

**TOWN OF WATERFORD, VERMONT**

**AUDIT REPORT**

**DECEMBER 31, 2023**

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AUDIT REPORT  
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## Independent Auditor's Report

Selectboard  
Town of Waterford, Vermont  
P.O. Box 56  
Lower Waterford, VT 05848-0056

### ***Report on the Audit of the Financial Statements***

#### ***Qualified and Unmodified Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Waterford, Vermont as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Town of Waterford, Vermont's basic financial statements as listed in the Table of Contents.

#### *Summary of Opinions*

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Qualified
ARPA Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

#### *Qualified Opinions on the Governmental Activities and the General Fund*

In our opinion, except for the effects of the matters described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the Town of Waterford, Vermont, as of December 31, 2023, and the changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting, as described in Note I.D.

#### *Unmodified Opinions on the ARPA Fund and the Aggregate Remaining Fund Information*

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the ARPA Fund and the aggregate remaining fund information of the Town of Waterford, Vermont, as of December 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting, as described in Note I.D.

***Basis for Qualified and Unmodified Opinions***

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

***Matter Giving Rise to the Qualified Opinions on the Governmental Activities and the General Fund***

We did not audit the transfer station revenues because of inadequacies in the Town’s controls over transfer station receipts during the year. We were unable to obtain sufficient appropriate audit evidence about the completeness of the transfer station revenues in the accompanying Statement of Activities – Modified Cash Basis and Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balances – General Fund (stated at \$31,273) by other auditing procedures.

***Basis of Accounting***

We draw attention to Note I.D. to the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 Waterford, Vermont’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and "Government Auditing Standards" will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

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

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

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Waterford, Vermont's basic financial statements. The budgetary comparison information on Schedule 1 and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

***Other Reporting Required by “Government Auditing Standards”***

In accordance with “Government Auditing Standards”, we have also issued our report dated September 6, 2024 on our consideration of the Town of Waterford, Vermont’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Waterford, Vermont’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Auditing Standards” in considering the Town of Waterford, Vermont’s internal control over financial reporting and compliance.

*Sullivan, Powers & Co.*

September 6, 2024  
Montpelier, Vermont  
VT Lic. #92-000180

TOWN OF WATERFORD, VERMONT  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
DECEMBER 31, 2023

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 1,523,071
Investments	76,960
Due from Fiduciary Funds	<u>63,419</u>
Total Assets	<u>1,663,450</u>
<u>LIABILITIES</u>	
Due to State of Vermont	22
Payroll Withholdings Payable	<u>2,730</u>
Total Liabilities	<u>2,752</u>
<u>NET POSITION</u>	
Restricted:	
Non-Expendable:	
Perpetual Care	13,100
Expendable:	
Eligible ARPA Uses	112,196
Other	27,901
Unrestricted	<u>1,507,501</u>
Total Net Position	<u>\$ 1,660,698</u>

The accompanying notes are an integral part of this financial statement.



TOWN OF WATERFORD, VERMONT  
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Cash Receipts				Net (Disbursements)/ Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs:					
Governmental Activities:					
General Government	\$ 309,321	\$ 41,543	\$ 7,904	\$ 4,000	\$ (255,874)
Public Safety	135,701	108	15,615	0	(119,978)
Highways and Streets	831,213	9,304	185,465	155,017	(481,427)
Culture and Recreation	51,004	0	5,676	0	(45,328)
Community Development	147,033	0	0	0	(147,033)
Cemetery	11,914	750	0	0	(11,164)
Solid Waste	32,830	31,273	0	0	(1,557)
Debt Service	93,075	0	0	0	(93,075)
Total Governmental Activities	\$ 1,612,091	\$ 82,978	\$ 214,660	\$ 159,017	(1,155,436)
General Receipts:					
Property Taxes					878,472
Penalties and Interest on Delinquent Taxes					13,367
General State Grants					27,034
Unrestricted Investment Earnings					5,927
Insurance Proceeds					2,326
Other					5,696
Total General Receipts					932,822
Change in Net Position					(222,614)
Net Position - January 1, 2023					1,883,312
Net Position - December 31, 2023					\$ 1,660,698

The accompanying notes are an integral part of this financial statement.

TOWN OF WATERFORD, VERMONT  
STATEMENT OF MODIFIED CASH BASIS ASSETS, LIABILITIES AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2023

	General Fund	ARPA Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 1,261,492	\$ 261,579	\$ 0	\$ 1,523,071
Investments	76,960	0	0	76,960
Due from Other Funds	0	0	466,533	466,533
Total Assets	\$ 1,338,452	\$ 261,579	\$ 466,533	\$ 2,066,564
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to State of Vermont	\$ 22	\$ 0	\$ 0	\$ 22
Payroll Withholdings Payable	2,730	0	0	2,730
Due to Other Funds	253,731	149,383	0	403,114
Total Liabilities	256,483	149,383	0	405,866
Fund Balances:				
Nonspendable	0	0	13,100	13,100
Restricted	0	112,196	27,901	140,097
Committed	133,930	0	0	133,930
Assigned	250,764	0	425,532	676,296
Unassigned	697,275	0	0	697,275
Total Fund Balances	1,081,969	112,196	466,533	1,660,698
Total Liabilities and Fund Balances	\$ 1,338,452	\$ 261,579	\$ 466,533	\$ 2,066,564

The accompanying notes are an integral part of this financial statement.

TOWN OF WATERFORD, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	ARPA Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Cash Receipts:</b>				
Property Taxes	\$ 878,472	\$ 0	\$ 0	\$ 878,472
Penalties and Interest on Delinquent Taxes	13,367	0	0	13,367
Intergovernmental	377,683	0	11,072	388,755
Charges for Services	42,744	0	9,724	52,468
Permits, Licenses and Fees	29,402	0	0	29,402
Fines and Forfeits	1,108	0	0	1,108
Investment Income	4,999	0	928	5,927
Donations	11,956	0	0	11,956
Other	5,696	0	0	5,696
<b>Total Cash Receipts</b>	<b>1,365,427</b>	<b>0</b>	<b>21,724</b>	<b>1,387,151</b>
<b>Cash Disbursements:</b>				
General Government	292,115	800	0	292,915
Public Safety	102,520	0	0	102,520
Highways and Streets	491,240	0	0	491,240
Culture and Recreation	40,827	0	0	40,827
Community Development	0	147,033	0	147,033
Cemetery	10,514	1,400	0	11,914
Solid Waste	32,830	0	0	32,830
Capital Outlay:				
General Government	0	16,406	0	16,406
Public Safety	0	33,181	0	33,181
Highways and Streets	307,437	32,536	0	339,973
Culture and Recreation	0	10,177	0	10,177
Debt Service:				
Principal	88,094	0	0	88,094
Interest	4,981	0	0	4,981
<b>Total Cash Disbursements</b>	<b>1,370,558</b>	<b>241,533</b>	<b>0</b>	<b>1,612,091</b>
<b>Excess/(Deficiency) of Cash Receipts Over Cash Disbursements</b>	<b>(5,131)</b>	<b>(241,533)</b>	<b>21,724</b>	<b>(224,940)</b>
<b>Other Financing Sources/(Uses):</b>				
Insurance Proceeds	2,326	0	0	2,326
Transfers In	0	0	14,130	14,130
Transfers Out	(14,130)	0	0	(14,130)
<b>Total Other Financing Sources/(Uses)</b>	<b>(11,804)</b>	<b>0</b>	<b>14,130</b>	<b>2,326</b>
<b>Net Change in Fund Balances</b>	<b>(16,935)</b>	<b>(241,533)</b>	<b>35,854</b>	<b>(222,614)</b>
<b>Fund Balances - January 1, 2023</b>	<b>1,098,904</b>	<b>353,729</b>	<b>430,679</b>	<b>1,883,312</b>
<b>Fund Balances - December 31, 2023</b>	<b>\$ 1,081,969</b>	<b>\$ 112,196</b>	<b>\$ 466,533</b>	<b>\$ 1,660,698</b>

The accompanying notes are an integral part of this financial statement.

TOWN OF WATERFORD, VERMONT  
STATEMENT OF FIDUCIARY MODIFIED CASH BASIS NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2023

	Private-Purpose Trust Fund	Custodial Fund
	Eugenia Powers Fund	Education Tax Fund
<u>ASSETS</u>		
Due from Other Funds	\$ 963	\$ 0
Due from School District	0	64,382
Total Assets	963	64,382
<u>LIABILITIES</u>		
Due to Other Funds	0	64,382
Total Liabilities	0	64,382
<u>NET POSITION</u>		
Restricted	963	0
Total Net Position	\$ 963	\$ 0

The accompanying notes are an integral part of this financial statement.

TOWN OF WATERFORD, VERMONT  
STATEMENT OF CHANGES IN FIDUCIARY MODIFIED CASH BASIS NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Private-Purpose Trust Fund <u>Eugenia Powers Fund</u>	<u>Custodial Fund Education Tax Fund</u>
<u>ADDITIONS</u>		
Investment Income	\$ 1	\$ 0
Education Taxes Collected for Other Governments	<u>0</u>	<u>2,818,301</u>
Total Additions	<u>1</u>	<u>2,818,301</u>
<u>DEDUCTIONS</u>		
Education Taxes Distributed to Other Governments	<u>0</u>	<u>2,818,301</u>
Total Deductions	<u>0</u>	<u>2,818,301</u>
Change in Net Position	1	0
Net Position - January 1, 2023	<u>962</u>	<u>0</u>
Net Position - December 31, 2023	<u>\$ 963</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF WATERFORD, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

The Town of Waterford, Vermont (herein the “Town”) operates under a Selectboard form of government and provides the following services: public safety, highways and streets, culture and recreation, community development, cemetery, solid waste, health and social services, public improvements, planning and zoning and general administrative services.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note I.D., these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

### **A. The Financial Reporting Entity**

This report includes all of the activity of the Town of Waterford, Vermont. The financial reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization’s governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other entities that should be combined with the financial statements of the Town.

### **B. Basis of Presentation**

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, receipts, and disbursements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town.

TOWN OF WATERFORD, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. Governmental activities generally are financed through property taxes, intergovernmental receipts, and other nonexchange transactions.

The statement of activities presents a comparison between direct disbursements and program receipts for each function of the Town's governmental activities. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function or program. Program receipts include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program receipts, including all property taxes, are presented as general receipts.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining funds are aggregated and reported as non-major funds.

The Town reports on the following major all governmental funds:

General Fund – This is the Town's main operating fund. It accounts for all financial resources of the Town except those accounted for in another fund.

ARPA Fund – This fund accounts for the resources from the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program used to support the Town's response to and recovery from the COVID-19 public health emergency.

Additionally, the Town reports the following fund types:

Private-Purpose Trust Fund – This fund is used to report trust arrangements under which resources are to be used for the benefit of individuals. All investment earnings, and in some cases, the principal of these funds may be used to support these activities.

Custodial Fund – This fund is used to report resources held by the Town in a purely custodial capacity for other governments, private organizations or individuals.

TOWN OF WATERFORD, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**C. Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. Equity (i.e., modified cash basis net position) is segregated into restricted and unrestricted net position. Operating statements present increases (i.e., receipts) and decreases (i.e., disbursements) in modified cash basis net position.

Governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Their reported fund balances (modified cash basis fund balances) are considered a measure of available spendable resources and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., receipts and other financing sources) and decreases (i.e., disbursements and other financing uses) in modified cash basis fund balances.

**D. Basis of Accounting**

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

The Town's policy is to prepare its financial statements generally on the basis of cash receipts and disbursements; consequently, certain revenue and related assets are recognized when received rather than when earned and certain expenditures and related liabilities are recognized when paid rather than when the obligation is incurred. The exceptions to this are that the Town records investments at cost and reimbursements due from the School District for overpayment of education taxes as assets and amounts due to the State of Vermont for dog and marriage licenses and payroll withholdings payable as liabilities.

General capital asset acquisitions are reported as expenditures. Proceeds of general long-term debt, acquisitions under financed purchases and insurance proceeds are reported as other financing sources.

**E. Assets, Liabilities and Equity**

**1. Cash**

Cash balances of most Town funds are deposited with and invested by the Town Treasurer. The Town considers all short-term investments of ninety (90) days or less to be cash equivalents.

**2. Investments**

The Town invests in investments as allowed by State Statute. Investments are reported at cost.



TOWN OF WATERFORD, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**3. Interfund Receivables/Payables**

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as “advances to/from other funds”. All other outstanding balances between funds are reported as “due from/to other funds”.

**4. Fund Equity**

Fund equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in government-wide and fiduciary fund financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances in governmental fund financial statements are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard’s intended use of the resources); and unassigned.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget amendments during the year. The budget presented herein is for the Town’s “General Fund” only and does not include the Act 200 Fund, the Tax Appeal Fund, the Selectboard Legal Fund, the Gravel Stockpile Fund, the HRA Fund, the Fire Department Hydrant Fund, the Fire Department Purchasing Fund, the Audit Reserve Fund and the Davies Memorial Library Fund activity that is included with the General Fund as they do not qualify to be reported as separate special revenue funds. There was no activity for the HRA Fund during the year.

**B. Budgeted Deficit**

The Town elected to budget cash disbursements in excess of cash receipts by \$125,893 in the General Fund in order to utilize a portion of the prior year’s surplus. This is reflected as a current year’s budgeted deficiency of cash receipts over cash disbursements on Schedule 1.

**C. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2023, expenditures in the General Fund exceeded appropriations by \$83,948. These over-expenditures were funded by excess revenues.

TOWN OF WATERFORD, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

Cash and investments as of December 31, 2023 consist of the following:

Cash:	
Deposits with Financial Institutions	\$1,522,554
Deposits with Investment Company	17
Cash on Hand	<u>500</u>
Total Cash	<u>1,523,071</u>
Investments:	
Certificate of Deposit	14,691
Mutual Funds – Mixed Holdings	<u>62,269</u>
Total Investments	<u>76,960</u>
Total Cash and Investments	<u>\$1,600,031</u>

The Town has one (1) certificate of deposit at Passumpsic Savings Bank in the amount of \$14,691 with an interest rate of 0.80%. This certificate of deposit will mature during fiscal year 2024.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. In accordance with the Town’s investment policy, collateralization using obligations fully guaranteed by the full faith and credit of a Vermont municipality, the State of Vermont, and/or the United States Government, or United States Government Agencies will be required on certificates of deposit and repurchase agreements. The mutual funds are in the name of the Town and are not exposed to custodial credit risk. The following table reflects the custodial credit risk of the Town’s cash and certificate of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$1,387,768	\$1,384,424
Uninsured, Uncollateralized	<u>149,494</u>	<u>177,413</u>
Total	<u>\$1,537,262</u>	<u>\$1,561,837</u>

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

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\$63,845 of uninsured, uncollateralized cash could be offset by debt at the respective bank.

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$1,522,554
Cash – Deposits with Investment Company	17
Investments – Certificate of Deposit	<u>14,691</u>
Total	<u>\$1,537,262</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the Town’s investment policy, interest rate risk will be minimized by investing operating funds primarily in shorter term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the Town’s investment portfolio. The Town’s certificate of deposit is not subject to interest rate risk disclosure. The mutual funds are open-ended and, therefore, are also excluded from interest rate risk disclosure.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. In accordance with the Town’s investment policy, credit risk will be minimized by diversifying the Town’s investment portfolio so that the impact of potential losses from any one type of investment will be minimized. The Town’s certificate of deposit is not subject to credit risk disclosure. The mutual funds are open-ended and, therefore, are also excluded from the credit risk analysis.

**Concentration of Credit Risk**

Concentration of credit risk is the risk that a large percentage of the Town’s investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town has no investments subject to concentration of credit risk.

**Fair Value**

The Town has the following fair value measurements as of December 31, 2023:

	Quoted Prices in Active Markets for <u>Identical Assets</u>
Mutual Funds – Mixed Holdings	\$ <u>62,269</u>

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**B. Interfund Balances and Transfers**

Interfund balances as of December 31, 2023 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$253,731
ARPA Fund	0	149,383
Non-Major Governmental Funds	466,533	0
Private-Purpose Trust Fund – Eugenia Powers Fund	963	0
Custodial Fund – Education Tax Fund	<u>0</u>	<u>64,382</u>
Total	<u>\$467,496</u>	<u>\$467,496</u>

Interfund transfers during the year ended December 31, 2023 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Building Maintenance Fund	\$ <u>14,130</u>	Transfer Budget Surplus
Total		\$ <u>14,130</u>	

**C. Due from School District**

During the year ended December 31, 2023, the Town paid the School District \$2,882,683 for education property taxes, as instructed by the State of Vermont. Subsequent to year end, the State issued its final education property tax reconciliation for the State’s fiscal year ending June 30, 2023. The State’s final reconciliation showed \$2,818,301 was required to be paid to the School District. The amount of education taxes owed by the School District to the Town as of December 31, 2023 is \$64,382.

**D. Fund Balances**

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard’s intended use of the resources); and unassigned.

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Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Town does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Town does not have any minimum fund balance policies.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

The fund balances in the following fund are nonspendable as follows:

Non-Major Funds

Permanent Fund:

Nonspendable Cemetery Fund Principal	\$ <u>13,100</u>
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Total Nonspendable Fund Balances	\$ <u>13,100</u>
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The fund balances in the following funds are restricted as follows:

Major Funds

ARPA Fund:

Restricted for Eligible Uses of the Coronavirus Local Fiscal Recovery Funding by Grant Agreement (Source of Revenue is Grant Revenue)	\$ <u>112,196</u>
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TOWN OF WATERFORD, VERMONT  
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Non-Major Funds

Special Revenue Funds:

Restricted for Lister Education Expenses by State Statute (Source of Revenue is Grant Revenue)	\$ 1,515
Restricted for Fire Department Memorial Expenses by Donations (Source of Revenue is Donations)	<u>9,638</u>
Total Special Revenue Funds	<u>11,153</u>

Capital Projects Funds:

Restricted for Energy Grant Expenditures by Grant Agreement (Source of Revenue is Grant Revenue)	<u>4,000</u>
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Permanent Fund:

Restricted for Cemetery Expenses by Sale of Lots (Source of Revenue is Lot Sales)	<u>12,748</u>
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Total Non-Major Funds	<u>27,901</u>
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Total Restricted Fund Balances	<u>\$140,097</u>
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The fund balances in the following fund are committed as follows:

Major Funds

General Fund:

Committed for Tax Appeal Expenses by the Voters	\$ 49,744
Committed for Audit Reserve Expenses by the Voters	7,500
Committed for Davies Memorial Library Expenses by the Voters	<u>76,686</u>

Total Committed Fund Balances	<u>\$133,930</u>
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The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:

Assigned for Act 200 Expenses	\$ 1,370
Assigned for Selectboard Legal Expenses	2,973
Assigned for Gravel Stockpile Expenses	82,515
Assigned for HRA Expenses	3,014
Assigned for Fire Department Hydrant Expenses	4,967
Assigned for Fire Department Purchasing Expenses	<u>155,925</u>

Total General Fund	<u>250,764</u>
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TOWN OF WATERFORD, VERMONT  
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Non-Major Funds

Special Revenue Funds:	
Assigned for Reappraisal Expenses	<u>\$149,383</u>
Capital Projects Funds:	
Assigned for Duck Pond Road Expenditures	22,926
Assigned for Building Maintenance Expenditures	23,976
Assigned for Compactor Expenditures	36,530
Assigned for Gillander's Pit Expenditures	4,421
Assigned for Town Purchasing Expenditures	<u>188,296</u>
Total Capital Projects Funds	<u>276,149</u>
Total Non-Major Funds	<u>425,532</u>
Total Assigned Fund Balances	<u>\$676,296</u>

**E. Restricted Net Position**

The restricted net position in the governmental activities includes the nonspendable fund balances of \$13,100 and the restricted fund balances of \$140,097 for a total of \$153,197.

The net position held in trust for various purposes in the Town's Private-Purpose Trust Fund as of December 31, 2023 consisted of the following:

Private-Purpose Trust Fund:	
Restricted for Eugenia Powers History Books by Donations	<u>\$963</u>

**IV. OTHER INFORMATION**

**A. Pension Plans**

**Defined Contribution Plan**

The Town maintained a SEP IRA pension plan for all eligible employees. To have been eligible, an employee must be a minimum of twenty-one years old, have performed services for the Town in at least three (3) of the past five (5) years and have minimum annual wages of \$750. Employer contributions to each employee's SEP IRA are 6% of each participant's compensation. Effective October 1, 2023, the Town began enrollment in the Vermont Municipal Employees' Retirement System (VMERS) and discontinued the SEP IRA pension plan benefits.

TOWN OF WATERFORD, VERMONT  
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## **Defined Benefit Plan**

### **Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. As of June 30, 2022, the measurement date selected by the State of Vermont, the retirement system consisted of 359 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

As of June 30, 2022, the measurement date selected by the State of Vermont, VMERS was funded at 73.60% and had a plan fiduciary net position of \$845,979,471 and a total pension liability of \$1,149,351,427 resulting in a net position liability of \$303,371,956. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. Effective October 1, 2023, the Town began enrollment in the Vermont Municipal Employees' Retirement System (VMERS) benefit plan. As a result of the Town's enrollment occurring after the measurement date, as of December 31, 2023, the Town has no proportionate share of the net pension liability.

### **Summary of System Provisions**

Membership – Full time employees of participating municipalities. Municipalities can elect coverage under Groups A, B, C or D provisions. The Town elected coverage under Group B.

Creditable Service – Service as a member plus purchased service.



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Average Final Compensation (AFC) – Group A – Average annual compensation during highest five (5) consecutive years. Groups B and C – Average annual compensation during highest three (3) consecutive years. Group D – Average annual compensation during highest two (2) consecutive years.

Service Retirement Allowance:

Eligibility – Group A – The earlier of age 65 with five (5) years of service or age 55 with thirty-five (35) years of service. Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service. Groups C and D – Age 55 with five (5) years of service.

Amount – Group A – 1.4% of AFC times service. Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC. Group D – 2.5% of AFC times service as a Group D member plus percentage earned as a Group A, B or C member times AFC.

Maximum benefit is 60% of AFC for Groups A and B and 50% of AFC for Groups C and D. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Groups A and B. Age 50 with twenty (20) years of service for Group D.

Amount – Normal retirement allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age for Groups A and B members, and payable without reduction to Group D members.

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

Amount – Allowance beginning at Normal Retirement Age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

Disability Retirement Allowance:

Eligibility – Five (5) years of service and disability as determined by Retirement Board.

Amount – Immediate allowance based on AFC and service to date of disability; children’s benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

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NOTES TO THE FINANCIAL STATEMENTS  
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Death Benefit:

Eligibility – Death after five (5) years of service.

Amount – For Groups A, B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability allowance computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.

Post-Retirement Adjustments – Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 2% for Group A and 3% for Groups B, C and D.

Optional Benefit and Death after Retirement – For Groups A, B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.

Refund of Contributions – Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions with interest are refunded.

Member Contribution Rates – Group A – 3.25%. Group B – 5.625%. Group C – 10.75%. Group D – 12.10%.

Employer Contribution Rates – Group A – 4.75%. Group B – 6.25%. Group C – 8.00%. Group D – 10.60%.

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

**Significant Actuarial Assumptions and Methods**

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

Inflation: 2.30% per year.

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.

Cost-of-Living Adjustments: 1.10% for Group A members and 1.20% for Groups B, C and D members. The January 1, 2022 COLA was 2.00% for Group A members and 2.30% for Groups B, C and D members. The January 1, 2023 COLA was 2.00% for Group A members and 3.00% for Groups B, C and D members.

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Mortality:

Pre-Retirement: Groups A, B and 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 and 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 and 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.

Disabled Post-Retirement: All Groups – PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2019.

Spouse's Age: Females three years younger than males.

Actuarial Cost Method: Entry Age Actuarial Cost Method. Entry age is the age at date of employment or, if date is unknown, current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

Assets: The valuation is based on the market value of assets as of the valuation date, as provided by the System. The System uses an “actuarial value of assets” that differs from market value to gradually reflect year-to-year changes in the market value of assets in determine the contribution requirements.

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Passive Global Equities	24%	4.30%
Active Global Equities	5%	4.30%
Large Cap US Equities	4%	3.25%
Small/Mid Cap US Equities	3%	3.75%
Non-US Developed Market Equities	7%	5.00%
Private Equity	10%	6.50%
Emerging Market Debt	4%	3.50%
Private & Alternate Credit	10%	4.75%
Non-Core Real Estate	4%	6.00%
Core Fixed Income	19%	0.00%
Core Real Estate	3%	3.50%
US TIPS	3%	(0.50)%
Infrastructure/Farmland	4%	4.25%

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members). The Board voted to authorize employer contribution rate increases of 0.50% each year for a period of four years beginning July 1, 2022. In 2022, the Legislature passed H.740, which effectively split the Board-authorized increases evenly between members and employers by including an increase in the employee rate of 0.25% for each group for four years, beginning July 1, 2022. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Additional Information**

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

TOWN OF WATERFORD, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2023

**B. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

The Town is also a member of the Vermont League of Cities and Towns Employment Resource and Benefits Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employment benefits for Vermont municipalities and is owned by the participating members. The agreement does not permit the Trust to make additional assessments to its members. The Town has only elected unemployment coverage with the Trust.

**C. Property Taxes**

The Town is responsible for assessing and collecting its own property taxes as well as education taxes for the State of Vermont. The tax rate is set by the Selectboard based on the voter approved budget, the estimated grand list and the State education property tax liability. Property taxes were due on October 16, 2023. The penalty rate is eight percent (8%). Interest is charged at one percent (1%) per month. The tax rates for 2023 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Municipal	.4097	.4097
Local Agreement	.0016	.0016
Education	<u>1.6208</u>	<u>1.5242</u>
Total	<u>2.0321</u>	<u>1.9355</u>

**D. Long-term Debt**

The Town enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as financed purchases for accounting purposes (even though they may include clauses that allow for cancellation of the lease in the event the Town does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date of the leases.

The Town has a note payable to finance a capital purchase through a local bank.

TOWN OF WATERFORD, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

Long-term debt outstanding as of December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Financed Purchase, Pinnacle Public Finance, Rescue Truck, Principal and Interest Payments of \$24,523 Payable on November 15 Annually, Interest at 2.79%, Due and Paid November, 2023	\$ 23,857	\$ 0	\$23,857	\$ 0
Financed Purchase, John Deere Financial, Loader, Principal and Interest Payments of \$17,735 Payable on August 23 Annually, Interest at 3.00%, Due August, 2024	33,916	0	16,704	17,212
Financed Purchase, Municipal Leasing Credit Corporation, Western Star Truck, Principal and Interest Payments of \$20,858 Payable on July 10 Annually, Interest at 3.60%, Due July, 2025	58,325	0	18,758	39,567
Note Payable, Passumpsic Savings Bank, Western Star Truck, Monthly Principal and Interest Payments of \$2,497, Interest at 1.49%, Due February, 2026	<u>92,620</u>	<u>0</u>	<u>28,775</u>	<u>63,845</u>
Total	<u>\$208,718</u>	<u>\$ 0</u>	<u>\$88,094</u>	<u>\$120,624</u>

Maturities are estimated to be as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 65,858	\$2,699
2025	49,783	1,039
2026	<u>4,983</u>	<u>11</u>
Total	<u>\$120,624</u>	<u>\$3,749</u>

TOWN OF WATERFORD, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Cash Receipts:</b>			
Property Taxes	\$ 864,157	\$ 837,430	\$ (26,727)
2020 Delinquent Taxes	0	2,957	2,957
2021 Delinquent Taxes	40,000	8,074	(31,926)
2022 Delinquent Taxes	34,608	30,011	(4,597)
Delinquent Tax Interest	0	5,833	5,833
Delinquent Tax Penalties	0	7,534	7,534
Education Tax Rebate	23,000	0	(23,000)
Hold Harmless	27,000	25,805	(1,195)
PILOT Payments	0	1,229	1,229
Education Billing Fee Retained	0	6,641	6,641
Transfer Station Revenue	36,120	31,273	(4,847)
Miscellaneous Revenue	57,314	11,246	(46,068)
Town Clerk Fees	31,245	26,202	(5,043)
Permits	3,500	3,870	370
Pike	6,100	0	(6,100)
Reappraisal Revenue	0	832	832
Interest Income	0	2,485	2,485
State Aid Highway	65,000	185,465	120,465
Culvert Grant Income	0	155,017	155,017
Overweight Permits	300	330	30
Miscellaneous Highway Revenue	0	965	965
Fire Department Income	0	5,048	5,048
<b>Total Cash Receipts</b>	<b>1,188,344</b>	<b>1,348,247</b>	<b>159,903</b>
<b>Cash Disbursements:</b>			
<b>Selectboard:</b>			
Stipend	9,383	9,131	252
FICA/Medicare	718	761	(43)
Clerk	3,600	818	2,782
Insurance & Bond (PACIF)	23,000	37,908	(14,908)
Professional Services	5,000	310	4,690
Training & Meetings	400	125	275
Advertising	1,000	747	253
Legal Fees	5,000	0	5,000
Dues/Subscriptions	3,000	0	3,000
NVDA	1,078	1,078	0
VLCT	3,390	2,769	621
MRGP	1,600	0	1,600
Generator Maintenance	550	0	550
Donations	500	100	400
Miscellaneous	600	3,107	(2,507)
<b>Total Selectboard</b>	<b>58,819</b>	<b>56,854</b>	<b>1,965</b>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF WATERFORD, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Office Building:			
Contractual Services	\$ 6,500	\$ 2,533	\$ 3,967
Cleaning	2,000	2,163	(163)
Environmental Controls	900	1,166	(266)
Utilities:			
Electric	2,000	3,222	(1,222)
Street Lights	1,500	1,709	(209)
Heating Fuel	5,000	3,598	1,402
Repairs & Maintenance	5,000	3,550	1,450
Operating Supplies	2,200	825	1,375
	<u>25,100</u>	<u>18,766</u>	<u>6,334</u>
Total Town Office Building			
Town Clerk and Treasurer:			
Personnel:			
Salaries:			
Town Clerk/Treasurer	96,905	121,072	(24,167)
FICA/Medicare	7,413	9,445	(2,032)
Penalties	0	466	(466)
Benefits:			
Medical	39,782	0	39,782
Dental	1,625	0	1,625
Life/Disability	474	0	474
Health Reimbursement	8,000	0	8,000
Retirement	5,201	751	4,450
Utilities:			
Telephone	1,200	1,252	(52)
Internet	700	976	(276)
Records Restoration	0	1,090	(1,090)
Computer Services	750	8,583	(7,833)
Equipment	1,500	6,918	(5,418)
Postage	1,500	2,085	(585)
Supplies	1,000	0	1,000
Training and Meetings	250	366	(116)
Advertising	500	120	380
Mileage	100	135	(35)
Website Maintenance	1,200	935	265
Audit Reserve Fund	7,500	7,500	0
	<u>175,600</u>	<u>161,694</u>	<u>13,906</u>
Total Town Clerk and Treasurer			
Elections:	<u>2,000</u>	<u>619</u>	<u>1,381</u>
Auditors:			
Salaries	1,296	711	585
FICA/Medicare	99	69	30
Training	200	43	157
Town Report	1,346	1,019	327
	<u>2,941</u>	<u>1,842</u>	<u>1,099</u>
Total Auditors			

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TOWN OF WATERFORD, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget	Actual	Variance Favorable/ (Unfavorable)
Delinquent Tax Collector:			
Fees (8%)	\$ 8,500	\$ 1,083	\$ 7,417
FICA/Medicare	651	195	456
Mileage	2,451	1,464	987
Postage	160	132	28
Supplies	0	130	(130)
Tax Sale Advertising	1,030	0	1,030
Training	300	0	300
Legal Fees	2,000	0	2,000
 Total Delinquent Tax Collector	 <u>15,092</u>	 <u>3,004</u>	 <u>12,088</u>
Listers:			
Salaries	14,000	12,284	1,716
FICA/Medicare	1,071	920	151
Computer Software/Maintenance	4,400	3,981	419
Legal	2,000	0	2,000
Postage	200	174	26
Training	300	100	200
Advertising	100	96	4
Contracted Services	35,000	35,000	0
Supplies	125	0	125
Tax Maps	0	60	(60)
 Total Listers	 <u>57,196</u>	 <u>52,615</u>	 <u>4,581</u>
Public Safety:			
Caledonia County Sheriff	5,500	3,588	1,912
CALEX	30,834	7,569	23,265
Animal Control	1,500	1,685	(185)
Fire Dispatch	8,300	9,157	(857)
 Total Public Safety	 <u>46,134</u>	 <u>21,999</u>	 <u>24,135</u>
Library Payroll:	<u>0</u>	<u>3,302</u>	<u>(3,302)</u>
Transfer Station:			
Attendant Wages	12,504	10,151	2,353
FICA/Medicare	957	754	203
NEKWMD Surcharge	2,500	0	2,500
Per Capita Assessment	1,400	0	1,400
Hauling/Tipping Fees	12,000	13,493	(1,493)
Tire Disposal	500	977	(477)
Recycling	5,500	6,661	(1,161)
Green Up Day	500	199	301
Operating Supplies	3,000	595	2,405
 Total Transfer Station	 <u>38,861</u>	 <u>32,830</u>	 <u>6,031</u>

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TOWN OF WATERFORD, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget	Actual	Variance Favorable/ (Unfavorable)
Development Review Board:			
Professional Services	\$ 300	\$ 0	\$ 300
Advertising	300	108	192
Total Development Review Board	<u>600</u>	<u>108</u>	<u>492</u>
Planning Commission:			
Professional Services	300	0	300
Postage	60	0	60
Advertising	100	156	(56)
Operating Supplies	0	108	(108)
Total Planning Commission	<u>460</u>	<u>264</u>	<u>196</u>
Zoning Administrator:			
Salary	11,768	12,640	(872)
Postage	100	78	22
Operating Supplies	0	192	(192)
Total Zoning Administrator	<u>11,868</u>	<u>12,910</u>	<u>(1,042)</u>
Appropriations:			
NEK Counsel on Aging	500	500	0
Caledonia Home Health	1,250	2,500	(1,250)
Catamount Arts	500	500	0
Davies Memorial Library	30,580	30,580	0
Fairbanks Museum	1,104	0	1,104
NEK Learning Services	250	200	50
NEK Human Services	1,159	1,159	0
NEK Youth Services	750	750	0
Rural Community Transportation	400	0	400
Umbrella	1,000	1,000	0
Kingdom Animal Shelter	500	500	0
Waterford Historical Society	1,000	1,000	0
Total Appropriations	<u>38,993</u>	<u>38,689</u>	<u>304</u>
County Tax:	<u>24,000</u>	<u>17,830</u>	<u>6,170</u>
Cemetery:			
Contract Services (Mowing & Clearing Trees/Brush)	8,620	8,355	265
Sexton	2,630	0	2,630
Repairs and Maintenance	1,250	2,159	(909)
Total Cemetery	<u>12,500</u>	<u>10,514</u>	<u>1,986</u>

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TOWN OF WATERFORD, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway Department:			
Administration:			
Salaries	\$ 164,232	\$ 151,883	\$ 12,349
Overtime	26,231	29,960	(3,729)
FICA/Medicare	12,564	14,174	(1,610)
Benefits:			
Medical	57,406	63,180	(5,774)
Dental	1,160	1,932	(772)
Life/Disability	625	1,164	(539)
Health Reimbursement	8,000	6,780	1,220
Retirement	6,758	6,170	588
Workmen's Compensation	5,000	0	5,000
Annual Bonus	0	2,399	(2,399)
Clothing Allowance	1,052	1,032	20
Mileage	0	16	(16)
Meetings/Training	500	0	500
	<u>283,528</u>	<u>278,690</u>	<u>4,838</u>
Total Administration			
Construction and Maintenance:			
Signs	3,000	3,776	(776)
Bridges/Guardrails	4,000	0	4,000
Equipment Rental	1,500	1,208	292
Advertising	0	302	(302)
Operating Supplies	2,500	2,838	(338)
Gravel/Stone/Material	75,000	3,902	71,098
Calcium Chloride	30,000	31,618	(1,618)
Sand	23,000	28,768	(5,768)
Salt	15,000	7,186	7,814
Stormwater Municipal Roads	0	1,765	(1,765)
Culverts	25,000	0	25,000
Box Culvert Project Expenses	28,186	307,437	(279,251)
	<u>207,186</u>	<u>388,800</u>	<u>(181,614)</u>
Total Construction and Maintenance			
Equipment Maintenance:			
Old Truck 1 - 1991 Ford	0	216	(216)
Truck 3 - Freightliner	3,500	3,376	124
Truck 4 - 10-Wheel	3,500	1,997	1,503
Truck 6 - Western Star 4700	5,000	6,821	(1,821)
Truck 7 - Western Star	5,000	2,980	2,020
New Truck 1 - 2023 GMC Truck	3,500	2,246	1,254
2016 Cat Grader	4,000	21,810	(17,810)
Tractor/Mower	4,500	3,878	622
Cat Excavator	2,000	89	1,911
Cat Bucket Loader	2,000	1,808	192
Machinery & Equipment	3,000	1,430	1,570
Gas, Oil and Diesel	50,000	42,639	7,361
	<u>86,000</u>	<u>89,290</u>	<u>(3,290)</u>
Total Equipment Maintenance			

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TOWN OF WATERFORD, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway Garage:			
Professional Services	\$ 2,500	\$ 3,083	\$ (583)
Repairs/Maintenance	25,000	10,870	14,130
Equipment	2,000	2,286	(286)
Supplies	15,000	15,211	(211)
Utilities	7,500	10,447	(2,947)
Transfer to Building Maintenance Fund	0	14,130	(14,130)
Total Highway Garage	52,000	56,027	(4,027)
Equipment Payments:			
Grader	1	0	1
Loader	17,735	17,735	0
Truck 6	20,858	20,858	0
Truck 7	29,959	29,959	0
Total Equipment Payments	68,553	68,552	1
Total Highway Department	697,267	881,359	(184,092)
Fire Department:			
Fundraising Expenses	0	547	(547)
Insurance	11,500	12,513	(1,013)
Training	1,500	1,004	496
Maintenance:			
Truck	0	76	(76)
Engine 1	4,875	5,089	(214)
Rescue 1	1,800	2,358	(558)
Tanker 1	1,000	886	114
Forestry 1	1,000	700	300
Equipment Maintenance	7,000	5,009	1,991
PPE	12,000	4,634	7,366
Communications	4,100	152	3,948
Building Maintenance	2,500	2,168	332
Hydrant Maintenance	850	9,164	(8,314)
Utilities:			
Electric	1,400	2,481	(1,081)
Telephone	1,400	524	876
Internet	470	1,257	(787)
Gas, Oil, Diesel	8,330	5,246	3,084
Supplies	500	1,832	(1,332)
Loan Payments	46,581	24,523	22,058
Annual Dinner	0	1,075	(1,075)
Uniforms	0	965	(965)
Miscellaneous	0	783	(783)
Total Fire Department	106,806	82,986	23,820
Total Cash Disbursements	1,314,237	1,398,185	(83,948)
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	\$ (125,893)	(49,938)	\$ 75,955

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TOWN OF WATERFORD, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Actual
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Cash Basis of Accounting:	
Act 200 Fund Income	\$ 3
Tax Appeal Fund Income	29
Tax Appeal Fund Transfer In	35,000
Selectboard Legal Fund Income	6
Gravel Stockpile Fund Income	162
Fire Department Hydrant Fund Income	10
Fire Department Purchasing Fund Income	10,864
Fire Department Purchasing Fund Expenses	(22,058)
Audit Reserve Fund Transfer In	7,500
Davies Memorial Library Fund Income	8,432
Davies Memorial Library Fund Expenses	(37,525)
Davies Memorial Library Fund Transfer In	30,580
Net Change in Fund Balance	(16,935)
Fund Balance - January 1, 2023	1,098,904
Fund Balance - December 31, 2023	\$ 1,081,969

The reconciling items are due to combining nine (9) funds, the Act 200 Fund, the Tax Appeal Fund, the Selectboard Legal Fund, the Gravel Stockpile Fund, the HRA Fund, the Fire Department Hydrant Fund, the Fire Department Purchasing Fund, the Audit Reserve Fund and the Davies Memorial Library Fund, with the General Fund in order to comply with GASB Statement No. 54.

TOWN OF WATERFORD, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH BASIS  
 ASSETS, LIABILITIES AND FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2023

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Fund Cemetery Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Due from Other Funds	\$ <u>160,536</u>	\$ <u>280,149</u>	\$ <u>25,848</u>	\$ <u>466,533</u>
Total Assets	\$ <u><u>160,536</u></u>	\$ <u><u>280,149</u></u>	\$ <u><u>25,848</u></u>	\$ <u><u>466,533</u></u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balances:				
Nonspendable	0	0	13,100	13,100
Restricted	11,153	4,000	12,748	27,901
Assigned	<u>149,383</u>	<u>276,149</u>	<u>0</u>	<u>425,532</u>
Total Fund Balances	<u>160,536</u>	<u>280,149</u>	<u>25,848</u>	<u>466,533</u>
Total Liabilities and Fund Balances	\$ <u><u>160,536</u></u>	\$ <u><u>280,149</u></u>	\$ <u><u>25,848</u></u>	\$ <u><u>466,533</u></u>

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TOWN OF WATERFORD, VERMONT  
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
 AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2023

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Cemetery Fund	Total
Cash Receipts:				
Intergovernmental	\$ 7,072	\$ 4,000	\$ 0	\$ 11,072
Charges for Services	0	8,974	750	9,724
Investment Income	<u>302</u>	<u>492</u>	<u>134</u>	<u>928</u>
Total Cash Receipts	<u>7,374</u>	<u>13,466</u>	<u>884</u>	<u>21,724</u>
Cash Disbursements:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts Over Cash Disbursements	<u>7,374</u>	<u>13,466</u>	<u>884</u>	<u>21,724</u>
Other Financing Sources:				
Transfers In	<u>0</u>	<u>14,130</u>	<u>0</u>	<u>14,130</u>
Total Other Financing Sources	<u>0</u>	<u>14,130</u>	<u>0</u>	<u>14,130</u>
Net Change in Fund Balances	7,374	27,596	884	35,854
Fund Balances - January 1, 2023	<u>153,162</u>	<u>252,553</u>	<u>24,964</u>	<u>430,679</u>
Fund Balances - December 31, 2023	<u>\$ 160,536</u>	<u>\$ 280,149</u>	<u>\$ 25,848</u>	<u>\$ 466,533</u>

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TOWN OF WATERFORD, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH BASIS  
 ASSETS, LIABILITIES AND FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2023

	<u>Reappraisal Fund</u>	<u>Lister Training Fund</u>	<u>Fire Department Memorial Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Due from Other Funds	\$ <u>149,383</u>	\$ <u>1,515</u>	\$ <u>9,638</u>	\$ <u>160,536</u>
Total Assets	\$ <u><u>149,383</u></u>	\$ <u><u>1,515</u></u>	\$ <u><u>9,638</u></u>	\$ <u><u>160,536</u></u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balances:				
Restricted	0	1,515	9,638	11,153
Assigned	<u>149,383</u>	<u>0</u>	<u>0</u>	<u>149,383</u>
Total Fund Balances	<u>149,383</u>	<u>1,515</u>	<u>9,638</u>	<u>160,536</u>
Total Liabilities and Fund Balances	\$ <u><u>149,383</u></u>	\$ <u><u>1,515</u></u>	\$ <u><u>9,638</u></u>	\$ <u><u>160,536</u></u>

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TOWN OF WATERFORD, VERMONT  
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
 AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2023

	Reappraisal Fund	Lister Training Fund	Fire Department Memorial Fund	Total
Cash Receipts:				
Intergovernmental	\$ 7,072	\$ 0	\$ 0	\$ 7,072
Investment Income	<u>280</u>	<u>3</u>	<u>19</u>	<u>302</u>
Total Cash Receipts	<u>7,352</u>	<u>3</u>	<u>19</u>	<u>7,374</u>
Cash Disbursements:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	7,352	3	19	7,374
Fund Balances - January 1, 2023	<u>142,031</u>	<u>1,512</u>	<u>9,619</u>	<u>153,162</u>
Fund Balances - December 31, 2023	<u><u>\$ 149,383</u></u>	<u><u>\$ 1,515</u></u>	<u><u>\$ 9,638</u></u>	<u><u>\$ 160,536</u></u>

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TOWN OF WATERFORD, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH BASIS  
 ASSETS, LIABILITIES AND FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 DECEMBER 31, 2023

	Duck Pond Road Fund	Building Maintenance Fund	Compactor Fund	Gillander's Pit Fund	Building Mini Grant Fund	Town Purchasing Fund	Total
<u>ASSETS</u>							
Due from Other Funds	\$ <u>22,926</u>	\$ <u>23,976</u>	\$ <u>36,530</u>	\$ <u>4,421</u>	\$ <u>4,000</u>	\$ <u>188,296</u>	\$ <u>280,149</u>
Total Assets	\$ <u><u>22,926</u></u>	\$ <u><u>23,976</u></u>	\$ <u><u>36,530</u></u>	\$ <u><u>4,421</u></u>	\$ <u><u>4,000</u></u>	\$ <u><u>188,296</u></u>	\$ <u><u>280,149</u></u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balances:							
Restricted	0	0	0	0	4,000	0	4,000
Assigned	<u>22,926</u>	<u>23,976</u>	<u>36,530</u>	<u>4,421</u>	<u>0</u>	<u>188,296</u>	<u>276,149</u>
Total Fund Balances	<u>22,926</u>	<u>23,976</u>	<u>36,530</u>	<u>4,421</u>	<u>4,000</u>	<u>188,296</u>	<u>280,149</u>
Total Liabilities and Fund Balances	\$ <u><u>22,926</u></u>	\$ <u><u>23,976</u></u>	\$ <u><u>36,530</u></u>	\$ <u><u>4,421</u></u>	\$ <u><u>4,000</u></u>	\$ <u><u>188,296</u></u>	\$ <u><u>280,149</u></u>

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TOWN OF WATERFORD, VERMONT  
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
 AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2023

	Duck Pond Road Fund	Building Maintenance Fund	Compactor Fund	Gillander's Pit Fund	Building Mini Grant Fund	Town Purchasing Fund	Total
Cash Receipts:							
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,000	\$ 0	\$ 4,000
Charges for Services	8,974	0	0	0	0	0	8,974
Investment Income	29	20	71	4	0	368	492
<b>Total Cash Receipts</b>	<u>9,003</u>	<u>20</u>	<u>71</u>	<u>4</u>	<u>4,000</u>	<u>368</u>	<u>13,466</u>
Cash Disbursements:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts Over Cash Disbursements	<u>9,003</u>	<u>20</u>	<u>71</u>	<u>4</u>	<u>4,000</u>	<u>368</u>	<u>13,466</u>
Other Financing Sources:							
Transfers In	<u>0</u>	<u>14,130</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,130</u>
<b>Total Other Financing Sources</b>	<u>0</u>	<u>14,130</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,130</u>
Net Change in Fund Balances	9,003	14,150	71	4	4,000	368	27,596
Fund Balances - January 1, 2023	<u>13,923</u>	<u>9,826</u>	<u>36,459</u>	<u>4,417</u>	<u>0</u>	<u>187,928</u>	<u>252,553</u>
Fund Balances - December 31, 2023	<u><u>22,926</u></u>	<u><u>23,976</u></u>	<u><u>36,530</u></u>	<u><u>4,421</u></u>	<u><u>4,000</u></u>	<u><u>188,296</u></u>	<u><u>280,149</u></u>

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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 Waterford, Vermont  
P.O. Box 56  
Lower Waterford, VT 05848-0056

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, each major fund, and the aggregate remaining fund information of the Town of Waterford, Vermont as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Town of Waterford, Vermont’s basic financial statements and have issued our report thereon dated September 6, 2024. Our opinion on the governmental activities and the General Fund was qualified because of the inadequacies in the Town’s controls over transfer station revenues during the year.

***Report on Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified certain deficiencies that we consider to be material weaknesses and another that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Waterford, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2023-001 through 2023-005 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2023-006 to be a significant deficiency.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of Waterford, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards".

### ***Town of Waterford, Vermont's Response to Findings***

"Government Auditing Standards" requires the auditor to perform limited procedures on the Town of Waterford, Vermont's response to the findings identified in our audit and included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Town of Waterford, Vermont's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

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

*Sullivan, Powers & Co.*

September 6, 2024  
Montpelier, Vermont  
VT Lic. #92-000180

TOWN OF WATERFORD, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
DECEMBER 31, 2023

Deficiencies in Internal Control:

Material Weaknesses:

2023-001 Segregation of Duties – Davis Memorial Library Fund

*Criteria:*

An important factor in developing good internal control procedures is to divide responsibilities so that no individual can both perpetrate and conceal errors or irregularities. One of the most common division of duties is the division between the check signing and bank reconciliation functions.

*Condition:*

In the Town, the same person that reconciles the Davies Memorial Library Fund bank accounts also collects cash, posts to the journals, makes deposits and has check signing authority. Each of those duties are considered incompatible functions for accounting control purposes.

*Cause:*

The limited staff available provides little opportunity to achieve an optimum separation of duties and responsibilities.

*Effect:*

The Town has inadvertently made its assets susceptible to misappropriation.

*Recommendation:*

We recommend that someone other than a check signer prepare or review in detail the reconciliations of the Davies Memorial Library Fund bank accounts monthly.

2023-002 Transfer Station Revenues

*Criteria:*

Internal controls over transfer station revenues should be in place so that no individual can both perpetrate and conceal errors or irregularities.

*Condition:*

The Town does not have adequate internal controls in place over transfer station revenues. Therefore, the Town cannot be sure that all of the cash collected is being handed over to them by the transfer station employees.

TOWN OF WATERFORD, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
DECEMBER 31, 2023

*Cause:*

Unknown.

*Effect:*

The collections at the transfer station are subject to misappropriation.

*Recommendation:*

Our primary recommendation is that the Town consider selling transfer station coupons off-site at the Town Treasurer's office and/or at local businesses. If sales take place at the transfer station, we recommend that the Town implement controls to ensure that all of the cash collected is being handed over to them by the transfer station employees.

2023-003 Due from School District

*Criteria:*

Internal controls should be in place to record and provide review of the calculation of the amount due from the School District for education taxes at year-end.

*Condition:*

The Town did not record the amount due from the School District at year-end for education taxes overpaid.

*Cause:*

Unknown.

*Effect:*

The Town's General Fund fund balance was understated.

*Recommendation:*

We recommend that the Town implement controls to record and review the calculation of the amount due from the School District at year-end.

2023-004 Due To/From Accounts

*Criteria:*

Internal controls should be in place to ensure that due to/from other funds accounts are in balance and reflect the correct amounts during the year.

TOWN OF WATERFORD, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
DECEMBER 31, 2023

*Condition:*

Due to/from other funds account balances were incorrect.

*Cause:*

Unknown.

*Effect:*

Adjustments had to be made to the Town's due to/from other funds accounts.

*Recommendation:*

We recommend that the Town reconcile their due to/from other funds accounts at least quarterly.

2023-005 Fund Balance Entries

*Criteria:*

Internal controls should be in place to ensure that all revenues and expenses are recorded correctly. Separate revenue and expense accounts should be utilized to record the Town's revenues and expenses. Fund balances should only be posted to in the event of a correction of an error or change in accounting principle.

*Condition:*

The Town posted current year activity to fund balance rather than to separate revenue and expense accounts.

*Cause:*

Unknown.

*Effect:*

Adjustments were required to correct the fund balance, revenues and expenses.

*Recommendation:*

We recommend that the Town implement controls to ensure that all revenues and expenses are recorded correctly.



TOWN OF WATERFORD, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
DECEMBER 31, 2023

Significant Deficiencies:

2023-006 Cash Cutoff

*Criteria:*

Internal controls should be in place such that cash transactions are recorded in the period when they actually occur.

*Condition:*

The Town did not have adequate internal controls over the cutoff of transactions for cash. As a result, the last check run for the 2022 year was posted to the general ledger in the 2023 year.

*Cause:*

Unknown.

*Effect:*

The Town's current year cash disbursements were overstated.

*Recommendation:*

We recommend the Town implement controls to ensure cash transactions are recorded in the period when they actually occur.



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**2023-001 Segregation of Duties – Davies Memorial Library Fund**

Recommendation: We recommend that someone other than a check signer prepare or review in detail the reconciliations of the Davies Memorial Library Fund bank accounts monthly.

Response: The elected internal auditors will reconcile the bank statement monthly as part of their duties.

**2023-002 Transfer Station Revenues**

Recommendation: Our primary recommendation is that the Town consider selling transfer station coupons off-site at the Town Treasurer's office and/or at local businesses. If sales take place at the transfer station, we recommend that the Town implement controls to ensure that all of the cash collected is being handed over to them by the transfer station employees.

Response: The Town will be implementing a punch card system at the transfer station effective January 1, 2025. These punch cards will be sold at the Town Office.

**2023-003 Due from School District**

Recommendation: We recommend that the Town implement controls to record and review the calculation of the amount due from the School District at year-end.

Response: The Assistant Treasurer will review and record the year-end calculation via the website of the Department of Education for the CCSD school district at each year-end.

**2023-004 Due To/ From Accounts**

Recommendation: We recommend that the Town reconcile their due to/from other funds accounts at least quarterly

Response: The Assistant Treasurer will reconcile the due to/from other funds accounts on a quarterly basis as part of the Treasurer's budget to actual reporting process.



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**2023-005 Fund Balance Entries**

Recommendation: We recommend that the Town implement controls to ensure that all revenues and expenses are recorded correctly.

Response: Moving forward all revenue and expenses will be recorded as part of the general fund. Fund balances will remain as is until the end of the fiscal year when money will be moved by an approved general journal entry.

**2023-006 Cash Cutoff**

Recommendation: We recommend the Town implement controls to ensure cash transactions are recorded in the period when they actually occur.

Response: All expenses will be recorded and paid in the fiscal year they are received. No accrual will be used to encumber expenses.

*Heather Montgomery*  
Meredith Lapierre