

Federal Compliance Audit

Town of Castleton, Vermont

June 30, 2023



Proven Expertise & Integrity

TOWN OF CASTLETON, VERMONT

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JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Selectboard
Town of Castleton
Castleton, 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 Castleton as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Town of Castleton's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 as of June 30, 2023 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 Castleton 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.

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Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Castleton'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 Castleton'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 Castleton'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 12 and 57 through 60 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 Castleton's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and is also 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 January 11, 2024, on our consideration of the Town of Castleton'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 the effectiveness of the Town of Castleton'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's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
January 11, 2024

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

(UNAUDITED)

The following management's discussion and analysis of the Town of Castleton's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the Town of Castleton's financial statements.

Financial Statement Overview

The Town of Castleton'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 and highway funds budgetary comparison schedules, pension information 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 regard 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 different types of Town activities. The types of activities presented for the Town of Castleton 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, highway and streets, public safety, recreation and culture, solid waste, cemetery, education and other.
- *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 Castleton include the wastewater 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 Castleton 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 Castleton 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's financial statement.

The Town of Castleton presents three 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 funds are the general fund and ARPA. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund and the highway fund are the only funds 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 Castleton maintains one proprietary fund, the wastewater fund. This fund is 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 the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, Schedule of Proportionate Share of the Net Pension Liability/(Asset), Schedule of Contributions - Pension 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 regard to nonmajor funds.

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 governmental net position increased by \$1,963,064 from \$7,925,967 to \$9,889,031. The Town's total business-type net position decreased by \$2,147 from \$2,248,267 to \$2,246,120

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 governmental activities to a balance of \$2,050,552 at the end of this year. Unrestricted net position for business-type activities increased to a balance of \$1,105,684.

Table 1
Town of Castleton, Vermont
Net Position
June 30,

	Governmental Activities		Business-type Activities	
	2023	2022 (Restated)	2023	2022
Assets				
Current Assets	\$ 5,682,463	\$ 4,694,121	\$1,511,003	\$ 775,668
Noncurrent Assets - Capital Assets	5,997,886	5,457,673	3,900,258	1,841,195
Total Assets	11,680,349	10,151,794	5,411,261	2,616,863
Deferred Outflows of Resources				
Deferred Outflows Related to Pensions	359,259	277,052	29,293	21,968
Total Deferred Outflows of Resources	359,259	277,052	29,293	21,968
Liabilities				
Current Liabilities	259,127	652,084	1,456,431	69,684
Noncurrent Liabilities	1,852,311	1,548,346	1,736,051	298,869
Total Liabilities	2,111,438	2,200,430	3,192,482	368,553
Deferred Inflows of Resources				
Prepaid Taxes	15,193	24,799	-	-
Deferred Inflows Related to Pensions	23,946	277,650	1,952	22,011
Total Deferred Inflows of Resources	39,139	302,449	1,952	22,011
Net Position				
Net Investment in Capital Assets	4,900,097	4,241,391	1,140,436	1,563,859
Restricted	2,938,382	1,904,986	-	-
Unrestricted	2,050,552	1,779,590	1,105,684	684,408
Total Net Position	\$ 9,889,031	\$ 7,925,967	\$2,246,120	\$2,248,267

Revenues and Expenses

Revenues for the Town's governmental activities increased by 1.11%, while total expenses decreased by 5.55%. The increase in revenues was primarily due to taxes and miscellaneous offset primarily by a decrease in operating grants and contributions. The largest decreases in expenses were primarily in highway and streets. Revenues for the Town's business-type activities increased by 10.99% and expenses increased by 26.18%.

Table 2
Town of Castleton, Vermont
Change in Net Position
For the Years Ended June 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2023</u>	<u>2022</u>	<u>2022</u>	<u>2022</u>
Revenues				
<i>Program revenues:</i>				
Charges for services	\$ 519,179	\$ 566,274	\$ 718,063	\$ 692,496
Operating grants and contributions	835,799	1,472,646	-	-
Capital grants and contributions	-	40,830	-	-
<i>General revenues:</i>				
Property taxes	9,069,189	8,671,028	-	-
Grants and contributions not restricted to specific programs	660,313	701,178	-	-
Miscellaneous	682,436	185,761	7,826	123,051
Total revenues	<u>11,766,916</u>	<u>11,637,717</u>	<u>725,889</u>	<u>815,547</u>
Expenses				
General government	967,259	810,746	-	-
Highway and streets	256,813	1,206,350	-	-
Public safety	584,360	567,693	-	-
Recreation and culture	370,060	297,495	-	-
Solid waste	283,492	286,636	-	-
Cemetery	38,000	29,719	-	-
Education	6,692,804	6,655,288	-	-
Other	350,946	334,676	-	-
Unallocated depreciation	311,819	247,916	-	-
Wastewater	-	-	637,536	505,254
Interest on long-term debt	38,799	38,795	-	-
Total expenses	<u>9,894,352</u>	<u>10,475,314</u>	<u>637,536</u>	<u>505,254</u>
Excess (deficiency) before transfers	1,872,564	1,162,403	88,353	310,293
Transfers	<u>90,500</u>	<u>99,700</u>	<u>(90,500)</u>	<u>(99,700)</u>
Change in net position	1,963,064	1,262,103	(2,147)	210,593
Net position - July 1, Restated	<u>7,925,967</u>	<u>6,663,864</u>	<u>2,248,267</u>	<u>2,037,674</u>
Net position - June 30	<u>\$ 9,889,031</u>	<u>\$ 7,925,967</u>	<u>\$ 2,246,120</u>	<u>\$ 2,248,267</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 Castleton, Vermont
Fund Balances - Governmental Funds
June 30,

	2023	2022	Increase/ (Decrease)
Major Funds:			
General Fund:			
Nonspendable	\$ 87,962	\$ 80,259	\$ 7,703
Committed	890,071	655,971	234,100
Unassigned	355,265	280,536	74,729
Total General Fund	\$ 1,333,298	\$ 1,016,766	\$ 316,532
ARPA			
Restricted	\$ 1,222,450	\$ 669,565	\$ 552,885
Total ARPA	\$ 1,222,450	\$ 669,565	\$ 552,885
Nonmajor Funds:			
Special Revenue Funds:			
Restricted	\$ 734,300	\$ 382,214	\$ 352,086
Capital Projects Funds:			
Restricted	981,632	853,207	128,425
Committed	833,990	847,459	(13,469)
Assigned	207,016	54,016	153,000
Total Nonmajor Funds	\$ 2,757,936	\$ 2,136,896	\$ 621,040

The changes in total fund balances for the general fund and the aggregate nonmajor funds occurred due to the regular activity of operations. The ARPA balance change occurred due to the receipt of a one-time federal grant.

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 wastewater fund had a decrease in net position for the year of \$2,147.

Budgetary Highlights

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

The general fund actual revenues exceeded budgeted amounts by \$150,600. This was the result of all revenues being receipted within or in excess of budgeted amounts with the exception of charges for services - licenses/permits, charges for services – transfer station, charges for services - police department and interest on taxes/penalties.

The general fund actual expenditures were below budgeted amounts by \$165,932. All expenditure categories were within or under budgeted amounts with the exception of public safety, cemetery and transfers to other funds.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2023, the net book value of capital assets recorded by the Town increased by \$2,599,276. This increase was the result of net capital asset additions of \$2,983,134 less current year depreciation expense of \$383,858.

Table 4
Town of Castleton, Vermont
Capital Assets (Net of Depreciation)
June 30,

	<u>2023</u>	<u>2022</u>
Land and other assets not being depreciated	\$ 3,233,404	\$ 879,058
Buildings, building improvements and land improvements	2,774,354	2,358,286
Equipment, machinery and vehicles	963,045	1,101,808
Collection system	1,480,449	1,512,346
Infrastructure	1,446,892	1,447,370
Total	<u>\$ 9,898,144</u>	<u>\$ 7,298,868</u>

Debt

At June 30, 2023, the Town had \$3,857,611 in bonds and notes from direct borrowings payable versus \$1,493,618 last year. Refer to Note 6 of Notes to Financial Statements for more detailed information on debt.

Economic Factors and Next Year's Budgets and Rates

The 2023 - 2024 budget could be severely impacted by the reduction of funding from the State. There is no indication of reduced funding from the State for 2023 - 2024 as of the date this report was issued.

The Town is working to maintain a sufficient unassigned fund balance to sustain government operations for a period of approximately three 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, 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 Manager or Finance Director at 263 Route 30 North, Bomoseen, Vermont 05732.

TOWN OF CASTLETON, VERMONT

STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,231,243	\$ -	\$ 5,231,243
Investments	146,794	-	146,794
Accounts receivable (net of allowance for uncollectibles):			
Taxes	394,932	-	394,932
Other	8,764	1,289,590	1,298,354
Due from other governments	34,181	-	34,181
Prepaid items	87,962	-	87,962
Internal balances	(221,413)	221,413	-
Total current assets	<u>5,682,463</u>	<u>1,511,003</u>	<u>7,193,466</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	899,927	2,333,477	3,233,404
Depreciable assets, net of accumulated depreciation	<u>5,097,959</u>	<u>1,566,781</u>	<u>6,664,740</u>
Total noncurrent assets	<u>5,997,886</u>	<u>3,900,258</u>	<u>9,898,144</u>
TOTAL ASSETS	<u>11,680,349</u>	<u>5,411,261</u>	<u>17,091,610</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>359,259</u>	<u>29,293</u>	<u>388,552</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>359,259</u>	<u>29,293</u>	<u>388,552</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,039,608</u>	<u>\$ 5,440,554</u>	<u>\$ 17,480,162</u>

TOWN OF CASTLETON, VERMONT

STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 75,520	\$ 356,230	\$ 431,750
Accrued payroll and expenses	21,928	1,257	23,185
Accrued interest	-	1,646	1,646
Current portion of long-term obligations	161,679	1,097,298	1,258,977
Total current liabilities	<u>259,127</u>	<u>1,456,431</u>	<u>1,715,558</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	825,000	1,658,721	2,483,721
Notes from direct borrowings payable	122,415	4,300	126,715
Net pension liability	840,835	68,560	909,395
Accrued compensated absences	64,061	4,470	68,531
Total noncurrent liabilities	<u>1,852,311</u>	<u>1,736,051</u>	<u>3,588,362</u>
TOTAL LIABILITIES	<u>2,111,438</u>	<u>3,192,482</u>	<u>5,303,920</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid taxes	15,193	-	15,193
Deferred inflows related to pensions	23,946	1,952	25,898
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>39,139</u>	<u>1,952</u>	<u>41,091</u>
NET POSITION			
Net investment in capital assets	4,900,097	1,140,436	6,040,533
Restricted	2,938,382	-	2,938,382
Unrestricted	2,050,552	1,105,684	3,156,236
TOTAL NET POSITION	<u>9,889,031</u>	<u>2,246,120</u>	<u>12,135,151</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 12,039,608</u>	<u>\$ 5,440,554</u>	<u>\$ 17,480,162</u>

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

TOWN OF CASTLETON, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

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 Government
Governmental activities:							
General government	\$ 967,259	\$ 133,645	\$ -	\$ -	\$ (833,614)	\$ -	\$ (833,614)
Public safety	584,360	33,040	-	-	(551,320)	-	(551,320)
Highway and streets	256,813	4,973	94,234	-	(157,606)	-	(157,606)
Recreation and culture	370,060	68,861	-	-	(301,199)	-	(301,199)
Solid waste	283,492	278,660	-	-	(4,832)	-	(4,832)
Cemetery	38,000	-	-	-	(38,000)	-	(38,000)
Education	6,692,804	-	-	-	(6,692,804)	-	(6,692,804)
Other	350,946	-	741,565	-	390,619	-	390,619
Interest on long-term debt	38,799	-	-	-	(38,799)	-	(38,799)
Unallocated depreciation (Note 5)*	311,819	-	-	-	(311,819)	-	(311,819)
Total governmental activities	<u>9,894,352</u>	<u>519,179</u>	<u>835,799</u>	<u>-</u>	<u>(8,539,374)</u>	<u>-</u>	<u>(8,539,374)</u>
Business-type activities:							
Wastewater	<u>637,536</u>	<u>718,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,527</u>	<u>80,527</u>
Total business-type activities	<u>637,536</u>	<u>718,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,527</u>	<u>80,527</u>
Total government	<u>\$ 10,531,888</u>	<u>\$ 1,237,242</u>	<u>\$ 835,799</u>	<u>\$ -</u>	<u>(8,539,374)</u>	<u>80,527</u>	<u>(8,458,847)</u>

* This amount excludes depreciation that is included in the direct expenses of various programs.

STATEMENT B (CONTINUED)

TOWN OF CASTLETON, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense) revenue	(8,539,374)	80,527	(8,458,847)
General revenues:			
Taxes:			
Property taxes, levied for general purposes	9,069,189	-	9,069,189
Grants and contributions not restricted to specific programs	660,313	-	660,313
Miscellaneous	682,436	7,826	690,262
Total general revenues	10,411,938	7,826	10,419,764
Transfers	90,500	(90,500)	-
Change in net position	1,963,064	(2,147)	1,960,917
NET POSITION - JULY 1, RESTATED	7,925,967	2,248,267	10,174,234
NET POSITION - JUNE 30	\$ 9,889,031	\$ 2,246,120	\$ 12,135,151

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

STATEMENT C

TOWN OF CASTLETON, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	ARPA	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,437,059	\$ 1,222,450	\$ 2,571,734	\$ 5,231,243
Investments	-	-	146,794	146,794
Accounts receivable (net of allowance for uncollectibles):				
Taxes	394,932	-	-	394,932
Other	8,764	-	-	8,764
Due from other governments	-	-	34,181	34,181
Prepaid items	87,962	-	-	87,962
Due from other funds	770,435	-	790,297	1,560,732
TOTAL ASSETS	\$ 2,699,152	\$ 1,222,450	\$ 3,543,006	\$ 7,464,608
LIABILITIES				
Accounts payable	\$ 62,577	\$ -	\$ 12,943	\$ 75,520
Accrued payroll and expenses	20,236	-	1,692	21,928
Due to other funds	1,011,710	-	770,435	1,782,145
TOTAL LIABILITIES	1,094,523	-	785,070	1,879,593
DEFERRED INFLOWS OF RESOURCES				
Prepaid taxes	15,193	-	-	15,193
Deferred tax revenue	256,138	-	-	256,138
TOTAL DEFERRED INFLOWS OF RESOURCES	271,331	-	-	271,331
FUND BALANCES				
Nonspendable	87,962	-	-	87,962
Restricted	-	1,222,450	1,715,932	2,938,382
Committed	890,071	-	833,990	1,724,061
Assigned	-	-	208,014	208,014
Unassigned	355,265	-	-	355,265
TOTAL FUND BALANCES	1,333,298	1,222,450	2,757,936	5,313,684
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,699,152	\$ 1,222,450	\$ 3,543,006	\$ 7,464,608

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

TOWN OF CASTLETON, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 5,313,684
Amounts reported for governmental activities in the Statement of Net Position 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	5,997,886
Other long-term assets and liabilities are not available to pay for current period expenditures or revenues and therefore are deferred in the funds shown above:	
Taxes and liens receivable	256,138
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	359,259
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(900,000)
Notes from direct borrowings payable	(197,789)
Accrued compensated absences	(75,366)
Net pension liability	(840,835)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(23,946)</u>
Net position of governmental activities	<u>\$ 9,889,031</u>

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

STATEMENT E

TOWN OF CASTLETON, VERMONT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	ARPA	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 9,113,605	\$ -	\$ -	\$ 9,113,605
Intergovernmental revenues	710,987	674,695	164,035	1,549,717
Charges for services	515,655	-	3,524	519,179
Interest income	25,604	17,542	53,505	96,651
Miscellaneous revenues	64,185	-	521,600	585,785
TOTAL REVENUES	10,430,036	692,237	742,664	11,864,937
EXPENDITURES				
Current:				
General government	879,181	-	-	879,181
Highway and streets	848,644	-	-	848,644
Public safety	584,360	-	-	584,360
Recreation and culture	213,524	-	156,536	370,060
Solid waste	283,492	-	-	283,492
Cemetery	38,000	-	-	38,000
Education	6,692,804	-	-	6,692,804
Other	-	139,352	211,594	350,946
Capital outlay	-	-	263,321	263,321
Debt service:				
Principal	75,000	-	75,373	150,373
Interest	33,531	-	5,268	38,799
TOTAL EXPENDITURES	9,648,536	139,352	712,092	10,499,980
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	781,500	552,885	30,572	1,364,957
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	-	35,000	35,000
Transfers in	-	-	555,468	555,468
Transfers (out)	(464,968)	-	-	(464,968)
TOTAL OTHER FINANCING SOURCES (USES)	(464,968)	-	590,468	125,500
NET CHANGE IN FUND BALANCES	316,532	552,885	621,040	1,490,457
FUND BALANCES - JULY 1	1,016,766	669,565	2,136,896	3,823,227
FUND BALANCES - JUNE 30	\$ 1,333,298	\$ 1,222,450	\$ 2,757,936	\$ 5,313,684

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

TOWN OF CASTLETON, 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 JUNE 30, 2023

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 1,490,457</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	852,032
Depreciation expense	<u>(311,819)</u>
	<u>540,213</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds:	
Pension	<u>82,207</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Taxes and liens receivable	(44,416)
Deferred grants	<u>(53,605)</u>
	<u>(98,021)</u>
Debt proceeds provide current financial resources to governmental funds, but long-term obligations in the Statement of Net Position	<u>(35,000)</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>153,493</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:	
Pension	<u>253,704</u>
Some expenses reported in the Statement of Activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	(10,205)
Net pension liability	<u>(413,784)</u>
	<u>(423,989)</u>
Change in net position of governmental activities (Statement B)	<u>\$ 1,963,064</u>

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

TOWN OF CASTLETON, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2023

	Enterprise Fund Wastewater
ASSETS	
Current assets:	
Accounts receivable (net of allowance for uncollectibles)	\$ 1,289,590
Due from other funds	221,413
Total current assets	<u>1,511,003</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	2,333,477
Buildings	826,249
Sewer buildings and improvements	2,617,725
Collection system	4,085,851
Machinery and equipment	269,114
Vehicles	69,770
Total capital assets	<u>10,202,186</u>
Less: accumulated depreciation	<u>(6,301,928)</u>
Net capital assets	<u>3,900,258</u>
Total noncurrent assets	<u>3,900,258</u>
TOTAL ASSETS	<u>5,411,261</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>29,293</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>29,293</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,440,554</u>

STATEMENT G (CONTINUED)

TOWN OF CASTLETON, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2023

	<u>Enterprise Fund Wastewater</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 356,230
Accrued payroll and related liabilities	1,257
Unearned revenue	1,646
Current portion of long-term obligations	<u>1,097,298</u>
Total current liabilities	<u>1,456,431</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	1,658,721
Notes from direct borrowings payable	4,300
Accrued compensated absences	4,470
Net pension liability	<u>68,560</u>
Total noncurrent liabilities	<u>1,736,051</u>
TOTAL LIABILITIES	<u>3,192,482</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>1,952</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,952</u>
NET POSITION	
Net investment in capital assets	1,140,436
Unrestricted	<u>1,105,684</u>
TOTAL NET POSITION	<u>2,246,120</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 5,440,554</u></u>

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

TOWN OF CASTLETON, VERMONT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	Enterprise Fund <u>Wastewater</u>
OPERATING REVENUES	
Charges for services	\$ 718,063
Other	4,349
TOTAL OPERATING REVENUES	<u>722,412</u>
OPERATING EXPENSES	
Payroll, taxes and benefits	166,626
Supplies	79,334
Utilities	67,452
Contracted services	130,793
Repairs and maintenance	99,947
Insurance	16,062
Other	5,283
Depreciation	72,039
TOTAL OPERATING EXPENSES	<u>637,536</u>
OPERATING INCOME (LOSS)	<u>84,876</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	3,477
Transfers (out)	(90,500)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(87,023)</u>
CHANGE IN NET POSITION	(2,147)
NET POSITION - JULY 1	<u>2,248,267</u>
NET POSITION - JUNE 30	<u>\$ 2,246,120</u>

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

TOWN OF CASTLETON, VERMONT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Enterprise Fund Wastewater
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ (524,646)
Internal activity - receipts (payments) from/to other funds	511,723
Payments to employees	(159,227)
Payments to suppliers	(91,630)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(263,780)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to/from other funds	(90,500)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(90,500)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	3,477
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>3,477</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Debt proceeds	2,500,000
Purchases of capital assets	(2,131,683)
Principal paid on capital debt	(17,514)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>350,803</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS - JULY 1	<u>-</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 84,876
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	72,039
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(1,247,058)
(Increase) decrease in due from other funds	511,723
(Increase) decrease in deferred outflows of resources	(7,325)
Increase (decrease) in accounts payable	308,299
Increase (decrease) in payroll and related liabilities	303
Increase (decrease) in unearned revenue	(1,058)
Increase (decrease) in accrued compensated absences	(265)
Increase (decrease) in net pension liability	34,745
Increase (decrease) in deferred inflows of resources	(20,059)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (263,780)</u>

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

TOWN OF CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Castleton, Vermont was incorporated under the laws of the State of Maine. The Town operates under the selectmen-manager form of government and provides the following services: general government, highway, public safety, recreation and culture, solid waste, cemetery and other.

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).

The Town's combined financial statements include all accounts and all operations of the Town. In accordance with Governmental Accounting Standards Board Statement No. 14 (as amended by Number 39 and 61), the Town has evaluated all potential component units. The financial statements include the Castleton Free Public Library as a blended component unit. This component unit does not have separately issued financial statements.

Implementation of New Accounting Standards

During the year ended June 30, 2023, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services and the prices or rates that can be charged for the services and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. Management has determined the impact of this Statement is not material to the financial statements.

TOWN OF CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 96 "Subscription-Based Information Technology Arrangements". This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 99 "Omnibus 2022". The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are to provide clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset and identification of lease incentives, clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset, clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA and recognition and measurement of a subscription liability, extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt, accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP), disclosures related to nonmonetary transactions, pledges of future revenues when resources are not received by the pledging government, clarification of provisions in Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended, related to the focus of the government-wide financial statements, terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and terminology used in Statement 53 to refer to resource flows statements. Management has determined the impact of this Statement is not material to the financial statements.

TOWN OF CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 wastewater fund is categorized as business-type activities. All other activities of the Town are categorized as governmental.

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, public safety, 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.

TOWN OF CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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 Funds:

- 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.
- b. The ARPA fund is used to account for the proceeds of ARPA grants and are legally restricted to expenditures for specified purposes. The major revenue source for this fund is federal grant revenue.

Nonmajor Funds:

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

2. Proprietary Fund:

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

TOWN OF CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (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

TOWN OF CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. In the half of the year, the Town prepares a budget for the next fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. The Selectboard approves the proposed budget in December or January.
2. A meeting of the voters of the Town is called for the purpose of adopting the proposed budget after public notice of the meeting is given.
3. The budget is adopted subsequent to passage by the 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. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. 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

TOWN OF CASTLETON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 accounts is estimated to be \$7,000 as of June 30, 2023. Accounts receivable netted with allowances for uncollectible accounts were \$1,332,535 for the year ended June 30, 2023.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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 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 \$10,000 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.

TOWN OF CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Estimated useful lives are as follows:

Buildings and improvements	10 - 75 years (pre 2015)
Buildings and improvements	50 years (post 2015)
Infrastructure	20 - 50 years
Machinery, equipment and vehicles	3 - 25 years (pre 2015)
Machinery, equipment and vehicles	5 years (post 2015)

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.

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 bonds payable, notes from direct borrowings payable, accrued compensated absences 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 funds is the same in the fund statements as it is in the government-wide statements.

Pension

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

TOWN OF CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 all other elements in a statement of financial position. 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 its use either through enabling legislation 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.

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.

TOWN OF CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 would need to be given annually by vote of the taxpayers in order to be 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 has one type of this item, deferred outflows related to pensions. This item is reported in the statement of net position.

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 and deferred revenue, which arises only under a modified accrual basis of accounting, qualify for reporting in this category. Accordingly, these items are reported in the governmental funds balance sheet. Prepaid taxes also qualify for reporting in this category. This item is reported in both the statements of net position and governmental funds balance sheet. Deferred inflows related to pensions qualifies for reporting in this category as well. 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.

TOWN OF CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition - Property Taxes - Modified Accrual Basis

Property taxes attach as an enforceable lien on property owned as of April 1st. Elected listers establish a grand list of all property and the Selectboard sets the tax rate required to raise the tax revenue authorized by Town and School District voters and the Vermont Agency of Education. Property taxes for the fiscal year ended June 30, 2023 were payable in four equal installments due on August 31st, November 30th, February 28th and May 31st.

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 CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS

State statutes require that all investments made by the Town consider the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. 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. The Town does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF.

At June 30, 2023, the Town's cash balances amounting to \$5,231,243 were comprised of deposits of \$5,377,082. 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. Of these bank deposits, \$944,288 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk and \$1,582,248 were collateralized by securities held by the financial institution in the client's name. The remaining deposits of \$2,850,546 were through M&T Bank and Vermont Pool, with the Town named as designated beneficiary.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 4,100,496
Sweep account	1,082,248
Savings accounts	50
Cash equivalents	194,288
	<u>\$ 5,377,082</u>

TOWN OF CASTLETON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 June 30, 2023, the Town's has \$146,794 in investments in exchange traded funds and mutual funds which are collateralized by Securities Investor Protection Corporation.

Fair Value Hierarchy

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements at June 30, 2023:

	Total June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Equity securities:				
Mutual funds and exchange-traded funds	\$ 146,794	\$ 146,794	\$ -	\$ -
Total investments by fair value level	146,794	\$ 146,794	\$ -	\$ -
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market funds	194,288			
Total cash equivalents measured at the NAV	194,288			
Total investments and cash equivalents measured at fair value	\$ 341,082			

TOWN OF CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. The Town has no Level II or III investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2023 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

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 various savings accounts and certificates of deposit.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2023 consisted of the following individual fund receivables and payables:

	Receivables (Due from)	Payables (Due to)
General fund	\$ 770,435	\$ 1,011,710
Enterprise funds	221,413	-
Nonmajor special revenue funds	28,664	17,871
Nonmajor capital projects funds	761,633	752,564
Totals	<u>\$ 1,782,145</u>	<u>\$ 1,782,145</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.

TOWN OF CASTLETON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers at June 30, 2023 consisted of the following:

	Transfers In	Transfers Out
General fund	\$ -	\$ 464,968
Enterprise funds	-	90,500
Nonmajor special revenue funds	116,000	-
Nonmajor capital projects funds	439,468	-
Totals	\$ 555,468	\$ 555,468

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

NOTE 5 - CAPITAL ASSETS

A summary of capital assets for the year ended June 30, 2023, is as follows:

	Balance 7/1/22	Additions	Disposals/ Transfers	Balance 6/30/23
<u>Governmental activities:</u>				
Non-depreciated assets:				
Land	\$ 680,999	\$ 218,928	\$ -	\$ 899,927
Construction in progress	91,752	-	(91,752)	-
	772,751	218,928	(91,752)	899,927
Depreciated assets:				
Buildings and improvements	2,823,331	481,072	-	3,304,403
Machinery and equipment	2,675,415	212,728	(48,005)	2,840,138
Infrastructure	1,545,652	31,056	-	1,576,708
	7,044,398	724,856	(48,005)	7,721,249
Less: accumulated depreciation	(2,359,476)	(311,819)	48,005	(2,623,290)
	4,684,922	413,037	-	5,097,959
Net capital assets	5,457,673	631,965	(91,752)	5,997,886

TOWN OF CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Balance 7/1/22	Additions	Disposals	Balance 6/30/23
<u>Business-type activities:</u>				
Non-depreciated assets:				
Land	\$ 104,493	\$ -	\$ -	\$ 104,493
Construction in progress	165,382	2,063,602	-	2,228,984
	<u>269,875</u>	<u>2,063,602</u>	<u>-</u>	<u>2,333,477</u>
Depreciated assets:				
Buildings	826,249	-	-	826,249
Sewer buildings and improvements	2,617,725	-	-	2,617,725
Collection system	4,058,851	27,000	-	4,085,851
Machinery and equipment	228,614	40,500	-	269,114
Vehicles	69,770	-	-	69,770
	<u>7,801,209</u>	<u>67,500</u>	<u>-</u>	<u>7,868,709</u>
Less: accumulated depreciation	<u>(6,229,889)</u>	<u>(72,039)</u>	<u>-</u>	<u>(6,301,928)</u>
	<u>1,571,320</u>	<u>(4,539)</u>	<u>-</u>	<u>1,566,781</u>
Net capital assets	<u>1,841,195</u>	<u>2,059,063</u>	<u>-</u>	<u>3,900,258</u>
Total government	<u>\$ 7,298,868</u>	<u>\$ 2,691,028</u>	<u>\$ (91,752)</u>	<u>\$ 9,898,144</u>

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2023:

	Balance, 7/1/22 (Restated)	Additions	Deletions	Balance, 6/30/23	Current Portion
<i>Governmental Activities:</i>					
Bonds payable	\$ 975,000	\$ -	\$ (75,000)	\$ 900,000	\$ 75,000
Notes from direct borrowings payable	241,282	35,000	(78,493)	197,789	75,374
	<u>\$ 1,216,282</u>	<u>\$ 35,000</u>	<u>\$ (153,493)</u>	<u>\$ 1,097,789</u>	<u>\$ 150,374</u>
<i>Business-type Activities:</i>					
Bonds payable	\$ 264,436	\$ 2,500,000	\$ (13,214)	\$ 2,751,222	\$ 1,092,501
Notes from direct borrowings payable	12,900	-	(4,300)	8,600	4,300
	<u>\$ 277,336</u>	<u>\$ 2,500,000</u>	<u>\$ (17,514)</u>	<u>\$ 2,759,822</u>	<u>\$ 1,096,801</u>

TOWN OF CASTLETON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 - LONG-TERM DEBT (CONTINUED)

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

	Governmental Activities	Business-type Activities	Total
Bonds payable:			
2014 - \$1,500,000 General Obligation Bond. Annual principal payments of \$75,000 with a fixed interest rate ranging from 0.513% to 3.993% per annum. The bond matures in November of 2034.	\$ 900,000	\$ -	\$ 900,000
2019 - \$615,000 General Obligation Bond. Principal forgiveness of \$307,500 occurred at closing with the remaining \$307,500 due in annual principal payments ranging from \$12,656 to \$18,437. Fixed interest rate is 0.00% with a 2.00% annual administrative fee. The bond matures in December of 2038.	-	251,222	251,222
\$2,500,000, RF1-262-3.0 Bond Payable to Vermont Municipal Bond Bank, paid in 20 annual installments of \$90,632, which includes a 2.0% administration fee beginning one year after project completion. Interest is charged at a fixed rate of 0%. \$1,018,030 of the principal will be forgiven.	-	2,500,000	2,500,000
Total bonds payable:	\$ 900,000	\$ 2,751,222	\$ 3,651,222
Notes from direct borrowings payable:			
Note payable, highway equipment, annual principal payments of \$5,000 beginning in April of 2024 at an accrued interest at rate of 5.49% per annum through April of 2030.	\$ 35,000	\$ -	\$ 35,000
2022 - Capital equipment note with People's United Bank, NA for a loader. Annual principal payments in the amount of \$38,250 and interest is charged a fixed rate of 2.35% per annum. The capital equipment note matures in February of 2026.	114,750	-	114,750
2019 - Capital equipment note with People's United Bank, NA for a dump truck. Annual principal payment ranging from \$37,124 and interest is charged a fixed rate of 2.50% per annum. The capital equipment note matures in July of 2023.	37,123	-	37,123
The Town leases copiers under a non-cancelable lease agreement with High Winds Leasing dated January 2022. The term of the lease is for 60 months ending December 2026. Monthly payments are \$156 for the Town Office	6,550	-	6,550
The Town leases copiers under a non-cancelable lease agreement with High Winds Leasing dated January 2022. The term of the lease is for 60 months ending December 2026. Monthly payments are \$104 for the Police Department.	4,366	-	4,366
2016 - Note with Vermont Municipal Bond Bank for a 10-year sewer system planning study. Annual principal payments in the amount of \$4,300 and interest is charged at 0.00% per annum. The note matures in December of 2024.	-	8,600	8,600
Total notes from direct borrowings payable	\$ 197,789	\$ 8,600	\$ 206,389

TOWN OF CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a summary of outstanding bonds and notes from direct borrowings payable principal and interest requirements for the following fiscal years ending June 30:

	Governmental Activities				
	Bonds Payable		Notes from Direct Borrowings Payable		Total
	Principal	Interest	Principal	Interest	
2024	\$ 75,000	\$ 31,271	\$ 75,374	\$ 5,268	\$ 186,913
2025	75,000	28,899	75,373	3,532	182,804
2026	75,000	26,444	38,250	1,798	141,492
2027	75,000	23,910	8,792	899	108,601
2028	75,000	21,306	-	-	96,306
2029-2033	375,000	65,398	-	-	440,398
2034-2038	150,000	5,971	-	-	155,971
	<u>\$ 900,000</u>	<u>\$ 203,199</u>	<u>\$ 197,789</u>	<u>\$ 11,497</u>	<u>\$ 1,312,485</u>

	Business-type Activities				
	Bonds Payable		Note from Direct Borrowings Payable		Total
	Principal	Interest/Admin Fees	Principal	Interest	
2024	\$ 1,092,501	\$ 34,663	\$ 4,300	\$ -	\$ 1,131,464
2025	75,691	33,175	4,300	-	113,166
2026	77,480	31,655	-	-	109,135
2027	79,029	30,105	-	-	109,134
2028	80,610	28,525	-	-	109,135
2029-2033	427,888	117,786	-	-	545,674
2034-2038	472,420	73,250	-	-	545,670
2039-2043	445,603	26,331	-	-	471,934
	<u>\$ 2,751,222</u>	<u>\$ 375,490</u>	<u>\$ 8,600</u>	<u>\$ -</u>	<u>\$ 3,135,312</u>

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to business-type activities expense for the year ended June 30, 2023 was \$0.

All bonds payable are direct obligations of the Town, for which its full faith and credit are pledged. The Town is not obligated for any special assessment debt. All debt is payable from taxes or water/sewer user fees levied on all taxable property within the Town.

TOWN OF CASTLETON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2023 is as follows:

	Balance, 7/1/22	Additions	Deletions	Balance, 6/30/23	Current Portion
<i>Governmental Activities:</i>					
Accrued compensated absences	\$ 65,161	\$ 10,205	\$ -	\$ 75,366	\$ 11,305
Net pension liability	427,051	499,319	(85,535)	840,835	-
	<u>\$ 492,212</u>	<u>\$ 509,524</u>	<u>\$ (85,535)</u>	<u>\$ 916,201</u>	<u>\$ 11,305</u>
<i>Business-type Activities:</i>					
Accrued compensated absences	\$ 5,813	\$ -	\$ (846)	\$ 4,967	\$ 497
Net pension liability	33,815	40,713	(5,968)	68,560	-
	<u>\$ 39,628</u>	<u>\$ 40,713</u>	<u>\$ (6,814)</u>	<u>\$ 73,527</u>	<u>\$ 497</u>

Please see Notes 8 and 15 for detailed information on each of the other long-term obligations.

NOTE 8 - ACCRUED COMPENSATED ABSENCES

The Town's policies regarding vacation and sick time do permit employees to accumulate earned but unused vacation leave. Generally, the liability for these compensated absences are recorded as long-term obligations in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2023, the Town's liability for compensated absences is \$80,333.

NOTE 9 - NET INVESTMENT IN CAPITAL ASSETS

The following is the calculation of the net investment in capital assets for the Town at June 30, 2023.

	Governmental Activities	Business-type Activities
Invested in capital assets	\$ 8,621,176	\$ 10,202,186
Accumulated depreciation	(2,623,290)	(6,301,928)
Outstanding capital related debt	(1,097,789)	(2,759,822)
	<u>\$ 4,900,097</u>	<u>\$ 1,140,436</u>

TOWN OF CASTLETON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 - RESTRICTED NET POSITION AND FUND BALANCES

At June 30, 2023, the Town had the following restricted net position and fund balances:

ARPA	\$ 1,222,450
Special revenue fund:	
Castleton Free Public Library	715,737
Donations	16,473
Recreation multiple	575
4th of July	1,515
Capital projects fund:	
Municipal records preservation	69,423
Wastewater treatment facility	749,888
Reappraisal	162,321
	\$ 2,938,382

NOTE 11 - NONSPENDABLE FUND BALANCES

At June 30, 2023, the Town had the following nonspendable fund balances:

General fund:	
Prepaid items	\$ 87,962

NOTE 12 - COMMITTED FUND BALANCES

At June 30, 2023, the Town had the following committed fund balances:

General fund:	
Use for FY 2024 budget	\$ 227,918
Highways and streets	662,153
Nonmajor capital projects funds (Schedule E)	833,990
	\$ 1,724,061

NOTE 13 - ASSIGNED FUND BALANCES

At June 30, 2023, the Town had the following assigned fund balances:

Nonmajor special revenue funds (Schedule C)	\$ 998
Nonmajor capital projects funds (Schedule E)	207,016
	\$ 208,014

TOWN OF CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14 - 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 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, 2021 (the most recent data available), the retirement system consisted of 16,158 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 Schools and the Vermont Selectboards Association.

TOWN OF CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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. The Annual Report may be viewed on the State's Department of Finance and Management website at: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](https://www.vermont.gov/annual-comprehensive-financial-report).

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

The Town participates in Groups B and C. 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

TOWN OF CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

VMERS	Group A	Group B	Group C	Group D
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

** 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

TOWN OF CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group as of July 1, 2022 are as follows:

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	3.500% of gross salary	5.875% of gross salary	11.000% of gross salary	12.350% of gross salary
Employer Contributions	5.000% of gross salary	6.500% of gross salary	8.250% of gross salary	10.850% 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 June 30, 2023 totaled \$84,509. The Town contributed \$79,166 for the year ended June 30, 2023. The Town's total payroll for the year ended June 30, 2023 for all employees covered under this plan was \$1,119,492.

Pension Liabilities

At June 30, 2023, the Town reported a liability of \$909,395 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2022 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2021. 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.

At June 30, 2022, the Town's proportion was 0.29976% for VMERS, which was a decrease of 0.01336% from its proportion measured as of June 30, 2021 for VMERS.

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

For the year ended June 30, 2023, the Town recognized pension expense of \$85,234 for the VMERS plan. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF CASTLETON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 68,296	\$ -
Changes of assumptions	46,493	-
Net difference between projected and actual earnings on pension plan investments	147,641	-
Changes in proportion and differences between contributions and proportionate share of contributions	46,956	25,898
Contributions subsequent to the measurement date	79,166	-
Total	\$ 388,552	\$ 25,898

\$79,166 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. 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:	
2023	\$ 85,725
2024	71,933
2025	35,605
2026	90,224
2027	-
Thereafter	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2022 measurement date was determined by rolling forward the total pension liability as of June 30, 2021 to June 30, 2022. The total pension liability was calculated using the following actuarial assumptions:

TOWN OF CASTLETON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

Healthy Post-Retirement - Beneficiaries:

- Groups A/B/C - 70% Pub-2010 Contingent Survivor Amount-Weighted below-median and 30% of Pub-2010 Contingent Survivor Amount-Weighted, with generational projection using scale MP-2019.
- Group D - Pub-2010 Contingent Survivor Amount-Weighted, with generational projection using scale MP-2019.

TOWN OF CASTLETON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14 - 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, 2022 COLA is 2.00% for Group A members and 2.30% for Group B, C and D members. The January 1, 2023 COLA is 2.00% for Group A members and 3.00% for Group B, C and D members.

Actuarial Cost Method: The Projected Benefit Cost Method is used. Normal contribution rates for each Group are equal to rates from the prior year, adjusted for increases or decreases in rates due to assumption changes or plan provision changes.

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 CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14 - 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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Passive Global Equities	24.00%	4.30%
Active Global Equities	5.00%	4.30%
US Equity - Large Cap	4.00%	3.25%
US Equity - Small/Mid Cap	3.00%	3.75%
Non-US Developed Market Equities	7.00%	5.00%
Emerging Market Debt	4.00%	3.50%
Core Fixed Income	19.00%	0.00%
Private and Alternative Credit	10.00%	4.75%
US TIPS	3.00%	-0.50%
Core Real Estate	3.00%	3.50%
Non-Core Real Estate	4.00%	6.00%
Private Equity	10.00%	6.50%
Infrastructure/Farmland	4.00%	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 CASTLETON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14 - 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	\$ 1,362,689	\$ 909,395	\$ 536,543

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. The Annual Report 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 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 others; environmental liability and natural disasters. The Town manages these risks through commercial insurance policies. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. There were no settlements in excess of insurance coverage in any of the past three years.

TOWN OF CASTLETON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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.

NOTE 17 - BLENDED COMPONENT UNIT

The Town presents the following as a blended component unit in the financial statements:

The Castleton Free Public Library ("Library") is a nonprofit organization created in 2010 to provide services free public library services to the constituents of Castleton, Vermont. The Library is governed by a five-person Board of Trustees elected to individual five-year terms. The Library does not produce its own financial statements.

NOTE 18 - JOINT VENTURE

The Town of Castleton is a member of the Rutland County Solid Waste District that exists to address the solid waste management interests of its 18 member towns. The District is governed by a Board of Supervisors which are appointed to represent the communities from its member towns. The most recent financial statements may be obtained from the Rutland County Solid Waste District, 2 Greens Hill Lane, Rutland, Vermont 05701.

NOTE 19 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Town's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

TOWN OF CASTLETON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 20 - RESTATEMENTS

In 2023, the Town determined that certain transactions were recorded incorrectly in the previous year, therefore a restatement was required. The notes from direct borrowings payable was restated by an increase of \$14,035. The resulting restatement decreased governmental activities by \$14,035 from \$7,940,002 to \$7,925,967.

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 - Budgetary Basis - Budget and Actual - General Fund
- Schedule of Proportionate Share of the Net Pension Liability/(Asset)
- Schedule of Contributions - Pension
- Notes to Required Supplementary Information

TOWN OF CASTLETON, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 1,016,766	\$ 1,016,766	\$ 1,016,766	\$ -
Resources (Inflows):				
Taxes:				
Property taxes	9,084,361	9,084,361	9,113,605	29,244
Intergovernmental revenues:				
State aid	144,000	144,000	150,368	6,368
State PILOT	425,505	425,505	496,138	70,633
Current use	25,452	25,452	31,452	6,000
Equalization grant	2,400	2,400	2,432	32
Railroad tax	200	200	472	272
Other	-	-	30,125	30,125
Charges for services:				
Licenses/permits	106,750	106,750	101,645	(5,105)
Highway	1,500	1,500	4,973	3,473
Transfer station	297,335	297,335	278,660	(18,675)
Police department	35,000	35,000	33,040	(1,960)
Recreation	56,833	56,833	65,337	8,504
Miscellaneous	32,000	32,000	32,000	-
Interest income	2,500	2,500	25,604	23,104
Interest on taxes/penalties	60,000	60,000	45,193	(14,807)
Miscellaneous	5,600	5,600	18,992	13,392
Amounts Available for Appropriation	<u>11,296,202</u>	<u>11,296,202</u>	<u>11,446,802</u>	<u>150,600</u>
Charges to Appropriations (Outflows):				
General government	885,665	885,665	879,181	6,484
Highway and streets	932,292	932,292	848,644	83,648
Public safety	582,867	582,867	584,360	(1,493)
Recreation and culture	247,713	247,713	213,524	34,189
Solid waste	335,695	335,695	283,492	52,203
Cemetery	34,000	34,000	38,000	(4,000)
Education	6,692,804	6,692,804	6,692,804	-
Debt service:				
Principal	75,000	75,000	75,000	-
Interest	40,000	40,000	33,531	6,469
Transfers to other funds	453,400	453,400	464,968	(11,568)
Total Charges to Appropriations	<u>10,279,436</u>	<u>10,279,436</u>	<u>10,113,504</u>	<u>165,932</u>
Budgetary Fund Balance, June 30	<u>\$ 1,016,766</u>	<u>\$ 1,016,766</u>	<u>\$ 1,333,298</u>	<u>\$ 316,532</u>

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

TOWN OF CASTLETON, VERMONT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>VMERS:</u>									
Proportion of the net pension liability/(asset)	0.30%	0.31%	0.26%	0.28%	0.30%	0.31%	0.33%	0.35%	0.30%
Proportionate share of the net pension liability/(asset)	\$ 909,395	\$ 460,866	\$ 677,061	\$ 493,832	\$ 425,674	\$ 377,971	\$ 422,417	\$ 267,571	\$ 27,741
Covered payroll	\$ 1,134,095	\$ 1,033,807	\$ 862,041	\$ 879,669	\$ 884,076	\$ 850,236	\$ 837,059	\$ 817,047	\$ 613,661
Proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	80.19%	44.58%	78.54%	56.14%	48.15%	44.45%	50.46%	32.75%	4.52%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	73.60%	86.29%	74.52%	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

* 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 CASTLETON, VERMONT

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>VMERS:</u>									
Contractually required contribution	\$ 79,166	\$ 77,335	\$ 69,618	\$ 55,469	\$ 55,976	\$ 53,001	\$ 50,948	\$ 49,886	\$ 48,514
Contributions in relation to the contractually required contribution	<u>(79,166)</u>	<u>(77,335)</u>	<u>(69,618)</u>	<u>(55,469)</u>	<u>(55,976)</u>	<u>(53,001)</u>	<u>(50,948)</u>	<u>(49,886)</u>	<u>(48,514)</u>
Contribution deficiency (excess)	<u>\$ -</u>								
Covered payroll	\$ 1,119,492	\$ 1,134,095	\$ 1,033,807	\$ 862,041	\$ 879,669	\$ 884,076	\$ 850,236	\$ 837,059	\$ 817,047
Contributions as a percentage of covered payroll	7.07%	6.82%	6.73%	6.43%	6.36%	6.00%	5.99%	5.96%	5.94%

* 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 CASTLETON, VERMONT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

Changes of Assumptions

VMERS Pension Plan:

The July 1, 2023 COLA assumption was increased from 2.00% to 3.00% for Groups B, C and D members.

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

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.

- 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 Projects Funds

TOWN OF CASTLETON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 568,165	\$ 2,003,569	\$ 2,571,734
Investments	146,794	-	146,794
Due from other governments	24,181	10,000	34,181
Due from other funds	28,664	761,633	790,297
TOTAL ASSETS	\$ 767,804	\$ 2,775,202	\$ 3,543,006
LIABILITIES			
Accounts payable	\$ 12,943	\$ -	\$ 12,943
Accrued payroll and expenses	1,692	-	1,692
Due to other funds	17,871	752,564	770,435
TOTAL LIABILITIES	32,506	752,564	785,070
FUND BALANCES			
Nonspendable	-	-	-
Restricted	734,300	981,632	1,715,932
Committed	-	833,990	833,990
Assigned	998	207,016	208,014
Unassigned	-	-	-
TOTAL FUND BALANCES	735,298	2,022,638	2,757,936
TOTAL LIABILITIES AND FUND BALANCES	\$ 767,804	\$ 2,775,202	\$ 3,543,006

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

TOWN OF CASTLETON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 164,035	\$ -	\$ 164,035
Charges for services	3,524	-	3,524
Interest income	16,520	36,985	53,505
Other	482,928	38,672	521,600
TOTAL REVENUES	<u>667,007</u>	<u>75,657</u>	<u>742,664</u>
EXPENDITURES			
Recreation and culture	156,536	-	156,536
Debt service:			
Principal	-	75,373	75,373
Interest	-	5,268	5,268
Capital outlay	145,493	117,828	263,321
Other	127,894	83,700	211,594
TOTAL EXPENDITURES	<u>429,923</u>	<u>282,169</u>	<u>712,092</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>237,084</u>	<u>(206,512)</u>	<u>30,572</u>
OTHER FINANCING SOURCES (USES)			
Debt proceeds	-	35,000	35,000
Transfers in	116,000	439,468	555,468
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>116,000</u>	<u>474,468</u>	<u>590,468</u>
NET CHANGE IN FUND BALANCES	353,084	267,956	621,040
FUND BALANCES - JULY 1	<u>382,214</u>	<u>1,754,682</u>	<u>2,136,896</u>
FUND BALANCES - JUNE 30	<u>\$ 735,298</u>	<u>\$ 2,022,638</u>	<u>\$ 2,757,936</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 fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

TOWN OF CASTLETON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2023

	Castleton Free Public Library	FEMA	SOV DUI Grant	SOV PD Grants	VAOT Better Roads Grant	SOV/TAP Ped Connection	RRPC/DEC GIA Highway
ASSETS							
Cash and cash equivalents	\$ 568,165	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	146,794	-	-	-	-	-	-
Due from other governments	-	-	3,017	2,309	18,300	-	-
Due from other funds	2,528	-	-	-	-	-	-
TOTAL ASSETS	\$ 717,487	\$ -	\$ 3,017	\$ 2,309	\$ 18,300	\$ -	\$ -
LIABILITIES							
Accounts payable	\$ 260	\$ -	\$ -	\$ -	\$ 5,755	\$ -	\$ -
Accrued payroll and expenses	1,490	-	-	-	-	-	-
Due to other funds	-	-	3,017	2,309	12,545	-	-
TOTAL LIABILITIES	1,750	-	3,017	2,309	18,300	-	-
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	715,737	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	715,737	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 717,487	\$ -	\$ 3,017	\$ 2,309	\$ 18,300	\$ -	\$ -

TOWN OF CASTLETON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2023

	Restricted Donations	PD/SRO SVUUSD	PD Special Detail	Recreation Multiple	OJP Grant PD Vests	4th of July	Total
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 568,165
Investments	-	-	-	-	-	-	146,794
Due from other governments	-	555	-	-	-	-	24,181
Due from other funds	16,675	6,144	-	804	998	1,515	28,664
TOTAL ASSETS	\$ 16,675	\$ 6,699	\$ -	\$ 804	\$ 998	\$ 1,515	\$ 767,804
LIABILITIES							
Accounts payable	\$ -	\$ 6,699	\$ -	\$ 229	\$ -	\$ -	\$ 12,943
Accrued payroll and expenses	202	-	-	-	-	-	1,692
Due to other funds	-	-	-	-	-	-	17,871
TOTAL LIABILITIES	202	6,699	-	229	-	-	32,506
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	16,473	-	-	575	-	1,515	734,300
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	998	-	998
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	16,473	-	-	575	998	1,515	735,298
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,675	\$ 6,699	\$ -	\$ 804	\$ 998	\$ 1,515	\$ 767,804

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

TOWN OF CASTLETON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	Castleton Free Public Library	FEMA	SOV DUI Grant	SOV PD Grants	VAOT Better Roads Grant	SOV/TAP Ped Connection	RRPC/DEC GIA Highway
REVENUES							
Intergovernmental	\$ 5,000	\$ 8,519	\$ 21,959	\$ 39,040	\$ 18,300	\$ 135	\$ 14,800
Charges for services	-	-	-	-	-	-	-
Interest income	16,520	-	-	-	-	-	-
Other	475,521	-	-	-	-	-	-
TOTAL REVENUES	<u>497,041</u>	<u>8,519</u>	<u>21,959</u>	<u>39,040</u>	<u>18,300</u>	<u>135</u>	<u>14,800</u>
EXPENDITURES							
Recreation and culture	151,910	-	-	-	-	-	-
Capital outlay	112,393	-	-	-	18,300	-	14,800
Other	-	8,519	21,959	39,040	-	135	-
TOTAL EXPENDITURES	<u>264,303</u>	<u>8,519</u>	<u>21,959</u>	<u>39,040</u>	<u>18,300</u>	<u>135</u>	<u>14,800</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>232,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	116,000	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>116,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>348,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - JULY 1	<u>366,999</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - JUNE 30	<u>\$ 715,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF CASTLETON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Restricted Donations	PD/SRO SVUUSD	PD Special Detail	Recreation Multiple	OJP Grant PD Vests	4th of July	Total
REVENUES							
Intergovernmental	\$ -	\$ 56,282	\$ -	\$ -	\$ -	\$ -	\$ 164,035
Charges for services	-	-	-	3,524	-	-	3,524
Interest income	-	-	-	-	-	-	16,520
Other	5,338	-	961	110	998	-	482,928
TOTAL REVENUES	5,338	56,282	961	3,634	998	-	667,007
EXPENDITURES							
Recreation and culture	-	-	-	4,626	-	-	156,536
Capital outlay	-	-	-	-	-	-	145,493
Other	998	56,282	961	-	-	-	127,894
TOTAL EXPENDITURES	998	56,282	961	4,626	-	-	429,923
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,340	-	-	(992)	998	-	237,084
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	116,000
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	116,000
NET CHANGE IN FUND BALANCES	4,340	-	-	(992)	998	-	353,084
FUND BALANCES - JULY 1	12,133	-	-	1,567	-	1,515	382,214
FUND BALANCES - JUNE 30	\$ 16,473	\$ -	\$ -	\$ 575	\$ 998	\$ 1,515	\$ 735,298

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

Capital Projects 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 CASTLETON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2023

	Municipal Records Preservation	Wastwater Treatment Facility	Reappraisal	Public Buildings	Castleton Emergency Response	Recreation Crystal Beach	Recreation Dewey Field
ASSETS							
Cash and cash equivalents	\$ -	\$ 1,166,724	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-
Due from other governments	-	-	-	10,000	-	-	-
Due from other funds	69,423	-	162,321	16,916	9,517	27,155	935
TOTAL ASSETS	<u>\$ 69,423</u>	<u>\$ 1,166,724</u>	<u>\$ 162,321</u>	<u>\$ 26,916</u>	<u>\$ 9,517</u>	<u>\$ 27,155</u>	<u>\$ 935</u>
LIABILITIES							
Due to other funds	\$ -	\$ 416,836	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>416,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	69,423	749,888	162,321	-	-	-	-
Committed	-	-	-	26,916	9,517	27,155	935
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>69,423</u>	<u>749,888</u>	<u>162,321</u>	<u>26,916</u>	<u>9,517</u>	<u>27,155</u>	<u>935</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 69,423</u>	<u>\$ 1,166,724</u>	<u>\$ 162,321</u>	<u>\$ 26,916</u>	<u>\$ 9,517</u>	<u>\$ 27,155</u>	<u>\$ 935</u>

TOWN OF CASTLETON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2023

	Sidewalks	Transfer Station	Vehicles and Equipment Fire	Vehicles and Equipment Highway	Vehicles and Equipment Police	Weed Harvesting	Capital Improvements	Total
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ 836,845	\$ -	\$ -	\$ -	\$ -	\$ 2,003,569
Due from other governments	-	-	-	-	-	-	-	10,000
Due from other funds	70,169	94,428	-	75,312	9,415	19,026	207,016	761,633
TOTAL ASSETS	<u>\$ 70,169</u>	<u>\$ 94,428</u>	<u>\$ 836,845</u>	<u>\$ 75,312</u>	<u>\$ 9,415</u>	<u>\$ 19,026</u>	<u>\$ 207,016</u>	<u>\$ 2,775,202</u>
LIABILITIES								
Due to other funds	\$ -	\$ -	\$ 335,728	\$ -	\$ -	\$ -	\$ -	\$ 752,564
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>335,728</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>752,564</u>
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	981,632
Committed	70,169	94,428	501,117	75,312	9,415	19,026	-	833,990
Assigned	-	-	-	-	-	-	207,016	207,016
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>70,169</u>	<u>94,428</u>	<u>501,117</u>	<u>75,312</u>	<u>9,415</u>	<u>19,026</u>	<u>207,016</u>	<u>2,022,638</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 70,169</u>	<u>\$ 94,428</u>	<u>\$ 836,845</u>	<u>\$ 75,312</u>	<u>\$ 9,415</u>	<u>\$ 19,026</u>	<u>\$ 207,016</u>	<u>\$ 2,775,202</u>

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

TOWN OF CASTLETON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	Municipal Records Preservation	Wastwater Treatment Facility	Reappraisal	Public Buildings	Castleton Emergency Response	Recreation Crystal Beach	Recreation Dewey Field
REVENUES							
Interest income	\$ -	\$ 36,985	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	20,672	10,000	-	-	-
TOTAL REVENUES	-	36,985	20,672	10,000	-	-	-
EXPENDITURES							
Capital outlay	-	21,000	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Other	7,800	-	-	-	-	-	-
TOTAL EXPENDITURES	7,800	21,000	-	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,800)	15,985	20,672	10,000	-	-	-
OTHER FINANCING SOURCES (USES)							
Debt proceeds	-	-	-	-	-	-	-
Transfers in	9,068	90,500	-	4,400	-	7,500	-
Transfers (out)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	9,068	90,500	-	4,400	-	7,500	-
NET CHANGE IN FUND BALANCES	1,268	106,485	20,672	14,400	-	7,500	-
FUND BALANCES - JULY 1	68,155	643,403	141,649	12,516	9,517	19,655	935
FUND BALANCES - JUNE 30	<u>\$ 69,423</u>	<u>\$ 749,888</u>	<u>\$ 162,321</u>	<u>\$ 26,916</u>	<u>\$ 9,517</u>	<u>\$ 27,155</u>	<u>\$ 935</u>

TOWN OF CASTLETON, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	Sidewalks	Transfer Station	Vehicles and Equipment Fire	Vehicles and Equipment Highway	Vehicles and Equipment Police	Weed Harvesting	Capital Improvements	Total
REVENUES								
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,985
Other	-	-	-	-	8,000	-	-	38,672
TOTAL REVENUES	-	-	-	-	8,000	-	-	75,657
EXPENDITURES								
Capital outlay	-	20,000	26,500	-	50,328	-	-	117,828
Debt service:								
Principal	-	-	-	75,373	-	-	-	75,373
Interest	-	-	-	5,268	-	-	-	5,268
Other	-	-	-	75,900	-	-	-	83,700
TOTAL EXPENDITURES	-	20,000	26,500	156,541	50,328	-	-	282,169
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(20,000)	(26,500)	(156,541)	(42,328)	-	-	(206,512)
OTHER FINANCING SOURCES (USES)								
Debt proceeds	-	-	-	35,000	-	-	-	35,000
Transfers in	-	6,000	64,500	80,000	24,500	-	153,000	439,468
Transfers (out)	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	6,000	64,500	115,000	24,500	-	153,000	474,468
NET CHANGE IN FUND BALANCES	-	(14,000)	38,000	(41,541)	(17,828)	-	153,000	267,956
FUND BALANCES - JULY 1	70,169	108,428	463,117	116,853	27,243	19,026	54,016	1,754,682
FUND BALANCES - JUNE 30	\$ 70,169	\$ 94,428	\$ 501,117	\$ 75,312	\$ 9,415	\$ 19,026	\$ 207,016	\$ 2,022,638

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

Federal Compliance

Federal compliance includes financial information and reports that are required in accordance with *Government Auditing Standards* and/or the Uniform Guidance in accordance with 2 CFR § 515. Such financial information and reports include:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- 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*
- Independent Auditor's Report on Compliance or Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

TOWN OF CASTLETON, VERMONT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal AL Number	Pass-through Grantor Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Environmental Protection Agency				
Passed through State of Vermont Agency of Natural Resources:				
Clean Water State Revolving Fund (CWSRF) Cluster:				
Clean Water State Revolving Fund	66.458	06140-RF1-262-3.0	\$ 1,005,764	\$ -
Subtotal Clean Water State Revolving Fund (CWSRF) Cluster			<u>1,005,764</u>	<u>-</u>
Total U.S. Environmental Protection Agency			<u>1,005,764</u>	<u>-</u>
U.S. Department of Transportation				
Passed through State of Vermont Agency of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	CA0632 Castleton TAP TA20(2)	135	-
Total Highway Planning and Construction Cluster			<u>135</u>	<u>-</u>
Highway Safety Cluster:				
State and Community Highway Safety	20.600	GR1321	26,680	-
Total Highway Safety Cluster			<u>26,680</u>	<u>-</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	N/A	18,942	-
Total U.S. Department of Transportation			<u>45,757</u>	<u>-</u>
U.S. Department of Treasury				
Passed through State of Vermont Agency of Administration:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRFVT0044	139,352	-
Total U.S. Department of Treasury			<u>139,352</u>	<u>-</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,190,873</u>	<u>\$ -</u>

TOWN OF CASTLETON, VERMONT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2023

1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Castleton, Vermont under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Castleton, Vermont, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Castleton, Vermont.

2. Summary of Significant Accounting Policies

a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

b. The Town of Castleton, Vermont has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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 Castleton
Bomoseen, 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 Town of Castleton, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise Town of Castleton's basic financial statements and have issued our report thereon dated January 11, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Castleton'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 Town of Castleton's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Castleton'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.

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

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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 Town of Castleton'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 Castleton in a separate letter dated January 11, 2024.

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
January 11, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE REQUIRED BY THE UNIFORM GUIDANCE

Selectboard
Town of Castleton
Bomoseen, Vermont

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Castleton's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town of Castleton's major federal programs for the year ended June 30, 2023. the Town of Castleton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Castleton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibility section of our report.

We are required to be independent of the Town of Castleton and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Castleton's compliance with the compliance requirements referred to above.

Management's Responsibility

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Castleton's federal programs.

Auditors' Responsibility

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on the Town of Castleton's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Castleton's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Town of Castleton's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town of Castleton's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Castleton's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibility section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
January 11, 2024

TOWN OF CASTLETON, VERMONT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance? yes no

Identification of major programs:

<u>AL Numbers</u>	<u>Name of Federal Program or Cluster</u>
66.458	Clean Water State Revolving Loan Fund (CWSRF) Cluster

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None

Section III - Federal Awards Findings and Questioned Costs

None