmental activities – As of June 30, 2021, the Town had \$4,833,965, net of accumulated depreciation, invested in capital assets including land, buildings and improvements, and vehicles and equipment for governmental activities. The amount represents a \$29,326 decrease from the prior year. Significant new capital asset additions consisted of the following:

- Purchase of land from Hadeka's that was landlocked in the Town's gravel pit.
- Purchase of a new tandem dump truck and a new 1-ton dump truck
- Capital improvements at the Transfer Station, including paving.

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Capital assets business-type activities – As of June 30, 2021, the Town had \$1,639,638, net of accumulated depreciation, invested in capital assets including land, buildings and improvements, collection systems, and vehicles and equipment for business-type activities. The amount represents a \$70,418 decrease from the prior year. Significant new capital asset additions consisted of the following:

- Repair of the garage at the main plant increased the value of the building.

Debt governmental activities – As of June 30, 2021, the Town's governmental activities outstanding debt consisted of bonds payable, notes payable, VMERS net pension liability, and accrued compensated absences, was \$1,866,222, a decrease of \$2,646 over the prior year. There were no new debt additions for the year.

Debt business-type activities – As of June 30, 2021, the Town's business-type activities outstanding debt consisted of bonds payable, notes payable, VMERS net pension liability and accrued compensated absences, was \$348,071, a decrease of \$9,562 over the prior year. There were no new debt additions for the year.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2022 budget, tax rates, and fees that will be charged for the business-type activities. Some of these factors are the economy, wages and unemployment in the region and the fees charged in other municipalities as well as the capital improvements authorized by voters.

The Select Board recommends a fiscal year 2022 General Fund operating expenditures and transfers budget of \$3,481,855. This represents an increase of 0.30% over the fiscal year 2021 General Fund operating expenditures and transfers budget of \$3,471,303.

Request for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to Town of Castleton: P.O. Box 727, Castleton, VT 05735.

TOWN OF CASTLETON, VERMONT
Statement of Net Position
June 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	Castleton Free Library
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,367,563	\$ -	\$ 3,367,563	\$ 65,882
Investments	-	-	-	345,973
Property taxes, penalty and interest receivable, net of allowance	453,029	-	453,029	-
Accounts receivable, net of allowance	7,311	54,321	61,632	-
Grants receivable	59,090	-	59,090	-
Prepaid expenses	66,169	-	66,169	-
Due from Castleton Free Library	2,972	-	2,972	-
Internal balances	(708,610)	708,610	-	-
Total current assets	<u>3,247,524</u>	<u>762,931</u>	<u>4,010,455</u>	<u>411,855</u>
Noncurrent assets:				
Capital assets	7,022,982	7,795,169	14,818,151	28,044
(Accumulated depreciation)	(2,189,017)	(6,155,531)	(8,344,548)	-
Total noncurrent assets	<u>4,833,965</u>	<u>1,639,638</u>	<u>6,473,603</u>	<u>28,044</u>
Total assets	<u>8,081,489</u>	<u>2,402,569</u>	<u>10,484,058</u>	<u>439,899</u>
Deferred outflows of resources				
Pension related - VMERS	<u>258,324</u>	<u>20,945</u>	<u>279,269</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable	51,301	31,387	82,688	275
Accrued payroll and benefits	44,422	1,656	46,078	1,435
Grant advances	44,940	-	44,940	-
Sewer fees received in advance	-	1,499	1,499	-
Other liabilities	12,115	-	12,115	-
Due to Town of Castleton	-	-	-	2,972
Bonds and notes payable, current portion	<u>150,264</u>	<u>17,255</u>	<u>167,519</u>	<u>-</u>
Total current liabilities	<u>303,042</u>	<u>51,797</u>	<u>354,839</u>	<u>4,682</u>
Noncurrent liabilities:				
Net pension liability - VMERS	610,831	49,528	660,359	-
Accrued compensated absences	55,880	3,953	59,833	10,788
Bonds and notes payable, less current portion	<u>1,049,247</u>	<u>277,335</u>	<u>1,326,582</u>	<u>-</u>
Total noncurrent liabilities	<u>1,715,958</u>	<u>330,816</u>	<u>2,046,774</u>	<u>10,788</u>
Total liabilities	<u>2,019,000</u>	<u>382,613</u>	<u>2,401,613</u>	<u>15,470</u>
Deferred inflows of resources				
Property taxes received in advance	15,982	-	15,982	-
Pension related - VMERS	<u>39,803</u>	<u>3,227</u>	<u>43,030</u>	<u>-</u>
Total deferred inflows of resources	<u>55,785</u>	<u>3,227</u>	<u>59,012</u>	<u>-</u>
Net position				
Net investment in capital assets	3,634,454	1,345,048	4,979,502	28,044
Restricted	1,393,533	-	1,393,533	21,888
Unrestricted	<u>1,237,041</u>	<u>692,626</u>	<u>1,929,667</u>	<u>374,497</u>
Total net position	<u>\$ 6,265,028</u>	<u>\$ 2,037,674</u>	<u>\$ 8,302,702</u>	<u>\$ 424,429</u>

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

TOWN OF CASTLETON, VERMONT
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Totals	
Governmental activities								
General government	\$ 1,144,115	\$ 135,321	\$ 482,078	\$ -	\$ (526,716)	\$ -	\$ (526,716)	\$ -
Public safety	912,854	112,773	78,930	-	(721,151)	-	(721,151)	-
Highways and streets	1,217,790	37,166	668,500	-	(512,124)	-	(512,124)	-
Culture and recreation	199,083	37,912	1,790	-	(159,381)	-	(159,381)	-
Solid waste	319,989	319,451	-	-	(538)	-	(538)	-
Cemetery	38,000	-	-	-	(38,000)	-	(38,000)	-
Interest on long-term debt	41,472	-	-	-	(41,472)	-	(41,472)	-
Total governmental activities	<u>3,873,303</u>	<u>642,623</u>	<u>1,231,298</u>	<u>-</u>	<u>(1,999,382)</u>	<u>-</u>	<u>(1,999,382)</u>	<u>-</u>
Business-type activities								
Wastewater operations	<u>613,359</u>	<u>592,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,935)</u>	<u>(20,935)</u>	<u>-</u>
Total primary government	<u>\$ 4,486,662</u>	<u>\$ 1,235,047</u>	<u>\$ 1,231,298</u>	<u>\$ -</u>	<u>(1,999,382)</u>	<u>(20,935)</u>	<u>(2,020,317)</u>	<u>-</u>
Component unit								
Castleton Free Library	<u>\$ 128,735</u>	<u>\$ -</u>	<u>\$ 117,432</u>	<u>\$ 32,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,847</u>
General revenues								
Property taxes, penalties and interest					2,293,843	-	2,293,843	-
Investment income					4,981	992	5,973	44,311
Miscellaneous					16,510	9,740	26,250	2,245
Total general revenues					<u>2,315,334</u>	<u>10,732</u>	<u>2,326,066</u>	<u>46,556</u>
Special item								
(Loss) on disposition of capital assets					<u>(27,286)</u>	<u>-</u>	<u>(27,286)</u>	<u>-</u>
Transfers in (out)					<u>101,500</u>	<u>(101,500)</u>	<u>-</u>	<u>-</u>
Change in net position					390,166	(111,703)	278,463	67,403
Net position, beginning of year					<u>5,874,862</u>	<u>2,149,377</u>	<u>8,024,239</u>	<u>357,026</u>
Net position, end of year					<u>\$ 6,265,028</u>	<u>\$ 2,037,674</u>	<u>\$ 8,302,702</u>	<u>\$ 424,429</u>

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

TOWN OF CASTLETON, VERMONT
Balance Sheet - Governmental Funds
June 30, 2021

	General Fund	Capital Project Fund	Special Revenue Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,668,893	\$ 1,698,670	\$ -	\$ 3,367,563
Property taxes, penalty and interest receivable, net of allowance	453,029	-	-	453,029
Accounts receivable	7,311	-	-	7,311
Grants receivable	-	-	59,090	59,090
Prepaid expenditures	66,169	-	-	66,169
Due from Castleton Free Library	<u>2,972</u>	<u>-</u>	<u>-</u>	<u>2,972</u>
Total assets	\$ <u>2,198,374</u>	\$ <u>1,698,670</u>	\$ <u>59,090</u>	\$ <u>3,956,134</u>
 Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	\$ 48,506	\$ -	\$ 2,795	\$ 51,301
Accrued payroll and benefits	44,422	-	-	44,422
Grant advances	-	-	44,940	44,940
Other liabilities	12,115	-	-	12,115
Due to other funds	<u>465,415</u>	<u>155,238</u>	<u>87,957</u>	<u>708,610</u>
Total liabilities	<u>570,458</u>	<u>155,238</u>	<u>135,692</u>	<u>861,388</u>
 Deferred inflows of resources:				
Property taxes received in advance	15,982	-	-	15,982
Unavailable property taxes	<u>308,071</u>	<u>-</u>	<u>-</u>	<u>308,071</u>
Total deferred inflows of resources	<u>324,053</u>	<u>-</u>	<u>-</u>	<u>324,053</u>
 Fund balances:				
Nonspendable	66,169	-	-	66,169
Restricted	658,996	723,739	10,798	1,393,533
Committed	-	754,843	-	754,843
Assigned	425,295	64,850	-	490,145
Unassigned	<u>153,403</u>	<u>-</u>	<u>(87,400)</u>	<u>66,003</u>
Total fund balances	<u>1,303,863</u>	<u>1,543,432</u>	<u>(76,602)</u>	<u>2,770,693</u>
 Total liabilities, deferred inflows of resources and fund balances				
	\$ <u>2,198,374</u>	\$ <u>1,698,670</u>	\$ <u>59,090</u>	\$ <u>3,956,134</u>

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

TOWN OF CASTLETON, VERMONT
Reconciliation of the Balance Sheet - Governmental Funds
to the Government-wide Statement of Net Position
June 30, 2021

Total fund balances - governmental funds \$ 2,770,693

Amounts reported for governmental activities in the government-wide statement of net position are different because:

Capital assets used in governmental funds are not current financial resources and therefore are not reported in the governmental funds balance sheet:

Capital assets	7,022,982
Accumulated depreciation	(2,189,017)

Unavailable property taxes are recorded as a deferred inflow of resources in the governmental funds financial statement because property taxes which are not collected within 60 days of year-end are not available financial resources:

Unavailable property taxes	308,071
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Deferred outflows of resources, deferred inflows of resources and the net pension liability related to the Town's proportionate share of the VMERS pension plan are not reported in the governmental funds balance sheet.

(392,310)

Long-term liabilities, including notes payable, bonds payable and accrued compensated absences, are not due and payable in the current year and therefore are not reported in the governmental funds balance sheet.

(1,255,391)

Net position - governmental activities \$ 6,265,028

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

TOWN OF CASTLETON, VERMONT
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 2,232,026	\$ -	\$ -	\$ 2,232,026
Property taxes - penalties & interest	53,914	-	-	53,914
Intergovernmental	624,804	20,732	585,185	1,230,721
Licenses, permits & fines	52,953	-	-	52,953
Charges for services	508,830	-	80,839	589,669
Contributions	38	-	540	578
Investment income	1,972	3,009	-	4,981
Miscellaneous	16,510	-	-	16,510
Total revenues	<u>3,491,047</u>	<u>23,741</u>	<u>666,564</u>	<u>4,181,352</u>
Expenditures				
Current:				
General government	707,759	18,044	375,378	1,101,181
Public safety	651,643	-	159,733	811,376
Highway and streets	929,711	-	131,316	1,061,027
Culture and recreation	198,633	-	450	199,083
Solid waste	315,789	-	-	315,789
Cemetery	38,000	-	-	38,000
Capital outlay	71,675	196,428	-	268,103
Debt service:				
Principal	75,000	75,264	-	150,264
Interest	37,522	3,950	-	41,472
Total expenditures	<u>3,025,732</u>	<u>293,686</u>	<u>666,877</u>	<u>3,986,295</u>
Excess of revenues or (expenditures)	<u>465,315</u>	<u>(269,945)</u>	<u>(313)</u>	<u>195,057</u>
Other financing sources (uses)				
Proceeds from sale capital assets	-	24,550	-	24,550
Transfers in (out)	<u>(189,368)</u>	<u>290,868</u>	<u>-</u>	<u>101,500</u>
Total other financing sources (uses)	<u>(189,368)</u>	<u>315,418</u>	<u>-</u>	<u>126,050</u>
Net change in fund balances	275,947	45,473	(313)	321,107
Fund balances, beginning of year	<u>1,027,916</u>	<u>1,497,959</u>	<u>(76,289)</u>	<u>2,449,586</u>
Fund balances, end of year	\$ <u>1,303,863</u>	\$ <u>1,543,432</u>	\$ <u>(76,602)</u>	\$ <u>2,770,693</u>

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

TOWN OF CASTLETON, VERMONT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds to the
Government-wide Statement of Activities
For the Year Ended June 30, 2021

Net change in fund balances - governmental funds \$ 321,107

Amounts reported for governmental activities in the government-wide statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is depreciated over their estimated useful lives:

Expenditures for capital assets	268,103
Current year depreciation	(245,593)
Cost, net of accumulated depreciation, of disposed capital assets	(51,836)

The Town's contribution to VMERS is recorded as an expenditure in the governmental funds. However, in the statement of activities pension expense is actuarially determined. (66,201)

Proceeds from long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position:

Principal payments on bonds, notes payable	150,264
Decrease in accrued compensated absences	6,419

Revenues in the statement of activities that do not provide current financial resources (property taxes not collected within 60 days of fiscal year end) are not reported as revenues in the governmental funds statements:

Increase in unavailable property taxes	7,903
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Changes in net position - governmental activities \$ 390,166

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

TOWN OF CASTLETON, VERMONT
Statement of Net Position - Proprietary Fund
June 30, 2021

	Wastewater Fund
Assets	
Current assets:	
Sewer fees receivable, net of allowance	\$ 54,321
Due from other funds	708,610
Total current assets	762,931
Noncurrent assets:	
Capital assets	7,795,169
(Accumulated depreciation)	(6,155,531)
Total noncurrent assets	1,639,638
Total assets	2,402,569
Deferred outflows of resources	
Pension related - VMERS	20,945
Liabilities	
Current liabilities:	
Accounts payable	31,387
Accrued payroll and benefits	1,656
Sewer fees received in advance	1,499
Bonds and notes payable - current portion	17,255
Total current liabilities	51,797
Noncurrent liabilities:	
Accrued compensated absences	3,953
Net pension liability - VMERS	49,528
Bonds and notes payable - less current portion	277,335
Total noncurrent liabilities	330,816
Total liabilities	382,613
Deferred inflows of resources	
Pension related - VMERS	3,227
Net position	
Net investment in capital assets	1,345,048
Unrestricted	692,626
Total net position	\$ 2,037,674

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

TOWN OF CASTLETON, VERMONT
Statement of Revenues, Expenses and Changes
in Fund Net Position - Proprietary Fund
For the Year Ended June 30, 2021

	<u>Wastewater Fund</u>
Operating revenues	
Charges for services	\$ 584,844
Penalties and interest on delinquent accounts	7,580
Miscellaneous	<u>9,740</u>
Total operating revenues	<u>602,164</u>
 Operating expenses	
Personnel services	179,198
Purchased and contract services	207,000
Administrative expenses	22,866
Supplies	34,562
Utilities	74,255
Depreciation	<u>95,478</u>
Total operating expenses	<u>613,359</u>
 Operating income	 <u>(11,195)</u>
 Nonoperating revenues	
Investment income	 <u>992</u>
 Transfers	
Transfers in (out)	 <u>(101,500)</u>
 Change in net position	 (111,703)
 Net position, beginning of year	 <u>2,149,377</u>
 Net position, end of year	 \$ <u>2,037,674</u>

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

TOWN OF CASTLETON, VERMONT
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2021

	Wastewater Fund
Cash flows from operating activities	
Cash received from customers	\$ 609,520
Cash paid to suppliers	(319,391)
Cash paid to employees for services	(173,409)
Net cash provided by operating activities	116,720
Cash flows from noncapital financing activities	
(Increase) decrease in amounts due from other funds	31,922
Cash flows from capital and related financing activities	
Interfund transfers	(101,500)
Acquisition of capital assets	(25,060)
Loan repayments	(23,074)
Net cash (used) by capital and related financing activities	(149,634)
Cash flows from investing activities	
Investment income	992
Net increase in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ -
Reconciliation of operating loss to net cash provided by operating activities	
Operating income (loss)	\$ (11,195)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	95,478
Change in assets, liabilities, deferred inflows and deferred outflows:	
(Increase) decrease in accounts receivable	7,259
(Increase) decrease in deferred outflows - VMERS	(8,330)
Increase (decrease) accounts payable	19,292
Increase (decrease) accrued payroll	(601)
Increase (decrease) accrued compensated absences	1,022
Increase (decrease) fees received in advance	97
Increase (decrease) deferred inflows - VMERS	1,208
Increase (decrease) net pension liability - VMERS	12,490
Net cash provided by operating activities	\$ 116,720

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

TOWN OF CASTLETON, VERMONT
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2021

	<u>Custodial Fund</u>
Assets	
Due from other governments	\$ <u> -</u>
Liabilities	
Due to governmental activities	<u> -</u>
Net position	\$ <u><u> -</u></u>

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

TOWN OF CASTLETON, VERMONT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
June 30, 2021

	Custodial Fund
Additions	
Statewide education taxes collected for other governments	\$ <u>7,019,027</u>
Deductions	
Statewide education taxes paid to other governments	<u>7,019,027</u>
Change in net position	-
Net position, beginning of year	<u>-</u>
Net position, end of year	\$ <u>-</u>

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

TOWN OF CASTLETON, VERMONT
Notes to Financial Statements
June 30, 2021

1. Summary of significant accounting policies

The Town of Castleton, Vermont (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town operates under a Select Board / Town Manager form of government and provides the following services: public safety, highways and streets, solid waste, culture and recreation, public improvements, planning and zoning, and general and administrative services.

The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the Town have been prepared in conformity with generally accepted accounting principles as applied to governmental entities. The following is a summary of the Town's more significant accounting policies:

A. Reporting entity - The Town is a primary government under reporting criteria established by the GASB. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units and evaluated them against the criteria established by the GASB. Based on the application of these criteria, the Castleton Free Library is defined as a discretely presented component unit when defining the Town for financial reporting purposes. The Castleton Free Library is a non-profit corporation formed for the purpose of providing a free library to the community. The library is administered by a five-member Board of Trustees and does not separately issue financial statements.

B. Basis of presentation -

Fund accounting: The accounts of the Town are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Government-wide statements: The statement of net position and the statement of activities present financial information about the Town's governmental and business-type activities as well as its discretely presented component unit. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The discretely presented component unit is shown separately from activities of the primary government.

Fund financial statements: Fund financial statements are presented according to each fund category; governmental, proprietary and fiduciary. Separate financial statements are provided for each of these categories. Major governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund - The General Fund is used to account for the primary activity of the Town. Property tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Capital Project Fund - The Capital Project Fund is used to account for financial resources restricted, committed or assigned for capital projects or capital equipment.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of special revenue sources (other than major capital improvements) that are legally restricted to expenditures for specified purposes.

TOWN OF CASTLETON, VERMONT
Notes to Financial Statements
June 30, 2021

1. Summary of significant accounting policies (continued)

The Town reports the following major proprietary fund:

Wastewater Fund - The Wastewater Fund is used to account for the Town's wastewater facility and operations.

The Town also reports fiduciary activities in a custodial fund used to report statewide education property taxes collected on behalf of the State of Vermont and paid to other governments.

- C. Measurement focus and basis of accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus refers to what items are reported on the financial statements. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when they occur, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this model, revenues are recognized when both measurable and available for use. Expenditures are recorded when the liability has occurred if measurable. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the fiscal year and other revenues to be available if they are collected within 6 months of the end of the fiscal year. Expenditures related to principal and interest on general long-term debt that has not matured, compensated absences, and claims and judgments are recorded only when payment is due.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Additions are recorded when they occur and deductions when a liability has occurred, regardless of the related cash flows.

- D. Governmental fund equity - In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – Resources which cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted – Resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – Resources which are subject to limitations the government imposes upon itself at its highest level of decision-making authority, and that remain binding unless removed in the same manner. For the purposes of defining the committed fund balance category, the Town considers the taxpayers, through voted Town Articles, its highest level of decision-making authority.

TOWN OF CASTLETON, VERMONT
Notes to Financial Statements
June 30, 2021

1. Summary of significant accounting policies (continued)

Assigned – Resources neither restricted nor committed for which a government has a stated intended use as established by the Select Board or a body or official to which the Select Board has delegated the authority to assign amounts for specific purposes.

Unassigned – Resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include any negative residual balance resulting from expenditures exceeding amounts restricted, committed, or assigned for a specific purpose.

The Town has not formalized a policy that identifies which fund balance classification is affected when an expenditure has been incurred for purposes for which restricted, committed, assigned or unassigned amounts could be used.

For the classification of net position, the Town does not have a formal policy regarding which classification should be reduced first when more than one classification is available. However, the Town has generally considered an expense to be made from the most restrictive first when more than one classification is available.

- E. Budgetary accounting - The operating budget of the General Fund is prepared by the Town on the modified accrual basis of accounting. The budget is approved at Town Meeting and the Select Board sets the tax rate based on the grand list and approved budget.
- F. Estimates - The preparation of the financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, or expenses during the reported period. Actual results could differ from those estimates.
- G. Cash and cash equivalents - Cash and cash equivalents consists of cash and short-term investments with an original maturity of three months or less.
- H. Investments - Investments are recorded at fair value. Unrealized gains and losses in the value of investments are included in revenue.
- I. Receivables - The Town has recorded an allowance for doubtful accounts based on historical collections and estimated future cash receipts. As of June 30, 2021, the Town has recorded an allowance of \$7,500 and \$7,000 against General Fund property taxes receivable and Wastewater Fund sewer fees receivable, respectively.
- J. Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide statements and in the proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial individual cost of \$10,000 or more and a minimum useful life of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Donated capital assets are recorded at acquisition value at the date of donation. The Town's governmental activities infrastructure assets include capital outlays for projects occurring after July 1, 2014. Capital assets of the Town are depreciated using the straight-line method over the following useful lives:

Infrastructure	50 years
Equipment, machinery and vehicles	5 - 25 years
Building and improvements	25 - 50 years

TOWN OF CASTLETON, VERMONT
Notes to Financial Statements
June 30, 2021

1. Summary of significant accounting policies (continued)

- K. Property taxes - Property taxes attach as an enforceable lien on property owned as of April 1st. Property taxes for the fiscal year ended June 30, 2021, were payable in four installments due August 31, 2020, November 11, 2020, February 28, 2021, and May 31, 2021.
- L. Interfund balances and transfers - Interfund receivables and payables represent transactions incurred within the fund for other funds. These accounts are expected to be eliminated in the normal course of operations. Interfund transfers represent flows of cash or goods from one fund to another fund without a requirement for repayment.
- M. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources and deferred inflows of resources, if applicable, are reported as separate sections in the statements of net position and the balance sheets. A deferred outflow of resources is a consumption of net assets by the Town that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the Town that is applicable to a future reporting period.

The Town has recorded, in the General Fund, unavailable property taxes which have not been collected within 60 days following year-end and they are not considered available for current year operations.

- N. New Accounting Standard - The Town has implemented GASB 84, *Fiduciary Activities*, for the year ended June 30, 2021. The effect on these financial statements is to report Statewide Education Property Taxes collected on behalf of the State of Vermont and paid to other governments as a fiduciary activity custodial fund.

2. Cash

The Town maintains cash balances which may, at times throughout the year, exceed amounts covered by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2021, the Town's bank balance was \$3,434,181; the corresponding carrying amount of the Town's cash was \$3,433,444 which included \$65,882 of cash reported by the component unit, Castleton Free Library. Of the Town's total bank balance, \$572,605 was covered by the FDIC, \$2,861,576 was collateralized by securities held by the pledging financial institution and \$0 was uninsured and uncollateralized.

3. Investments

As of June 30, 2021, the Town's component unit, Castleton Free Library, reported total investments of \$345,973.

The classification and fair value of investments held as of June 30, 2021, were as follows:

<u>Investment</u>	<u>Level 1</u>
Money market funds	\$ 44,632
Mutual funds - equity & fixed income	<u>301,341</u>
	<u>\$ 345,973</u>

The Town classifies its investments into Level 1, which refers to investments traded in an active market; Level 2, which refers to investments not traded in an active market but for which observable market inputs are readily available; and Level 3, which refers to investments not traded in an active market and for which no significant observable market inputs are available. Generally, Level 3 investments are valued based upon information provided by fund managers, including audited financial statements of the investment fund. The levels relate to valuation only and do not necessarily indicate a measure of risk.

Interest rate risk - Changes in market interest rates will affect the fair value of an interest-earning investment over time. The Town does not have a policy regarding interest rate risk. Maturities of interest-earning investments were not available as of June 30, 2021.

TOWN OF CASTLETON, VERMONT
Notes to Financial Statements
June 30, 2021

3. Investments (continued)

Credit risk - The Town's investment in fixed income mutual funds is subject to credit risk. Credit risk is the risk that the bond issuer will not fulfill its obligation. The Town does not have an investment policy regarding credit risk. The rating of the Castleton Free Library's investment in corporate bonds was unavailable as of June 30, 2021.

4. Capital assets

Changes in governmental activities capital assets consisted of the following:

	Balance July 1, <u>2020</u>	<u>Increase</u>	<u>Decrease</u>	Balance June 30, <u>2021</u>
Capital assets, not depreciated:				
Land	\$ 618,499	\$ 41,667	\$ -	\$ 660,166
Construction in process	<u>59,075</u>	<u>-</u>	<u>-</u>	<u>59,075</u>
	<u>677,574</u>	<u>41,667</u>	<u>-</u>	<u>719,241</u>
Capital assets, depreciated:				
Buildings & improvements	2,796,545	26,786	-	2,823,331
Equipment, machinery and vehicles	2,612,189	154,761	168,713	2,598,237
Infrastructure	<u>837,284</u>	<u>44,889</u>	<u>-</u>	<u>882,173</u>
	<u>6,246,018</u>	<u>226,436</u>	<u>168,713</u>	<u>6,303,741</u>
Less accumulated depreciation	<u>2,060,301</u>	<u>245,593</u>	<u>116,877</u>	<u>2,189,017</u>
Total capital assets depreciated, net	<u>4,185,717</u>	<u>(19,157)</u>	<u>51,836</u>	<u>4,114,724</u>
Capital assets, net, governmental activities	\$ <u>4,863,291</u>	\$ <u>22,510</u>	\$ <u>51,836</u>	\$ <u>4,833,965</u>

Depreciation expense in the governmental activities totaling \$245,593 was allocated as following: \$103,617 public safety, \$125,801 highway, \$4,200 solid waste, and \$11,975 general.

Changes in business-type activities capital assets consisted of the following:

	Balance July 1, <u>2020</u>	<u>Increase</u>	<u>Decrease</u>	Balance June 30, <u>2021</u>
Capital assets, not depreciated:				
Land	\$ 104,493	\$ -	\$ -	\$ 104,493
Capital assets, depreciated:				
Buildings	826,249	-	-	826,249
Sewer buildings and improvements	2,592,665	25,060	-	2,617,725
Collection system	3,948,318	-	-	3,948,318
Machinery and equipment	228,614	-	-	228,614
Vehicles	<u>69,770</u>	<u>-</u>	<u>-</u>	<u>69,770</u>
	<u>7,665,616</u>	<u>25,060</u>	<u>-</u>	<u>7,690,676</u>
Less accumulated depreciation	<u>6,060,053</u>	<u>95,478</u>	<u>-</u>	<u>6,155,531</u>
Total capital assets depreciated, net	<u>1,605,563</u>	<u>(70,418)</u>	<u>-</u>	<u>1,535,145</u>
Capital assets, net, business-type activities	\$ <u>1,710,056</u>	\$ <u>(70,418)</u>	\$ <u>-</u>	\$ <u>1,639,638</u>

TOWN OF CASTLETON, VERMONT
Notes to Financial Statements
June 30, 2021

4. Capital assets (continued)

Changes in Castleton Free Library component unit capital assets consisted of the following:

	Balance July 1, <u>2020</u>	<u>Increase</u>	<u>Decrease</u>	Balance June 30, <u>2021</u>
Capital assets, not depreciated:				
Construction in process	\$ <u>2,756</u>	\$ <u>25,288</u>	\$ <u>-</u>	\$ <u>28,044</u>

5. Long-term liabilities

Long-term liabilities consisted of the following as of June 30, 2021:

Governmental activities:

General obligation bond payable, fire station construction, \$75,000 annual principal payments and semiannual interest payments, variable interest rates from 0.5% to 4.0%, through November 2034	\$ 1,050,000
Note payable, highway equipment, annual principal payments of \$38,140 and accrued interest at rate of 1.75% through October 2021	38,140
Note payable, highway equipment, annual principal payments of \$37,124 and accrued interest at rate of 2.25% through July 2023	111,371
Net pension liability - VMERS	610,831
Accrued compensated absences	<u>55,880</u>
	<u>\$ 1,866,222</u>

Business-type activities:

Note payable, wastewater improvements annual principal payments of \$4,300 no interest, through December 2024	\$ 17,200
Bond payable, sewer line upgrade, annual principal and 2% administrative fee payments of \$18,503 no interest, through December 2038	277,390
Net pension liability - VMERS	49,528
Accrued compensated absences	<u>3,953</u>
	<u>\$ 348,071</u>

On October 12, 2020, the Town signed a general obligation note in the amount of \$37,900 at an interest rate of 0% through the State of Vermont's revolving loan program to finance a wastewater feasibility study. Annual principal payments are scheduled to begin April 2025 and continue through April 2029. As of June 30, 2021, the Town has not received any proceeds from the loan, and accordingly, has not recognized a liability in these financial statements.

TOWN OF CASTLETON, VERMONT
Notes to Financial Statements
June 30, 2021

5. Long-term liabilities (continued)

Changes in governmental activities long-term liabilities for the year ended June 30, 2021, were as follows:

	Balance July 1, <u>2020</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2021</u>	Due Within <u>One Year</u>
Governmental activities:					
General obligation bonds	\$ 1,125,000	\$ -	\$ 75,000	\$ 1,050,000	\$ 75,000
Notes from direct borrowings	224,775	-	75,264	149,511	75,264
Net pension liability - VMERS	456,794	154,037	-	610,831	-
Accrued compensated absences	<u>62,299</u>	<u>-</u>	<u>6,419</u>	<u>55,880</u>	<u>-</u>
	<u>\$ 1,868,868</u>	<u>\$ 154,037</u>	<u>\$ 156,683</u>	<u>\$ 1,866,222</u>	<u>\$ 150,264</u>

Changes in business-type activities long-term liabilities for the year ended June 30, 2021, were as follows:

	Balance July 1, <u>2020</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2021</u>	Due Within <u>One Year</u>
Business-type activities:					
Notes and bonds					
from direct borrowings	\$ 317,664	\$ -	\$ 23,074	\$ 294,590	\$ 17,255
Net pension liability - VMERS	37,038	12,490	-	49,528	-
Accrued compensated absences	<u>2,931</u>	<u>1,022</u>	<u>-</u>	<u>3,953</u>	<u>-</u>
	<u>\$ 357,633</u>	<u>\$ 13,512</u>	<u>\$ 23,074</u>	<u>\$ 348,071</u>	<u>\$ 17,255</u>

Annual maturities of governmental activities bonds and notes payable as of June 30, 2021, were as follows:

Governmental Activities:	<u>General Obligation Bonds</u>		<u>Notes and Bonds from Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30,				
2022	\$ 75,000	\$ 35,625	\$ 75,264	\$ 3,173
2023	75,000	33,530	37,124	1,671
2024	75,000	31,271	37,123	835
2025	75,000	28,899	-	-
2026	75,000	26,444	-	-
2027-2031	375,000	92,907	-	-
2032-2035	<u>300,000</u>	<u>23,676</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,050,000</u>	<u>\$ 272,352</u>	<u>\$ 149,511</u>	<u>\$ 5,679</u>

TOWN OF CASTLETON, VERMONT
Notes to Financial Statements
June 30, 2021

5. Long-term liabilities (continued)

Annual maturities of business-type activities bonds and notes payable as of June 30, 2021, were as follows:

Business-type activities:	Notes and Bonds from	
	<u>Direct Borrowings</u>	
Year ending June 30,	<u>Principal</u>	<u>Interest</u>
2022	\$ 17,255	\$ -
2023	17,514	-
2024	17,778	-
2025	18,048	-
2026	14,023	-
2027-2031	74,434	-
2032-2036	82,181	-
2037-2039	<u>53,357</u>	<u>-</u>
	\$ <u>294,590</u>	\$ <u>-</u>

6. Pension plan – Vermont Municipal Employees’ Retirement System

Plan description – The Vermont Municipal Employees’ Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the Vermont State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975. The State statutory provisions, found in Title 24, V.S.A. Chapter 125, govern eligibility for benefits, service requirements, contribution requirements and benefit provisions. 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. All assets are held in a single trust and are available to pay retirement benefits to all members. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont’s Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State of Vermont’s Department of Finance and Management’s website.

Benefits – Full-time employees of participating municipalities are covered under VMERS. Municipalities elect coverage under Groups A, B, C or D provisions. VMERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on average final compensation, years of creditable service, age upon retirement, and on the benefit structure of the Group. Vesting occurs upon the attainment of five years of creditable service.

Contributions – Municipal employees participating in the plan were required to contribute 3.000%, 5.375%, 10.500%, and 11.850% of gross wages for Groups A, B, C and D, respectively, for the year ended June 30, 2021. Municipal employers were required to contribute 4.500%, 6.000%, 7.750%, and 10.350% of gross wages for Groups A, B, C and D, respectively, for the year ended June 30, 2021.

Employees of the Town are covered under Group B and Group C. Town employees contributed \$73,363 to VMERS for the year ended June 30, 2021. The Town contributed \$68,105 to VMERS for the year ended June 30, 2021.

The State of Vermont has provided the following information to all employers participating in VMERS; net pension liability, each Town’s proportionate share of the net pension liability, expected rate of return on investments and discount rates. The information specific to the Town is based on its proportionate share of VMERS relative to all participating employers. Actuarial reports and schedules of employer allocations can be obtained by visiting the office of the Vermont State Treasurer at the following internet address: www.vermonttreasurer.gov.

TOWN OF CASTLETON, VERMONT
Notes to Financial Statements
June 30, 2021

6. Pension plan - Vermont Municipal Employees' Retirement System (continued)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – As of June 30, 2021, the Town reported a liability of \$660,359 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The Town's proportion of the net pension liability was based on the Town's proportional share of employer contributions to the total contributions to VMERS during the fiscal year. As of June 30, 2020, the Town's proportion was 0.26104%, which was a decrease of 0.02360% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$139,675, related to VMERS. As of June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to VMERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 59,473	\$ 1,957
Changes in assumptions	88,533	-
Difference between projected and actual earnings on pension plan investments	63,158	-
Changes in proportional share of contributions	-	41,073
Town contributions subsequent to the measurement date	68,105	-
	<u>\$ 279,269</u>	<u>\$ 43,030</u>

\$68,105 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 ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized in pension expense over a period of 5 years.

Actuarial assumptions – The total pension liability, measured as of June 30, 2020, was based on a June 30, 2019, actuarial valuation using the following actuarial assumptions: investment rate of return 7.00%, salary increases: varying, inflation 2.30%, cost of living adjustments 0.40% to 1.20%. Mortality rates were based on Scale MP-2019.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates 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, 2020, are summarized in the following table:

TOWN OF CASTLETON, VERMONT
Notes to Financial Statements
June 30, 2021

6. Pension plan - Vermont Municipal Employees' Retirement System (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global equity	29.00%	7.07%
US equity - large cap	4.00%	6.19%
US equity - small/mid cap	3.00%	6.93%
Non-US equity - large cap	5.00%	7.01%
Non-US equity - small cap	2.00%	7.66%
Emerging markets debt	4.00%	3.66%
Core bond	20.00%	0.39%
Private & alternate credit	10.00%	6.03%
US Tips	3.00%	-0.20%
Core real estate	5.00%	4.06%
Non-core real estate	3.00%	6.43%
Private equity	10.00%	11.27%
Infrastructure/farmland	<u>2.00%</u>	5.44%
	100.00%	

Discount rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions would continue to be made in accordance with the current funding policy at the rates set by the Board of Trustees.

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

	1 % Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1 % Increase <u>(8.00%)</u>
Town's proportionate share of the net pension liability	\$ 1,008,895	\$ 660,359	\$ 373,588

7. Other post-employment benefits

The Town provides post-employment health insurance benefits under its union agreement. Employees who retire with ten or more years of service are eligible for health insurance coverage until they can receive Medicare benefits. The Town funds the benefits on a pay-as-you-go basis and has not recorded a liability in its financial statements. Eligible employees with ten years of service pay 50% of the insurance premiums with the Town subsidizing the remaining cost. In addition, the Town increases its percent of the premium cost by 2.5% for each year of service after ten, up to 100% coverage for those employees with over thirty years of service or more. Employees hired after July 1, 2019, are not eligible for these benefits. The Town expended \$9,164 for these post-employment benefits during the fiscal year ended June 30, 2021.

8. Risk management

The Town is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Town manages these risks through commercial insurance packages and participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured loss to the Town.

TOWN OF CASTLETON, VERMONT
Notes to Financial Statements
June 30, 2021

9. Interfund balances

Interfund receivable and payable balances as of June 30, 2021, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental activities:		
General Fund	\$ -	\$ 465,415
Capital Project Fund	-	155,238
Special Revenue Fund	-	<u>87,957</u>
	<u>-</u>	708,610
Business-type activities:		
Wastewater Fund	<u>708,610</u>	-
	<u>\$ 708,610</u>	<u>\$ 708,610</u>

The interfund payable from the General Fund, Capital Project Fund and the Special Revenue Fund to the Wastewater Fund represent amounts due to from each fund because of pooling cash in a common bank account.

10. Interfund transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General Fund	\$ -	\$ 189,368
Capital Project Fund	<u>290,868</u>	<u>-</u>
	290,868	189,368
Business-type activities:		
Wastewater Fund	<u>-</u>	<u>101,500</u>
	<u>\$ 290,868</u>	<u>\$ 290,868</u>

Transfers from the General Fund and Wastewater Fund to the Capital Project Fund were for amounts budgeted to be reserved for specific purposes, and other revenue sources with stipulations on their use for capital improvements or related projects.

11. County Solid Waste Management District

The Town is a participating member in the Rutland County Solid Waste Management District (the District); which is a union municipal district that exists to cooperatively and comprehensively address the solid waste management interest of its 17-member towns. The District is governed by a Board of Supervisors composed of one representative from each of the participating municipalities. The District has primary liability for its future obligations, including operating costs and debt service. Municipalities have contingent liability through membership in the District.

12. Deficit fund balance

The Town anticipates eliminating the June 30, 2021, fund balance deficit in the Special Revenue Fund of \$87,400 by receiving grant proceeds in future years once eligibility requirements are met.

TOWN OF CASTLETON, VERMONT
Notes to Financial Statements
June 30, 2021

13. Governmental fund equity

As of June 30, 2021, governmental fund balances consisted of the following:

	General Fund	Capital Project Fund	Special Revenue Fund	Total Governmental Funds
Nonspendable:				
Prepays	\$ 66,169	\$ -	\$ -	\$ 66,169
Restricted for:				
Highway operations	658,996	-	-	658,996
Municipal records preservation	-	62,192	-	62,192
Wastewater treatment facility	-	540,612	-	540,612
Reappraisal	-	120,935	-	120,935
Various donations	-	-	10,798	10,798
	<u>658,996</u>	<u>723,739</u>	<u>10,798</u>	<u>1,393,533</u>
Committed to:				
Public buildings	-	9,016	-	9,016
Castleton Emergency Response	-	9,517	-	9,517
Recreation - Crystal Beach	-	17,855	-	17,855
Recreation - Dewey Field	-	935	-	935
Sidewalks	-	70,169	-	70,169
Transfer station	-	101,928	-	101,928
Vehicles & equipment - fire	-	400,617	-	400,617
Vehicles & equipment - highway	-	116,037	-	116,037
Vehicles & equipment - police	-	9,743	-	9,743
Weed harvesting	-	19,026	-	19,026
	<u>-</u>	<u>754,843</u>	<u>-</u>	<u>754,843</u>
Assigned to:				
Capital improvements	-	64,850	-	64,850
Repairs, paving, supplies	145,548	-	-	145,548
Budget-FY2022	279,747	-	-	279,747
	<u>425,295</u>	<u>64,850</u>	<u>-</u>	<u>490,145</u>
Unassigned	<u>153,403</u>	<u>-</u>	<u>(87,400)</u>	<u>66,003</u>
Total fund balances	\$ <u>1,303,863</u>	\$ <u>1,543,432</u>	\$ <u>(76,602)</u>	\$ <u>2,770,693</u>

14. Governmental activities net position

As of June 30, 2021, governmental activities restricted net position consisted of the following:

	Restricted Net Position
Highway	\$ 658,996
Municipal records preservation	62,192
Wastewater treatment facility	540,612
Reappraisal	120,935
Other	10,798
	<u>\$ 1,393,533</u>

TOWN OF CASTLETON, VERMONT
Schedule of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2021
(Page 1 of 2)

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 2,227,377	2,227,377	\$ 2,232,026	\$ 4,649
Property taxes - penalties & interest	60,000	60,000	53,914	(6,086)
Intergovernmental	601,500	601,500	624,804	23,304
Licenses, permits & fines	49,970	49,970	52,953	2,983
Charges for services	417,055	417,055	508,830	91,775
Investment income	6,000	6,000	1,972	(4,028)
Miscellaneous	6,400	6,400	16,548	10,148
Total revenues	<u>3,368,302</u>	<u>3,368,302</u>	<u>3,491,047</u>	<u>122,745</u>
Expenditures				
Legislating	26,079	26,079	21,422	4,657
Ordinances & proceedings	1,965	1,965	1,015	950
Managing municipalities	177,245	177,245	170,162	7,083
Conducting elections	11,162	11,162	13,725	(2,563)
Collecting & distributing funds	46,746	46,746	44,925	1,821
Accounting	97,048	97,048	92,986	4,062
Auditing	12,000	12,000	10,500	1,500
Tax listing	39,332	39,332	25,472	13,860
Tax collecting	41,573	41,573	35,419	6,154
Document recording	78,394	78,394	66,310	12,084
Legal services	25,000	25,000	13,164	11,836
Municipal planning & zoning	41,836	41,836	36,867	4,969
Community development	5,996	5,996	3,535	2,461
General government buildings	34,050	34,050	36,074	(2,024)
Public safety buildings	158,400	158,400	142,870	15,530
General government equipment	23,439	23,439	25,291	(1,852)
Police department	506,038	506,038	473,795	32,243
Emergency medical services	36,218	36,218	36,523	(305)
Volunteer fire department	102,647	102,647	90,065	12,582
Emergency management	9,000	9,000	1,232	7,768
Highway administration	385,032	385,032	229,965	155,067
Summer maintenance	75,500	75,500	160,778	(85,278)
Capital projects	192,800	192,800	286,538	(93,738)
Traffic control	3,300	3,300	2,718	582
Winter maintenance	160,500	160,500	117,118	43,382
Sidewalks	45,000	45,000	7,112	37,888
Storm drainage services	12,000	12,000	8,150	3,850
Bridges	10,000	10,000	-	10,000
Highway garage	54,200	54,200	50,952	3,248
Town mechanic	134,859	134,859	66,379	68,480
Town lands	3,400	3,400	2,258	1,142
Historical cemeteries	5,000	5,000	9,000	(4,000)
Hillside cemetery	29,000	29,000	29,000	-
<i>continued</i>				

TOWN OF CASTLETON, VERMONT
Schedule of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2021
(Page 2 of 2)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<i>continued</i>				
Health, education & social services	53,033	53,033	53,033	-
Health, regulation & inspecting	1,446	1,446	1,146	300
Animal control	5,170	5,170	2,532	2,638
Constables	37,239	37,239	19,675	17,564
Transfer station	341,430	341,430	387,464	(46,034)
Recreation administration	20,259	20,259	19,621	638
Dewey Field	6,024	6,024	5,400	624
Hydeville Field	3,317	3,317	2,437	880
Swim program	1,995	1,995	1,002	993
Crystal Beach	60,032	60,032	55,697	4,335
Youth sports	9,391	9,391	4,288	5,103
Special events	6,859	6,859	245	6,614
Adult recreation	50	50	2	48
Memorial Day decorations	9,650	9,650	1,160	8,490
Library administration	111,500	111,500	108,781	2,719
Prevention/control forest fires	1,500	1,500	1,479	21
Tree Warden	9,749	9,749	7,503	2,246
Other governments	40,000	40,000	42,947	(2,947)
Total expenditures	<u>3,303,403</u>	<u>3,303,403</u>	<u>3,025,732</u>	<u>277,671</u>
Excess of revenues or (expenditures)	<u>64,899</u>	<u>64,899</u>	<u>465,315</u>	<u>400,416</u>
Other financing sources (uses)				
Transfers in (out)	<u>(167,900)</u>	<u>(167,900)</u>	<u>(189,368)</u>	<u>(21,468)</u>
Net change in fund balances	\$ <u>(103,001)</u>	\$ <u>(103,001)</u>	\$ <u>275,947</u>	\$ <u>378,948</u>

TOWN OF CASTLETON, VERMONT
Schedule of Proportionate Share of the Net Pension Liability
June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
VMERS							
Town's proportion of the net pension liability	0.26104%	0.28464%	0.30260%	0.31197%	0.32823%	0.34706%	0.30396%
Town's proportionate share of the net pension liability \$	660,359	\$ 493,832	\$ 425,674	\$ 377,971	\$ 422,417	\$ 267,571	\$ 27,741
Town's covered payroll \$	862,041	\$ 879,669	\$ 884,076	\$ 850,236	\$ 837,059	\$ 817,047	\$ 772,752
Town's proportionate share of the net pension liability as a percentage of its covered payroll	76.60%	56.14%	48.15%	44.45%	50.46%	32.75%	3.59%
Plan fiduciary net position as a percentage of the total pension liability	74.52%	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

Notes to schedule:

Data presented as of the measurement date. Historical information prior to implementation of GASB 68 is not required. The plan provisions used in the measurement of the net pension liability are the same as those used in the actuarial valuation as of June 30, 2019.

TOWN OF CASTLETON, VERMONT
Schedule of Pension Contributions
For the year ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
VMERS							
Contractually required contribution	\$ 68,105	\$ 54,101	\$ 54,690	\$ 53,001	\$ 50,948	\$ 49,886	\$ 48,514
Contributions in relation to the contractually required contribution	<u>(68,105)</u>	<u>(54,101)</u>	<u>(54,690)</u>	<u>(53,001)</u>	<u>(50,948)</u>	<u>(49,886)</u>	<u>(48,514)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Town's covered payroll	<u>1,033,807</u>	<u>862,041</u>	<u>879,669</u>	<u>884,076</u>	<u>850,236</u>	<u>837,059</u>	<u>817,047</u>
Contributions as a percentage of covered payroll	6.588%	6.276%	6.217%	5.995%	5.992%	5.960%	5.938%

Notes to schedule:

Historical information prior to implementation of GASB 68 is not required.

**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**

The Select Board
Town of Castleton, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Castleton, Vermont, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Castleton, Vermont's basic financial statements and have issued our report thereon dated February 8, 2022 in which our opinion over the discretely presented component unit was qualified.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2021-001 and 2021-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Castleton, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

Town of Castleton, Vermont's response to the findings identified in our audit is described in the accompanying schedule of findings. The Town of Castleton, Vermont's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Pace & Hawley, LLC

Berlin, Vermont
February 8, 2022

TOWN OF CASTLETON, VERMONT
Schedule of Findings
June 30, 2021

2021-001 Sewer Fees

Condition: One employee is primarily responsible for billing sewer customers, collecting payments, and applying receipts to open receivables.

Criteria: In general, creating invoices, collecting payments, and applying those receipts against open invoices are functions that should be performed by separate individuals. Absent such segregation of duties, extensive mitigating controls are necessary to prevent and detect misappropriation of assets.

Cause: The Town's limited number of personnel creates a challenge to properly segregate all processes related to sewer fee revenue and related receivables.

Effect: Town's assets could be misappropriated.

Recommendation: We recommend that the Town assign the functions of billing sewer fees, collecting payments and posting those payments to receivables to different employees.

Management's response: The Town Manager has reviewed the procedures the Town of Castleton uses for billing sewer customers, collecting sewer payments and how receipts are applied to open receivables and looked for any Town assets that show any level of misappropriation or the potential for fraud. Starting in March 2021, before sewer bills are sent to customers, the Delinquent Tax Collector shall review the master sewer allocation list and compare the list with the letters generated by the Tax Collector Administrative Assistant to be sure the letters and the master list match. At the end of the fiscal year, following these procedures we will generate 10-12 monthly letters documenting that the internal controls were completed. These internal controls will also allow corrections to any deficiencies found during the monthly review before mailing the letters.

2021-002 Transfer Station

Condition: The Town's controls at the Transfer Station could be circumvented by the employee receiving payments.

Criteria: In general, the collection of cash creates a situation in which controls must be consistently monitored and evaluated.

Cause: Town personnel had other significant responsibilities and did not have sufficient time to devote to this activity.

Effect: Town's assets could be misappropriated before being deposited into Town's accounts.

Recommendation: We recommend that the Town evaluate its current internal control processes at the transfer station and implement further internal controls as necessary. Non-financial data should be evaluated against the specific revenue line items, regularly and consistently, to assess whether all cash/checks that were received have been deposited. Additionally, the amount of refuse material accepted at the transfer station should be compared to the amount transferred to the landfill or recycling center and analytically compared to the revenue received.

Management's response: The Town Manager had security cameras installed at the Transfer Station and he reviewed the Town's internal controls for collecting and accounting for stickers, cash, and charge accounts. The Town has assumed risk by allowing customers to use cash to pay for activity at the Transfer Station. The Town does have some internal controls to help mitigate fraud by employees, however, it does recognize that our internal controls are not foolproof or the "perfect solution". The largest impediment to implementing greater internal controls is personnel. Additionally, the Transfer Station is not near the Town Office, so having patrons pay in cash at the Town Office is not realistic, especially when the Town Office is closed on Saturdays. The Town acknowledges your findings but shall continue with the current internal controls until such time a better solution is determined.