

VILLAGE OF NORTH TROY, VERMONT

Financial Statements

December 31, 2022

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Independent Auditor's Report

To the Board of Trustees
Village of North Troy
North Troy, Vermont

Qualified Opinion

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

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Village of North Troy, Vermont, as of December 31, 2022, and the 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 Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Village of North Troy, 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 audit opinion.

Matter Giving Rise to Qualified Opinion on the Financial Statements as a Whole

We were unable to obtain sufficient appropriate audit evidence for the interfund receivable and payable accounts in the government-wide and fund financial statements. Consequently, we were unable to determine whether any adjustments to this amount was necessary.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension benefit information on pages 4-9 and 39-41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2023 on our consideration of the Village of North Troy, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of North Troy, 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 Village of North Troy, Vermont's internal control over financial reporting and compliance.

Telling & Hillman, P.C.

Telling & Hillman, P.C.
License #092.0131564
Middlebury, Vermont
February 27, 2023

**VILLAGE OF NORTH TROY, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2022**

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

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Village presents two columns in the governmental funds balance sheet and the governmental fund's statement of revenue, expenditures, and changes in fund balance. The Village's major governmental funds are the general and ARPA funds. All remaining governmental funds are aggregated and reported as non-major special revenue funds.

Proprietary funds

Proprietary funds are used by the Village to report functions of business-type activities in the government-wide financial statements. The Village maintains two proprietary funds that are enterprise funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for the Water Fund and the Sewer Fund.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes provide explanations of the accounting principles followed and include tables with more detailed analyses of accounts requiring further clarification. The notes to the financial statements can be found immediately following the basic financial statements.

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America. The required supplementary information can be found immediately after the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$1,319,579 (i.e., net position), a change of \$(10,085) in comparison to the prior year.
- As of the close of the current fiscal year, the governmental activities reported total revenue of \$270,392, a change of \$21,656 in comparison to the prior year.
- As of the close of the current fiscal year, the governmental activities reported total expenses of \$299,984, a change of \$46,794 in comparison to the prior year.
- As of the close of the current fiscal year, the business-type activities reported total revenue of \$260,777, a change of \$(15,182) in comparison to the prior year.
- As of the close of the current fiscal year, the business-type activities reported total expenses of \$241,270, a change of \$(104,684) in comparison to the prior year.
- As of the close of the current fiscal year, the general fund's fund balance was \$246,659, a change of \$(60,068) in comparison to the prior year.
- As of the close of the current fiscal year, unassigned fund balance for the general fund was \$119,457, a change of \$(39,413) in comparison to the prior year.
- When comparing budgeted general fund revenues of \$189,243 and budgeted general fund expenditures of \$189,243 the Village received \$269,619 and spent \$329,687.
- As of the close of the current fiscal year, the sewer fund's net position was \$59,837, a change of \$(4,235) in comparison to the prior year.
- As of the close of the current fiscal year, the water fund's net position was \$30,026, a change of \$23,742 in comparison to the prior year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>Net Position</u>					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 455,832	\$ 497,432	\$ 136,656	\$ 111,323	\$ 592,488	\$ 608,755
Capital assets	977,934	954,416	256,166	279,276	1,234,100	1,233,692
Total assets	<u>1,433,766</u>	<u>1,451,848</u>	<u>392,822</u>	<u>390,599</u>	<u>1,826,588</u>	<u>1,842,447</u>
Deferred outflows of resources	<u>5,170</u>	<u>4,219</u>	<u>9,600</u>	<u>7,835</u>	<u>14,770</u>	<u>12,054</u>
Total assets and deferred outflows of resources	\$ <u>1,438,936</u>	\$ <u>1,456,067</u>	\$ <u>402,422</u>	\$ <u>398,434</u>	\$ <u>1,841,358</u>	\$ <u>1,854,501</u>
Current liabilities	\$ 25,545	\$ 109,422	\$ 95,052	\$ 107,685	\$ 120,597	\$ 217,107
Long-term liabilities	33,361	11,022	209,088	218,483	18,697	229,505
Total liabilities	<u>33,361</u>	<u>120,444</u>	<u>304,140</u>	<u>326,168</u>	<u>337,501</u>	<u>446,612</u>
Deferred inflows of resources	<u>175,859</u>	<u>89,726</u>	<u>8,419</u>	<u>1,910</u>	<u>184,278</u>	<u>91,636</u>
Net position						
Net investment in capital assets	975,417	945,121	53,522	62,067	1,028,939	1,007,188
Restricted	114,689	120,364	-	-	114,689	120,364
Unrestricted	139,610	180,412	36,341	8,289	175,951	188,701
Total net position	<u>1,229,716</u>	<u>1,245,897</u>	<u>89,863</u>	<u>70,356</u>	<u>1,319,579</u>	<u>1,316,253</u>
Total liabilities, deferred inflows & net position	\$ <u>1,438,936</u>	\$ <u>1,456,067</u>	\$ <u>402,422</u>	\$ <u>398,434</u>	\$ <u>1,841,358</u>	\$ <u>1,854,501</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$1,319,579 a change of \$(10,085) from the prior year.

The largest portion of net position, \$1,028,939, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$114,689, represents resources that are subject to external restrictions on how they may be used.

The remaining balance of \$175,951 is unrestricted net position, which is the part of net position that may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues:						
Charges for services	\$ 1,684	\$ 1,751	\$ 258,310	\$ 272,650	\$ 259,994	\$ 274,401
Operating grants	63,161	36,591	-	-	63,161	36,591
General revenues:						
Property taxes	201,667	199,376	-	-	201,667	199,376
Investment income	(5,153)	9,186	2,467	3,309	(2,686)	12,495
Miscellaneous	9,033	1,832	-	-	9,033	1,832
Total revenues	<u>270,392</u>	<u>248,736</u>	<u>260,777</u>	<u>275,959</u>	<u>531,169</u>	<u>524,695</u>
Program expenses:						
Governmental activities:						
General government	108,260	124,697	-	-	108,260	124,697
Public safety	19,446	27,494	-	-	19,446	27,494
Highway and streets	136,031	77,233	-	-	136,031	77,233
Culture and recreation	36,247	23,080	-	-	36,247	23,080
Debt service	-	686	-	-	-	686
Business-type activities						
Sewer and water	-	-	241,270	345,954	241,270	345,954
Total expenses	<u>299,984</u>	<u>253,190</u>	<u>241,270</u>	<u>345,954</u>	<u>541,254</u>	<u>599,144</u>
Transfers	-	-	-	-	-	-
Change in net position	(29,592)	(4,454)	19,507	(69,995)	(10,085)	(74,449)
Net position – beginning of year	1,259,308	1,263,762	70,356	140,351	1,329,664	1,404,113
Net position – end of year	<u>\$ 1,229,716</u>	<u>\$ 1,245,897</u>	<u>\$ 89,863</u>	<u>\$ 70,356</u>	<u>\$ 1,319,579</u>	<u>\$ 1,316,253</u>

Governmental activities

Governmental activities for the year resulted in a change in net position of \$(29,592). Key elements of this change are as follows:

General fund operations, as discussed further in section below	\$ (60,068)
Change in unavailable revenue – taxes	773
Acquisition of fixed assets	87,394
Depreciation expense	(63,876)
Long term debt principal expenditure	6,778
Change in employee benefits	(593)
Total	<u>\$ (29,592)</u>

Business-type activities

Business-type activities for the year resulted in a change in net position of \$(19,507). The key element of this change is due to depreciation expense.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

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

The fund balance of the Village’s governmental funds as of December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Major funds:			
General fund:			
Nonspendable	\$ 12,513	\$ 14,082	\$ (1,569)
Restricted	97,689	103,364	(5,675)
Committed	17,000	17,000	-
Unassigned	<u>119,457</u>	<u>158,870</u>	<u>(39,413)</u>
 Total fund balance – governmental funds	 \$ <u>246,659</u>	 \$ <u>293,316</u>	 \$ <u>(46,657)</u>

The general fund is the chief operating fund. At December 31, 2022 the general fund’s total fund balance was \$246,659.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the Village may reallocate funds within the General Fund budget as it attempts to deal with unexpected changes in revenues and expenditures. A schedule showing the Village’s original and final general fund budget amounts compared with actual results is shown on the Schedule of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual – General Fund.

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

Fiscal year 2022 revenues were \$80,376 over budget amounts and expenditures were \$140,444 over budget amounts. The combined effect was a change in the general fund’s fund balance by \$(60,068).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

Total investment in capital assets for governmental and business-type activities at year end amounted to \$1,234,098 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, infrastructure, vehicles, water and sewer lines, and construction in progress.

Major capital asset events during the current fiscal year included the following:

<u>Capital Asset Additions</u>		
Solar radar sign	\$	16,560
Cutoff saw		3,141
Attoackpro		3,499
2022 Paving		58,531
Konastu radiator		3,345
Snowblower repairs		2,318
Sewer- Pump		5,441
Water- Pump		811

Additional information on capital assets can be found in the Notes to the Financial Statements.

Long-term debt

At the end of the current fiscal year, total bonded and note debt outstanding was \$205,161, all of which was backed by the full faith and credit of the government.

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

FACTORS BEARING ON THE VILLAGE'S FUTURE

At the time these financial statements were prepared and audited, the Village was aware of the following circumstances that could affect its future financial health.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

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

Village Office
Village of North Troy
160 Railroad St
North Troy, Vermont 05859

VILLAGE OF NORTH TROY, VERMONT

Statement of Net Position

December 31, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash	\$ 312,613	\$ -	\$ 312,613
Delinquent taxes receivable	19,017	-	19,017
User fees receivable, net	-	35,934	35,934
Prepaid expenses	12,513	-	12,513
Due from other funds	-	92,652	92,652
Investments - restricted	97,689	-	97,689
Unbilled revenue	-	8,070	8,070
Total current assets	<u>441,832</u>	<u>136,656</u>	<u>578,488</u>
Noncurrent assets:			
Property and equipment, net	<u>977,934</u>	<u>256,166</u>	<u>1,234,100</u>
Total assets	<u>1,419,766</u>	<u>392,822</u>	<u>1,812,588</u>
Deferred outflows of resources			
Pensions	<u>5,170</u>	<u>9,600</u>	<u>14,770</u>
Total assets and deferred outflows of resources	\$ <u>1,424,936</u>	\$ <u>402,422</u>	\$ <u>1,827,358</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 19,346	\$ -	\$ 19,346
Accrued liabilities	1,645	-	1,645
Due to other funds	3,309	89,343	92,652
Notes and bonds payable, current	<u>1,245</u>	<u>5,709</u>	<u>6,954</u>
Total current liabilities	<u>25,545</u>	<u>95,052</u>	<u>120,597</u>
Long term liabilities:			
Notes and bond payable, less current portion	1,272	196,935	198,207
Net pension liability	<u>6,544</u>	<u>12,153</u>	<u>18,697</u>
Total long term liabilities	<u>7,816</u>	<u>209,088</u>	<u>216,904</u>
Total liabilities	<u>33,361</u>	<u>304,140</u>	<u>337,501</u>
Deferred inflows of resources			
Pensions	4,534	8,419	12,953
Unearned revenue- federal aid	<u>171,325</u>	<u>-</u>	<u>171,325</u>
Total deferred inflows of resources	<u>175,859</u>	<u>8,419</u>	<u>184,278</u>
Net Position			
Net investment in capital assets	975,417	53,522	1,028,939
Restricted	114,689	-	114,689
Unrestricted	<u>139,610</u>	<u>36,341</u>	<u>175,951</u>
Total net position	<u>1,229,716</u>	<u>89,863</u>	<u>1,319,579</u>
Total liabilities, deferred inflows of resources, and net position	\$ <u>1,438,936</u>	\$ <u>402,422</u>	\$ <u>1,841,358</u>

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

VILLAGE OF NORTH TROY, VERMONT
Statement of Activities
Year Ended December 31, 2022

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government						
Governmental activities						
General government	\$ 108,260	\$ 1,500	\$ -	\$ (106,760)	\$ -	\$ (106,760)
Public safety	19,446	-	5,000	(14,446)	-	(14,446)
Highway and streets	136,031	184	45,523	(90,324)	-	(90,324)
Culture and recreation	36,247	-	12,638	(23,609)	-	(23,609)
Debt service	-	-	-	-	-	-
Total governmental activities	<u>299,984</u>	<u>1,684</u>	<u>63,161</u>	<u>(235,139)</u>	<u>-</u>	<u>(235,139)</u>
Business-type activities						
Sewer utilities	140,191	134,774	-	-	(5,417)	(5,417)
Water utilities	101,079	123,536	-	-	22,457	22,457
Total business-type activities	<u>241,270</u>	<u>258,310</u>	<u>-</u>	<u>-</u>	<u>17,040</u>	<u>17,040</u>
Total primary government	\$ <u>541,254</u>	\$ <u>259,994</u>	\$ <u>63,161</u>	(235,139)	17,040	(218,099)
General revenues						
Real property taxes				201,667	-	201,667
Investment income				(5,153)	2,467	(2,686)
Miscellaneous				9,033	-	9,033
Total general revenues and transfers				<u>205,547</u>	<u>2,467</u>	<u>208,014</u>
Change in net position				(29,592)	19,507	(10,085)
Net position - beginning of year, previously stated				1,245,897	70,356	1,316,253
Prior period adjusted				13,411	-	13,411
Net position - beginning of year, restated				<u>1,259,308</u>	<u>70,356</u>	<u>1,329,664</u>
Net position - end of year				<u>\$ 1,229,716</u>	<u>\$ 89,863</u>	<u>\$ 1,319,579</u>

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

VILLAGE OF NORTH TROY, VERMONT
Balance Sheet - Governmental Funds
December 31, 2022

	General Fund	ARPA Fund	Total Governmental Funds
Assets			
Cash	\$ 312,613	\$ -	\$ 312,613
Delinquent taxes receivable	19,017	-	19,017
Grants receivable	14,000	-	14,000
Prepaid expenses	12,513	-	12,513
Due from other funds	-	171,325	171,325
Investments	97,689	-	97,689
Total assets	\$ 455,832	\$ 171,325	\$ 627,157
Liabilities			
Accounts payable	\$ 19,346	\$ -	\$ 19,346
Accrued liabilities	1,645	-	1,645
Due to other funds	174,634	-	174,634
Total liabilities	195,625	-	195,625
Deferred inflows of resources			
Unavailable revenue - property taxes	13,548	-	13,548
Unearned revenue- federal aid	-	171,325	171,325
Total deferred inflows of resources	13,548	171,325	184,873
Fund balance			
Nonspendable	12,513	-	12,513
Restricted	97,689	-	97,689
Committed	17,000	-	17,000
Unassigned	119,457	-	119,457
Total fund balance	246,659	-	246,659
Total liabilities, deferred inflows of resources, and fund balance	\$ 455,832	\$ 171,325	\$ 627,157

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

VILLAGE OF NORTH TROY, VERMONT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2022

	Total Governmental Funds	Long-term Assets, Liabilities	Statement of Net Position
Assets			
Current assets			
Cash	\$ 312,613	\$ -	\$ 312,613
Delinquent taxes receivable	19,017	-	19,017
Grants receivable	14,000	-	14,000
Prepaid expenses	12,513	-	12,513
Due from other funds	171,325	(171,325)	-
Investments	97,689	-	97,689
Noncurrent assets			
Capital assets, net	-	977,934	977,934
Total assets	627,157	806,609	1,433,766
 Deferred outflows of resources			
Pensions	-	5,170	5,170
 Total assets and deferred outflows of resources			
	\$ 627,157	\$ 811,779	\$ 1,438,936
 Liabilities			
Current liabilities			
Accounts payable	\$ 19,346	\$ -	\$ 19,346
Accrued liabilities	1,645	-	1,645
Due to other funds	174,634	(171,325)	3,309
Total current liabilities	195,625	(171,325)	24,300
Long-term liabilities			
Notes payable	-	2,517	2,517
Net pension liability	-	6,544	6,544
Total long-term liabilities	-	9,061	9,061
Total liabilities	195,625	(162,264)	33,361
 Deferred inflows of resources			
Unavailable revenue - property taxes	13,548	(13,548)	-
Unearned revenue- federal aid	171,325	-	171,325
Pensions	-	4,534	4,534
Total deferred inflows of resources	184,873	(9,014)	175,859
 Fund balance/net position			
Total fund balance/net position	246,659	983,057	1,229,716
 Total liabilities, deferred inflows of resources, and fund balance/net position			
	\$ 627,157	\$ 811,779	\$ 1,438,936

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

VILLAGE OF NORTH TROY, VERMONT
Statement of Revenues, Expenditures, and Change in
Fund Balance - Governmental Funds
Year Ended December 31, 2022

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 200,894	\$ -	\$ 200,894
Intergovernmental	63,161	-	63,161
Fines	184	-	184
Charges for services	1,500	-	1,500
Investment income	(5,153)	-	(5,153)
Miscellaneous	9,033	-	9,033
Total revenues	<u>269,619</u>	<u>-</u>	<u>269,619</u>
Expenditures			
General government	95,597	-	95,597
Public safety	27,774	-	27,774
Highway and streets	170,148	-	170,148
Culture and recreation	30,410	-	30,410
Debt service	5,758	-	5,758
Total expenditures	<u>329,687</u>	<u>-</u>	<u>329,687</u>
Change in fund balance	(60,068)	-	(60,068)
Fund balance - beginning of year, previously stated	293,316	-	293,316
Prior period adjustment	13,411	-	13,411
Fund balance - beginning of year, restated	<u>306,727</u>	<u>-</u>	<u>306,727</u>
Fund balance - end of year	<u>\$ 246,659</u>	<u>\$ -</u>	<u>\$ 246,659</u>

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

VILLAGE OF NORTH TROY, VERMONT
Reconciliation of Statement of Revenues, Expenditures, and Change in
Fund Balance to the Statement of Activities
Year Ended December 31, 2022

	Total Governmental Funds	Long-term Revenues, Expenses	Capital Related Funds	Long-term Debt Transactions	Statement of Activities Totals
Revenues					
Property taxes	\$ 200,894	\$ 773	\$ -	\$ -	\$ 201,667
Intergovernmental	63,161	-	-	-	63,161
Fines	184	-	-	-	184
Charges for services	1,500	-	-	-	1,500
Investment income	(5,153)	-	-	-	(5,153)
Miscellaneous	9,033	-	-	-	9,033
Total revenues	<u>269,619</u>	<u>773</u>	<u>-</u>	<u>-</u>	<u>270,392</u>
Expenditures					
General government	95,597	13683	-	(1,020)	108,260
Public safety	27,774	14872	(23,200)	-	19,446
Highway and streets	170,148	30077	(64,194)	-	136,031
Culture and recreation	30,410	5837	-	-	36,247
Debt service	5,758	-	-	(5,758)	-
Total expenditures	<u>329,687</u>	<u>64,469</u>	<u>(87,394)</u>	<u>(6,778)</u>	<u>299,984</u>
Change in fund balance	<u>\$ (60,068)</u>	<u>\$ (63,696)</u>	<u>\$ 87,394</u>	<u>\$ 6,778</u>	<u>\$ (29,592)</u>

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

VILLAGE OF NORTH TROY, VERMONT
Statements of Net Position
Proprietary Funds
December 31, 2022

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Assets			
Current assets			
Unbilled revenue	\$ -	\$ 8,070	\$ 8,070
User fees receivable	16,953	18,981	35,934
Due from other funds	40,714	51,938	92,652
Total current assets	<u>57,667</u>	<u>78,989</u>	<u>136,656</u>
Non-current assets			
Property, plant, and equipment, net of accumulated depreciation	<u>152,382</u>	<u>103,784</u>	<u>256,166</u>
Total assets	<u>210,049</u>	<u>182,773</u>	<u>392,822</u>
Deferred outflows of resources			
Pensions	<u>4,874</u>	<u>4,726</u>	<u>9,600</u>
Total assets and deferred outflows of resources	<u>\$ 214,923</u>	<u>\$ 187,499</u>	<u>\$ 402,422</u>
Liabilities			
Current liabilities			
Due to other funds	\$ 88,680	\$ 663	\$ 89,343
Notes and bonds payable - current portion	<u>2,769</u>	<u>2,940</u>	<u>5,709</u>
Total current liabilities	<u>91,449</u>	<u>3,603</u>	<u>95,052</u>
Noncurrent liabilities			
Notes and bonds payable - non-current portion	53,193	143,742	196,935
Net pension liability	<u>6,170</u>	<u>5,983</u>	<u>12,153</u>
Total long-term liabilities	<u>59,363</u>	<u>149,725</u>	<u>209,088</u>
Total liabilities	<u>150,812</u>	<u>153,328</u>	<u>304,140</u>
Deferred inflows of resources			
Pensions	<u>4,274</u>	<u>4,145</u>	<u>8,419</u>
Net position			
Net investment in capital assets	96,420	(42,898)	53,522
Unrestricted	<u>(36,583)</u>	<u>72,924</u>	<u>36,341</u>
Total net position	<u>59,837</u>	<u>30,026</u>	<u>89,863</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 214,923</u>	<u>\$ 187,499</u>	<u>\$ 402,422</u>

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

VILLAGE OF NORTH TROY, VERMONT
Statements of Revenues, Expenses and Change in Net Position
Proprietary Funds
Year Ended December 31, 2022

	Sewer Fund	Water Fund	Total
Operating revenues			
User fees	\$ 134,774	\$ 123,536	\$ 258,310
Total revenues	<u>134,774</u>	<u>123,536</u>	<u>258,310</u>
Operating expenses			
Salaries	41,974	26,572	68,546
Unemployment	79	80	159
FICA taxes	3,160	1,982	5,142
Health insurance	5,411	2,787	8,198
Retirement	2,732	1,821	4,553
Education and training	-	125	125
Legal and audit	2,000	2,000	4,000
Maintenance/repairs	4,985	7,662	12,647
Safety equipment	82	-	82
Postage	400	400	800
Mileage	603	603	1,206
Telephone	1,247	1,246	2,493
Dues and fees	890	245	1,135
Insurance	4,347	3,064	7,411
Chemicals and lab test	12,240	-	12,240
Buildings/grounds	2,537	-	2,537
Contracted services	7,868	10,177	18,045
Electric	18,200	15,412	33,612
Depreciation	19,335	10,027	29,362
Propane heat	1,330	466	1,796
Lines and hydrants/manholes	-	5,075	5,075
Gas - truck	1,781	1,781	3,562
Sludge/rubbish removal	6,779	392	7,171
State permit fees	-	4,931	4,931
Total operating expenses	<u>137,980</u>	<u>96,848</u>	<u>234,828</u>
Income (loss) from operations	<u>(3,206)</u>	<u>26,688</u>	<u>23,482</u>
Nonoperating revenues (expenses)			
Interest income	1,182	1,285	2,467
Debt service	<u>(2,211)</u>	<u>(4,231)</u>	<u>(6,442)</u>
Total nonoperating revenues (expenses)	<u>(1,029)</u>	<u>(2,946)</u>	<u>(3,975)</u>
Change in fund balance	(4,235)	23,742	19,507
Net position - beginning of year	<u>64,072</u>	<u>6,284</u>	<u>70,356</u>
Net position - end of year	<u>\$ 59,837</u>	<u>\$ 30,026</u>	<u>\$ 89,863</u>

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

VILLAGE OF NORTH TROY, VERMONT
Statements of Cash Flows
Proprietary Funds
Year Ended December 31, 2022

	Sewer Fund	Water Fund	Total
Cash flows provided by operating activities:			
Received from customers	\$ 134,772	\$ 123,136	\$ 257,908
Payments to employees for services	(37,717)	(28,850)	(66,567)
Payments to suppliers for goods and services	(76,671)	(60,249)	(136,920)
Net cash provided by operating activities	20,384	34,037	54,421
Cash flows provided by noncapital financial activities:			
Advances from (to) other funds	(7,537)	(22,134)	(29,671)
Net cash (used in) noncapital financing activities	(7,537)	(22,134)	(29,671)
Cash flows provided by capital and related financing activities:			
Acquisition of capital assets	(5,441)	(811)	(6,252)
Interest paid	(2,189)	(4,211)	(6,400)
Principal paid on long-term debt	(6,399)	(8,166)	(14,565)
Net cash (used in) capital and related financing activities	(14,029)	(13,188)	(27,217)
Cash flows provided by investing activities:			
Interest income	1,182	1,285	2,467
Net cash provided by investing activities	1,182	1,285	2,467
Net increase in cash	-	-	-
Cash - beginning of year	-	-	-
Cash - end of year	\$ -	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (3,206)	\$ 26,688	\$ 23,482
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	19,335	10,027	29,362
(Increase) decrease in:			
Unbilled revenue	-	507	507
User fees receivable	(2)	(907)	(909)
Pension deferred outflows	(896)	(869)	(1,765)
Net pension liability	1,849	1,796	3,645
Pension deferred inflows	3,304	(3,205)	99
Net cash provided by (used in) operating activities	\$ 20,384	\$ 34,037	\$ 54,421

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

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

The financial statements of the Village of North Troy, Vermont (the Village) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the Village are described below:

a) Reporting Entity

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

b) Basis of Presentation

Government-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the Village's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Adjustments have been made to minimize the effect of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of good or services offered by the programs, and grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

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

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

b) Basis of Presentation (continued)

Governmental Funds

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and account groups are grouped, in the financial statements in this report, as follows:

General Fund – This is the Village’s main operating fund. It accounts for all financial resources of the general government except those accounted for in another fund.

ARPA Fund – This fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise – where the intent of the governing body is that of the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. All revenue and expense not meeting this definition are reported as non-operating revenue and expenses. The Village reports the following major enterprise funds:

Sewer Fund – This fund is used to account for the operations of the sewer (wastewater) department.

Water Fund – This fund is used to account for the operations of the water department.

c) Measurement Focus and Basis of Accounting

Accounting and financial reporting treatment is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

c) Measurement Focus and Basis of Accounting (continued)

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

d) Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Village's policy concerning which to apply first varies with the intended use and with associated legal requirements, many of which are described elsewhere in these Notes.

e) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including potential contingent liabilities, net pension liability, and useful lives of long-lived assets.

f) Cash and Cash Equivalents

The Village's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

g) Investments

Investments are stated at fair value. Fair value of investments is based on quoted market prices. For additional information regarding types of investments and basis of valuation see Note 5 – Investments.

h) Delinquent Taxes Receivable

Delinquent taxes receivable represents property taxes in arrears as of December 31, 2022. The Village has the legal right to force sale of the property to recover these taxes. The value of the properties exceeds the amount of delinquent taxes, therefore, no allowance for doubtful accounts has been recognized.

i) Accounts Receivable

These balances represent sewer and water fees outstanding at December 31, 2022. The Village has the legal right to force sale of the property to recover sewer and water fees.

j) Interfund Transactions

The operations of the Village include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowing. The Village may loan resources between funds for the purpose of providing cash flow. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services. In the government-wide financial statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent the amount due between different fund types. Eliminations have been made for all interfund receivables and payables between funds.

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

j) Interfund Transactions (continued)

The funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the Village's practice to settle these amounts at a net balance based upon the right of legal offset. Refer to Note 8 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenue activity.

k) Capital Assets

Capital assets are reported at actual cost for acquisitions. Donated assets are reported at estimated fair market value at the time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not capitalized. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of general fixed assets reported in the Government-wide statements are as follows:

		Capitalization Threshold	Depreciation Method	Estimated Useful Life
Vehicles	\$	500	Straight line	5-15 years
Equipment	\$	500	Straight line	5-25 years
Buildings and improvements	\$	500	Straight line	10-50 years
Infrastructure	\$	500	Straight line	20-50 years

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are incurred.

l) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, "deferred outflows of resources", represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village has two items that qualify for reporting in this category.

The first item is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in Village's proportion of the collective net pension liability and difference during the measurement period between the Village's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the Village's contribution to the pension systems (VMERS) subsequent to the measurement date.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows of resources", represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has three items that qualify for reporting in this category.

The first item is related to unavailable property taxes. The Village reports unearned revenues in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

l) Deferred Outflows and Inflows of Resources (continued)

The second item is related to unearned revenue – state aid. The Village reports unearned revenue – state aid in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

The third item is related to pensions reported in the Government-wide Statement of Net Position. This represents the effect of the net change in the Village's proportion of the collective net pension liability (VMERS) and differences during the measurement periods between the Village's contributions and its proportion share of total contributions to the pension system not included in the pension expense.

m) Pensions

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

n) Long-Term Liabilities

Long-term liabilities include bonds and notes payable and other obligations such as net pension liability. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current liabilities on their balance sheets.

o) Equity Classifications

Government-wide and proprietary fund statements:

In the government-wide and proprietary fund statements there are three classes of net position:

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvements of those assets.

Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – Reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the Village.

Governmental Fund statements:

In the governmental fund financial statements there are five classifications of fund balance:

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the prepaid expenses in the General Fund of \$12,513.

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

o) Equity Classification (continued)

Restricted fund balance: Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Restricted fund balance at the end of the year consisted of \$97,689 for the library.

Committed fund balance: The amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board, which is the Village's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes voter approved reservations and contractual obligations to the extent that the existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Committed fund balance at December 31, 2022 consisted of \$17,000 for emergency in the General Fund.

Assigned fund balance: This classification reflects the amounts constrained by the Board's "intent" to be used for specific purposes but are neither restricted or committed. The Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned fund balance: Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the Village and could report a surplus or deficit. In the funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned. At December 31, 2022, the Village's unassigned fund balance in the general fund was \$119,457.

Net Position/Fund Balance

Net position flow assumption: Sometimes the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to be reported as restricted – net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund balance flow assumption: Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned, and unassigned fund balance). In order to calculate the amounts to be reported as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Order of use of fund balance - The Village's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignment of fund balance cannot cause a negative unassigned fund balance.

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 2. Explanation of Certain Differences between Fund Statements and Government-wide Statements

Due to the differences in the measurement focus and basis of accounting used in the fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

Total fund balances of the Village’s governmental funds differ from “net position” of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets, as applied to the reporting on capital assets and long-term liabilities, including pensions.

Explanation of difference between Governmental Fund Balance and Government-wide Net Position

Ending fund balance reported on governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 246,659
Capital assets net of related depreciation	977,933
Deferred outflows of resources:	
Pensions	5,170
Liabilities:	
Long term notes payable	(2,517)
Net pension liability – proportionate share	(6,544)
Deferred inflows of resources:	
Unavailable property taxes	13,548
Pensions	<u>(4,534)</u>
Ending net position reported in Statement of Net Position for governmental activities	\$ <u>1,229,715</u>

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three categories. The amounts shown below represent:

i) Long-term revenue and expenses differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

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

iii) Long-Term Debt Transaction Differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

iv) Pension differences:

Pension differences occur as a result of changes in the Village's proportion of the collective net pension liability and difference between the Village's contributions and its proportionate share of the total contributions to the pension system.

Explanation of Differences between Governmental Funds Operating Statements and the Government Wide Statement of Activities

Total revenues and other funding sources of governmental funds	\$	269,619
<p>Revenue in the statement of activities that do not provide current financial resources (property taxes not collected within 60 days of fiscal year end) are not reported as revenue in the funds. This amount represents an increase in deferred property taxes.</p>		
		773
Total revenues of governmental activities in the Statement of Activities	\$	270,392
Total expenditures reported in governmental funds	\$	329,687
<p>Governmental funds report Village pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
		593
<p>When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statements of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditures for capital outlays		(87,394)
Current year depreciation		63,876
<p>Repayment of bond principal is an expenditure in the governmental funds but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>		
Repayment of principal		(6,778)
Total expenses of governmental activities in the Statement of Activities	\$	299,984

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 3. Stewardship, Compliance, and Accountability

Budgetary Information

At the annual meeting, the Select Board presents a general fund budget for the proposed expenditures of the fiscal year commencing January 1. The budget, as enacted by Village meeting establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues.

Note 4. Cash and Cash Equivalents

For financial statement reporting purposes, cash and cash equivalents are defined as all bank deposits with original maturities of three months or less. The Village authorizes the treasurer to invest cash in bank accounts and obligations of the U.S. Treasury. The Village has not adopted a formal deposit policy.

At December 31, 2022, the carrying amount of the Village's deposits was \$312,613 and the bank balance was \$347,898. The bank balances are covered by Federal Depository Insurance to the limit of \$250,000 for interest bearing accounts and \$250,000 for non-interest bearing accounts per bank. At December 31, 2022, the Village had \$97,898 in deposits not covered by the Federal Depository.

Note 5. Investments

The fair value of investments totaled \$97,689 at December 31, 2022. The following schedule summarizes investment returns and their classification in the statement of revenues, expenses, and change in net position for the year ended December 31, 2022:

Interest	\$	710
Unrealized loss		<u>(5,863)</u>
Total investment return	\$	<u><u>(5,153)</u></u>

Note 6. Fair Value Measurements – Investments

U.S GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Village has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 6. Fair Value Measurements – Investments (continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The Village has the following fair value measurement as of December 31, 2022:

Investments	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 31,811	\$ -	\$ -	\$ 37,811
Certificate of deposits	-	65,878	-	65,878
	<u>\$ 31,811</u>	<u>\$ 65,878</u>	<u>\$ -</u>	<u>\$ 103,689</u>

Note 7. Capital Assets

Capital assets activity for the year ended December 31, 2022 was as follows:

	12/31/21 Balance	Additions	Retirements Reclassify	12/31/22 Balance
Governmental activities:				
Buildings	\$ 1,241,433	\$ -	\$ -	\$ 1,241,433
Infrastructure	396,896	58,531	-	455,427
Equipment	533,583	28,863	-	562,446
Vehicles	69,521	-	-	69,521
Total	<u>2,241,433</u>	<u>87,394</u>	<u>-</u>	<u>2,328,827</u>
Less accumulated depreciation:				
Buildings	614,569	27,738	-	642,307
Infrastructure	135,869	18,412	-	154,281
Equipment	476,847	13,457	-	490,304
Vehicles	59,732	4,269	-	64,001
Total	<u>1,287,017</u>	<u>63,876</u>	<u>-</u>	<u>1,350,893</u>
Capital assets, net	<u>\$ 954,416</u>	<u>\$ 23,518</u>	<u>\$ -</u>	<u>\$ 977,934</u>

Depreciation expense was charged as follows:

General government	\$ 13,564
Public safety	14,872
Highway and streets	29,603
Culture and recreation	5,837
	<u>\$ 63,876</u>

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 7. Capital Assets (continued)

	12/31/21 Balance	Additions	Retirements Reclassify	12/31/22 Balance
Water Fund:				
Water lines	\$ 583,035	\$ -	\$ -	\$ 583,035
Equipment	116,552	811	-	117,363
Water treatment system	1,845,508	-	-	1,845,508
Total	2,545,095	811	-	2,545,906
Less accumulated depreciation	2,432,095	10,027	-	2,442,122
Capital assets, net	\$ 113,000	\$ (9,216)	\$ -	\$ 103,784
	12/31/21 Balance	Additions	Retirements Reclassify	12/31/22 Balance
Sewer Fund:				
Land	\$ 3,050	\$ -	\$ -	\$ 3,050
Construction in progress	22,550	-	-	22,550
Disposal plant	1,251,464	-	-	1,251,464
Sewer lines	1,817,250	-	-	1,817,250
Vehicles	24,302	-	-	24,302
Equipment	51,211	5,441	-	56,652
Total	3,169,827	5,441	-	3,175,268
Less accumulated depreciation	3,003,551	19,335	-	3,022,886
Capital assets, net	\$ 166,276	\$ (13,894)	\$ -	\$ 152,382

Note 8. Interfund Balances and Activity

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

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenses
General Fund	\$ -	\$ 174,634	\$ -	\$ -
ARPA Fund	171,325	-	-	-
Sewer Fund	40,714	88,680	-	-
Water Fund	51,938	663	-	-
Total	\$ 263,977	\$ 263,977	\$ -	\$ -

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 9. Long-term Bonds and Notes Payable

Governmental activities:

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

	12/31/21 Balance	Additions	Reductions	12/31/22 Balance
Governmental activities				
Notes payable	\$ 9,295	\$ -	\$ 6,778	\$ 2,517
Net pension liability	8,505	-	1,961	6,544
Total	\$ 17,800	\$ -	\$ 8,739	\$ 9,061

Long-term bonds and notes payable consist of the following at December 31, 2021:

Note payable, Community National Bank, payable in annual installments of \$1,329, including interest at 3.50%, due May 15, 2024, secured by fire department equipment.	2,517
Total governmental activities	2,517
Less current portion	(1,245)
	\$ 1,272

Scheduled maturities of notes payable are as follows as December 31, 2022:

Years ended December 31	Principal	Interest	Total
2023	1,245	84	1,329
2024	1,272	42	1,314
	\$ 2,517	\$ 126	\$ 2,643

Business-type activities:

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

	12/31/21 Balance	Additions	Reductions	12/31/22 Balance
Proprietary Funds				
Bonds and notes payable	\$ 217,209	\$ -	\$ 14,565	\$ 202,644
Net pension liability	15,798	3,645	-	12,153
Total	\$ 23,007	\$ 3,645	\$ 14,565	\$ 214,797

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 9. Long-term Bonds and Notes Payable (continued)

Sewer Fund:

General obligation bonds issued November 25, 2005, to be repaid over thirty years, payments due May 25 and November 25 of each year, total yearly payments of \$2,364, including interest at the rate of 4.25%, with the final payment due on November 25, 2035. \$ 46,762

Note payable to Vermont Municipal Bond Bank, 0% interest, issued January 6, 2020, payments of \$1,840 due April 1st of each year starting April 1, 2025, due April 1, 2029. 9,200

Total sewer fund 55,962

Water Fund:

Note payable to USDA, issued January 6, 2014, payments of \$3,497 semi-annual each July 6 and January 6 including interest of 2.75%, unsecured, due January 6, 2054. 146,682

Total water fund 146,682

Total bonds and notes payable 202,644

Less current portion (5,709)

\$ 196,935

Scheduled maturities of notes and bonds payable are as follows as December 31, 2022:

Years ended December 31	Sewer		Water		Total
	Principal	Interest	Principal	Interest	
2023	2,769	1,959	2,940	4,054	11,722
2024	2,888	1,840	3,021	3,973	11,722
2025	4,852	1,716	3,105	3,889	13,562
2026	4,982	1,586	3,191	3,803	13,562
2027	5,117	1,451	3,279	3,715	13,562
2028-2032	22,298	5,022	18,014	17,162	62,496
2033-2037	13,056	982	20,209	14,556	48,803
2038-2042	-	-	23,401	11,570	34,971
2043-2047	-	-	26,825	8,145	34,970
2048-2052	-	-	30,751	4,219	34,970
2053-2055	-	-	11,946	463	12,409
	<u>\$ 55,962</u>	<u>\$ 14,556</u>	<u>\$ 146,682</u>	<u>\$ 75,549</u>	<u>292,749</u>

Note 10. Property Taxes

Village taxes are levied on September 21, are payable on October 23rd and become delinquent on October 24th. Property taxes are recognized as revenue in the period for which they levied, which is the fiscal year during which tax payments are due, provided the taxes are received within sixty (60) days after year-end. The remaining receivables are reported as unearned revenue, a deferred inflow of resources. The tax rate for fiscal year 2022 was \$0.6970.

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 11. Pensions

Vermont Municipal Employees' Retirement System (VMERS)

Plan description

The Vermont Municipal Employees' Retirement System (VMERS) – a cost-sharing, multiple-employer defined benefit pension plan administered by the State Treasurer and its Board of Trustees. It is designed for Towns and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2021, the retirement plan consisted of 352 participating employers. The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

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

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

Summary of system provisions

Membership	Full-time employees of participating municipalities. Municipality elects coverage under Group A, B, C, or D provisions.
Creditable Service	Service as a member plus purchased service.
Average Final Compensation (AFC)	Group A – average annual compensation during the highest 5 consecutive years. Group B and C – average annual compensation during highest 3 consecutive years. Group D – average annual compensation during highest 2 consecutive years.
Service Retirement Allowance	
Eligibility	Group A – the earlier of age 65 with 5 years of service or age 55 with 35 years of service. Group B – the earlier of age 62 with 5 years of service or age 55 with 30 years of service. Group C and D – age 55 with 5 years of service.

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 11. Pensions (continued)

Amount

Group A – 1.4% of AFC x service.

Group B – 1.7% of AFC x service as Group B member plus percentage earned as a group A member x AFC.

Group C – 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x AFC.

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

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

Early Retirement Allowance

Eligibility

Age 55 with 5 years of service for Group A and B; age 50 with 20 years of service for Group D.

Amount

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

Vested Retirement Allowance

Eligibility

5 years of service.

Amount

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

Disability Retirement Allowance

Eligibility

5 years of service and disability as determined by Retirement Board.

Amount

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

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 11. Pensions (continued)

Death Benefits

Eligibility	Death after 5 years of service.
Amount	For Groups A, B, and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.

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

Refund of Contribution	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.
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Post-Retirement Adjustments	Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in consumer price index but no more than 2% for Group A and 3% for Group B, C, and D.
-----------------------------	---

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

Member Contributions	Group A – 3.25%
	Group B – 5.625%
	Group C – 10.75%
	Group D – 12.10%

Employer Contributions	Group A – 4.75%
	Group B – 6.25%
	Group C – 8.00%
	Group D – 10.60%

Significant actuarial assumptions and methods

Investment rate of return: 7.00%, net of pension plan investment expenses, including inflation.

Salary increases: Varying service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.

Mortality:

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 11. Pension Plans (continued)

Pre-retirement: Group A, B, and C – 40% PubG-2010 general employee below-median and 60% of PubG-2010 General Employee, with generational projection using scale MP-2019.

Group D – PubG-2010 general employee above-median, with generational projection using scale MP-2019.

Healthy post-retirement:

Retiree

Group A, B, and C – 104% of 40% PubG-2010 general healthy retiree below-median and 60% of PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019.

Group D – PubG-2010 general healthy retirees, with generational projection using scale MP-2019.

Beneficiaries

Group A, B, and C – 70% PubG-2010 contingent survivor below-median and 30% of PubG-2010 contingent survivor, with generational projection using scale MP-2019.

Group D – PubG-2010 contingent survivor, with generational projection using scale MP-2019.

Disabled post-retirement: All groups – PubNS-2010 non-safety disabled mortality table with generational projection using scale MP-2019.

Spouse's age: Females three years younger than males

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

Inflation: 2.30%

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

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

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 11. Pension Plans (continued)

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

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

Discount rate: The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members). The Board voted to authorize employer contribution rate increases of 0.50% each year for a period of four years beginning July 1, 2022 to be offset by any increases in the employee contribution rates as negotiated with employee groups and approved by the Legislature. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service cost of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2021.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 11. Pension Plans (continued)

1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
\$ 36,956	\$ 18,697	\$ 3,683

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

As of June 30, 2021, the measurement date selected by the State of Vermont, VMERS was funded at 86.29% and has a plan fiduciary net position of \$926,034,330 and a total pension liability of \$1,073,218,528 resulting in a net position pension liability of \$147,184,198. As of December 31, 2022, the Village's proportionate share of this was 0.0127% resulting in a net pension liability of \$18,697. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Village's proportion of 0.0127% was an increase of .00309 from its proportion measured as of the prior year.

For the year ended of December 31, 2022, the Village recognized pension expense of \$4,941. As of December 31, 2022, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 3,485	\$ -
Changes of assumptions	2,955	-
Difference between projected and actual investment earnings	-	11,024
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	4,943	1,929
Village's contributions subsequent to the measurement date	3,387	-
Total	\$ 14,770	\$ 12,953

The \$3,387 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expenses as follows:

VILLAGE OF NORTH TROY, VERMONT

Notes to the Financial Statements

Note 11. Pension Plans (continued)

Year ended:	
2022	\$ 908
2023	(181)
2024	(391)
2025	<u>(1,907)</u>
Total	\$ <u>(1,571)</u>

Employer contribution history for the Village as of December 31, 2022 is as follows:

FY 22	\$ 2,824
FY 21	1,991
FY 20	2,054

Additional Information

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

Note 12. Risk Management

The Village is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets, errors and omissions, and injuries to employees. The Village maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settle claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

Note 13. Contingencies

Federal and State Grants

In the normal course of operations, the Village receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of such audits is not likely to have a material Qualified effect on the Village's funds.

Note 14. Prior Period Adjustments

For the fiscal year ended December 31, 2022 the Village has corrected the opening balance of accounts payable in the general fund and government-wide financial statements. The effect of this adjustment increased fund balance in the general fund and net position on the government-wide financial statements by \$13,411 as of December 31, 2021

Note 15. Subsequent Events

Management has evaluated subsequent events through February 27, 2023, the date that the financial statements were available to be issued.

VILLAGE OF NORTH TROY, VERMONT
Statement of Revenues and Expenditures - Budget and Actual
Budgetary Basis - General Fund
Year Ended December 31, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
General property taxes	\$ 153,168	\$ 197,874	\$ 44,706
Interest/penalties on delinquent taxes	1,300	3,020	1,720
State Aid	17,700	45,707	28,007
Fire Aid	5,000	5,000	-
Investment income	2,375	(5,153)	(7,528)
Grant	-	4,438	4,438
Rentals	1,500	1,500	-
Library appropriations	8,200	8,200	-
Miscellaneous	-	9,033	9,033
Total revenues	<u>189,243</u>	<u>269,619</u>	<u>80,376</u>
Expenditures			
General administration	\$ 58,400	\$ 71,278	\$ (12,878)
Buildings	28,890	24,319	4,571
Other Services	4,050	3,831	219
Fire department	24,182	23,943	239
Village streets	48,513	175,906	(127,393)
Allocations	3,070	2,982	88
Library	22,138	27,428	(5,290)
Total expenditures	<u>189,243</u>	<u>329,687</u>	<u>(140,444)</u>
Change in fund balance	<u>\$ -</u>	<u>\$ (60,068)</u>	<u>\$ (60,068)</u>

See the independent auditor's report.

VILLAGE OF NORTH TROY, VERMONT
Schedule of the Village's Proportionate Share of the Net Pension Liability
Year Ended December 31, 2022

VMERS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Village's proportion of the net pension liability	0.0127%	0.0096%	0.0107%	0.0133%	0.00906%
Village's proportionate share of the net pension liability	\$ 18,697	\$ 24,299	\$ 18,551	\$ 18,779	\$ 10,983
Village's covered-employee payroll	\$ 69,425	\$ 64,175	\$ 47,770	\$ 77,386	\$ 76,025
Village's proportionate share of the net pension liability as a percentage of its covered-employee payroll	26.93%	37.86%	38.83%	24.27%	14.45%
Plan fiduciary net position as a percentage of the total pension liability	86.30%	74.50%	80.35%	82.60%	83.64%

See the independent auditor's report.

VILLAGE OF NORTH TROY, VERMONT
Schedule of the Village's Pension Contributions
Year Ended December 31, 2022

VMERS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 3,387	\$ 2,967	\$ 2,107	\$ 2,338	\$ 2,338
Contributions in relation to the contractually required contribution	<u>3,387</u>	<u>2,967</u>	<u>2,107</u>	<u>2,338</u>	<u>2,338</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered-employee payroll	\$ 69,425	\$ 64,175	\$ 47,770	\$ 77,386	\$ 76,025
Contributions as a percentage of covered-employee payroll	4.88%	4.62%	4.41%	3.02%	3.08%

See the independent auditor's report.

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 *Governmental Auditing Standards*

To the Board of Trustees
Village of North Troy
North Troy, Vermont

We have audited 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, the financial statements of the governmental activities, the business activities, each major fund, and the aggregate remaining fund information of the Village of North Troy, Vermont as of and for the year ended December 31, 2022, which collectively comprise Village of North Troy, Vermont's basic financial statements and have issued our report thereon dated February 27, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 2022-001 and 2022-002.

Compliance and Other Matters

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

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

Village of North Troy, Vermont's Response to the Finding

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

Purpose of this Report

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

Telling & Hillman, P.C.

Telling & Hillman, P.C.
License #092.0131564
Middlebury, Vermont
February 27, 2023

VILLAGE OF NORTH TROY, VERMONT
Schedule of Findings
December 31, 2022

Financial Reporting

2022-001 Segregation of Duties

Condition: The Village's accounting system allows one person to access all aspects of the accounting system. One person is primarily responsible for all aspects of the accounting function including accessing the software system, creating, and posting journal entries, and posting daily transactions.

Effect: Because of the lack of segregation of duties, the possibility of error and omissions to go undetected exists.

Recommendation: Procedures should be implemented whereby one person does not have control over all these functions.

2022-002 Accounting for Interfund Receivables and Payables

Condition: During our audit we were unable to verify the balances in the interfund receivable and payable accounts at December 31, 2022.

Effect: Transfers may exist which have been accounted for as interfund receivables and payables. Money that is used by one fund for the benefit of another fund without the intent of reimbursement should be accounted for as a transfer, not a receivable or payable.

Recommendation: The Village should determine if the interfund account balances should be adjusted. The Village should also monitor these interfund account balances to assure interfund transactions and transfers are accounted for properly.

VILLAGE OF NORTH TROY, VERMONT
Response to Findings
December 31, 2022

2022-001 Segregation of Duties

Summary of finding: The Village's accounting system allows one person to access all aspects of the accounting system. One person is primarily responsible for all aspects of the accounting function including accessing the software system, creating, and posting journal entries, and posting daily transactions. Because of the lack of segregation of duties, the possibility of error and omissions to go undetected exists.

Statement of Concurrence or Nonconcurrence: We agree with the finding of the independent auditor.

Corrective Action: The number of employees is insufficient to separate these duties and improve internal controls and reduce the chance of an error or irregularity going undetected. However, these risks will be mitigated through active involvement of and awareness of the risks by the governing board.

2022-002 Accounting for Interfund Receivables and Payables

Summary of finding: During the audit, the auditors were unable to verify the balances in the interfund receivable and payable accounts at December 31, 2022. Transfers may exist which have been accounted for as interfund receivables and payables.

Statement of Concurrence or Nonconcurrence: We agree with the finding of the independent auditor.

Corrective Action: The Village will verify if any adjustments need to be made to the interfund account balances. The Village will also monitor the interfund account balances to verify interfund transactions and transfers are properly recorded.

Contact person: April Descheneau, Clerk/Treasurer, phone (802) 988-4700, villagenorthtroy@comcast.net.

April Descheneau