



# PEISCH

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**TOWN OF UNDERHILL, VERMONT**

**FINANCIAL STATEMENTS**

**June 30, 2023**



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## INDEPENDENT AUDITOR'S REPORT

To the Selectboard  
Town of Underhill, Vermont  
Underhill, Vermont

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities and the major fund of the Town of Underhill, Vermont as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Underhill, Vermont's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town of Underhill, Vermont, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Underhill, Vermont's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is 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 Town of Underhill, 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 Town of Underhill, 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 on pages 5 through 12, Budgetary comparison schedule – General fund on page 41, the Note to required supplementary information – Budgetary comparison schedule – General fund on page 42, the Schedules of the Town's proportionate share of the net pension liability and contributions on page 43, and the Notes to required supplementary information – Pension plan on page 44 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.

### ***Supplementary Information***

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2024, on our consideration of the Town of Underhill, 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 Town of Underhill, Vermont's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Underhill, Vermont's internal control over financial reporting and compliance.

*A.M. Peisch & Company, LLP*

Saint Albans, Vermont  
January 24, 2024  
VT Reg. No. 92-0000102

**TOWN OF UNDERHILL, VERMONT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2023**

As management of the Town of Underhill (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023. The discussion and analysis present the highlights of financial activities and the financial position for the Town of Underhill. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Town during the fiscal year 2023 from July 1, 2022 to June 30, 2023.

**Financial Highlights**

- The net assets of the Town exceeded its liability by \$564,393 as of June 30, 2023. Of this amount, \$437,543 (unrestricted fund balance) may be used to meet the government's ongoing obligations. The decrease of \$136,255 in fund balance represents that the Town's expenses exceeded the revenue, thereby decreasing the fund balance.
- The Town of Underhill's total long-term debt, excluding accrued compensated absences, accrued post-employment benefits, and net pension liability increased from \$483,600 to \$568,273 during the 2023 fiscal year as a new highway equipment note in the amount of \$192,000 was signed.
- The General Fund ended the year with a balance of \$564,393 compared to a fund balance of \$700,648 in FY2023. The use of reserves to fund capital purchases and lack of surplus funds available to replenish reserves is causing our fund balance to decrease year after year.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town of Underhill's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental 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 the Town of Underhill's finances in a manner similar to a private-sector business.

The statement of net position presents information on all the Town's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town'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., uncollected taxes and earned but unused vacation and compensatory time off).

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities: Government activities which are typically supported by taxes, grants and intergovernmental revenues and business-type activities which are supported by fees and charges.

- Governmental activities – All of the Town's basic services are reported here, including protection of person and property, highways, recreation, health, and general government.
- Business-type activities – The Town has no business type activities.

The government-wide financial statements can be found on pages 13 and 14 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Underhill, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Funds are divided into three categories: governmental fund, proprietary funds, and fiduciary funds. The Town has a governmental fund and a fiduciary fund.

### **Governmental Fund**

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 funds financial statements focus on the 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 is useful in evaluating a government's near-term financing requirements.

Because the focus of 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, the reader 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 changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Town of Underhill has one governmental fund.



The Town adopts an annual budget for its General Fund. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with the budget on pages 45 through 50 of this report.

### **Fiduciary Fund**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

The Town maintains one fiduciary fund, the Custodial Fund, for property taxes collected and remitted to the Town's schools.

### **Notes to the Financial Statement**

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 to the financial statements can be found on pages 21 through 40.

### **Government-Wide Financial Analysis**

As financial information is accumulated from year-to-year, changes in net position may serve as a useful indicator of a government's financial position. In the case of the Town of Underhill, assets exceeded liabilities by \$5,341,545 as of June 30, 2023 up from \$5,129,735 as of June 30, 2022.

The Town of Underhill has \$5,694,771 in capital assets as of June 30, 2023. This reflects its investment in capital assets (land, buildings, improvements, equipment, and infrastructure). The Town of Underhill uses these assets to provide services to citizens.

The following provides a summary of the Town's net position:

Town of Underhill  
Net Position

	Governmental Activities	Governmental Activities
	2023	2022
Current and other assets	\$ 1,619,377	\$ 1,112,185
Capital assets	5,694,771	5,221,781
Total assets	7,314,148	6,333,966
Deferred outflows of resources	174,255	112,016
Long term liabilities	1,042,221	741,850
Other liabilities	890,719	341,574
Total liabilities	1,932,940	1,083,424
Deferred inflows of resources	214,098	232,823
Net position:		
Net investment in capital assets	4,776,498	4,738,121
Restricted	37,926	25,657
Unrestricted	527,121	365,957
Total net position	\$ 5,341,545	\$ 5,129,735

### Changes in Net Position

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is \$527,121 for fiscal year 2023, up from \$365,957 in 2022. We had been on a downward trend since a high of \$956,234 in 2019. The downward trend was due to the use of reserves to fund infrastructure projects instead of using debt capital or increasing taxes to complete projects. Hopefully, we can continue to increase our net position to insulate us and provide some assurances and insurances for weather anomalies that appear to be occurring more frequently.

The following schedule highlights the key elements of the Town's revenues and expenses for the 2023 and 2022 fiscal year ends. These main components are subtracted to yield the change in net position and are summarized as follows.

<b>Changes in Net Position</b>		
	<u>2023</u>	<u>2022</u>
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 66,875	\$ 78,521
Operating grants and revenues	199,248	410,191
Capital grants and contributions	263,897	399,605
General revenues:		
Property taxes	2,595,467	2,177,351
Investment income	22,720	8,111
Gain on sale of asset	35,740	25,000
Miscellaneous income	23,593	21,667
Total revenues	<u>3,207,540</u>	<u>3,120,446</u>
<b>PROGRAM EXPENSES</b>		
General government	747,782	728,209
Public safety	337,270	305,968
Culture and recreation	162,053	118,869
Energy	-	3,893
Highway	1,415,672	1,195,238
Appropriations	155,121	161,461
ARPA grant	153,783	-
Interest on long-term debt	24,049	8,003
Total program expenses	<u>2,995,730</u>	<u>2,521,641</u>
Increase in net position	<u>\$ 211,810</u>	<u>\$ 598,805</u>

### **Governmental Activities**

The Town's municipal tax rate decreased from \$.5077 per \$100 of assessed value to .4505 in fiscal year 2023, which is a decrease of .0572 on the tax rate. This decrease is largely due to the Townwide reappraisal that increased property values on average by over 30%. There was an increase of \$418,921 in the Town's tax revenue in fiscal year 2023.

The table below discloses cost of services for Governmental Activities. The total cost of services column contains all costs related to the programs. The net of services column shows how much of the total amount is not covered by program revenue and must be covered by local taxes or other general revenue or transfers.

## Governmental Activities

	Total Cost of Services	Total Cost of Services	Net (Expense) of Services	Net (Expense) of Services
	2023	2022	2023	2022
General government	\$ 657,312	\$ 654,537	\$ (524,791)	\$ (519,146)
Public safety	337,270	305,968	(337,245)	(305,368)
Recreation	47,248	7,103	(45,717)	(6,064)
Planning and zoning	90,470	73,672	(65,970)	(51,658)
Energy	-	3,893	813	11
Cultural services	114,805	111,766	(114,805)	(111,766)
Appropriations	155,121	161,461	(155,121)	(161,461)
Highways	1,415,672	1,195,238	(1,278,826)	(973,056)
ARPA grant	153,783	-	80,001	503,187
Interest on long term debt	24,049	8,003	(24,049)	(8,003)
Totals	<u>\$ 2,995,730</u>	<u>\$ 2,521,641</u>	<u>\$ (2,465,710)</u>	<u>\$ (1,633,324)</u>

The net cost of services was 82.3% in 2023 and 64.8% in 2022. These programs were funded almost solely through taxes with \$153,783 used in funds received from the Federal Government as part of the American Rescue Program (ARPA) funds received by the Town.

## Financial Analysis of the Government's Fund

The focus of the Town's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's 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.

As of the end of the current fiscal year, the Town's governmental fund reported an ending balance of \$564,393, a decrease of \$136,255 for the year. Of the total balance, 27.53% is classified as committed and 49.98% is unassigned. The balance is non-spendable or restricted. The decrease in fund balance is due to increase costs due to inflation at historical highs.

Committed funds include \$61,849 capital reserve accounts, \$76,928 contingency reserves or rainy-day reserves, \$2,888 conservation reserve, \$1,451 for recreation reserve, \$9,300 in the Solar decommissioning reserve, and \$3,000 in the tree warden reserve.

## General Fund Budgetary Highlights

The 2023 final budget was \$3,099,150. Actual expenditures were \$3,543,266, \$444,166 more than originally budgeted due to a combination of human resource related expenses, i.e. medical insurance and benefits; capital outlay; and cost increases due to inflation. During the year, revenues were \$416,349 more than budgeted; \$177,516 from property tax income alone and use

of ARPA fund grant money. The net excess in spending was only \$27,767 before the other financing sources of debt (\$542,000), sale of assets (\$37,000) and sue of reserves (\$25,000).

The net result of the variances was a surplus of \$238,743 for FY23.

### Capital Assets

At June 30, 2023, the Town had \$5,694,771 invested in a broad range of capital assets that includes land, buildings and improvements, equipment, infrastructure, and construction in process, net of accumulated depreciation. This amount represents a considerable net increase up from \$5,221,781 the prior year, mostly due to capital infrastructure projects completed in FY23. The increase is due to the completion of over \$1 million in paving projects, less the retirement of vehicles and equipment and works in progress.

#### Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities	
	2023	2022
Land	\$ 342,335	\$ 342,335
Construction in progress	39,554	640,387
Buildings and improvements	1,283,241	1,236,861
Vehicle and equipment	1,609,356	1,617,880
Infrastructure	5,660,647	4,449,964
Office equipment	57,996	57,996
Accumulated depreciation	(3,298,358)	(3,123,642)
Totals	<u>\$ 5,694,771</u>	<u>\$ 5,221,781</u>

### Long-term Debt

At year-end, the Town had \$568,273 in bonds and notes payable. In the current year one new note for \$192,000 came on. Generally, equipment notes are paid over five years.

#### Outstanding Debt at Year-End

	Governmental Activities		Increase (Decrease)
	2023	2022	
Bonds and notes payable	<u>\$ 568,273</u>	<u>\$ 483,660</u>	<u>\$ 84,613</u>

## **Short-term Debt**

At year-end, the Town had \$350,000 in a short-term note to finance paving projects. The note was paid in October 2023.

## **Economic Factors and Next Year's Budgets and Rates**

The Town's elected and appointed officials considered many factors when setting the Fiscal Year 2023 budget for town operations. The goal is to meet the towns current obligations, maintain the infrastructure in a forward-thinking manner, and prepare to meet the challenges that may come in the future. The economic climate, property values, and the impact of the budget on property tax rates are always considered.

For fiscal year 2023, the combined resident homestead property tax rate for the Town decreased by .5766 cents and the combined non-residential tax rate decreased by .5837 cents; largely due to the decrease in Education tax rate and municipal rate. These factors had much to do with the reappraisal of home values in Underhill, increasing the Grand List, thereby lowering the actual rate.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town of Underhill's finances for all those with an interest in the government's finances. Readers having questions about any of the information in this report or needing additional information should contact the Finance Officer, Town of Underhill, P. O. Box 120, Underhill, VT 05489, direct contact at (802) 899-4434 Ext 102 or email [jsilpe-katz@underhillvt.gov](mailto:jsilpe-katz@underhillvt.gov).

**TOWN OF UNDERHILL, VERMONT**

**STATEMENT OF NET POSITION**

**June 30, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,304,184
Receivables:	
Delinquent taxes	15,117
Delinquent tax interest	427
Delinquent tax penalties	751
Grants receivable	31,500
Other receivables	224
Leases receivable	15,250
Prepaid expenses	37,983
Inventory	50,941
Total current assets	<u>1,456,377</u>
Non-current assets:	
Lease receivable, non-current	<u>163,000</u>
Capital assets:	
Land	342,335
Property and equipment, net of depreciation	5,312,882
Work in progress	39,554
Total capital assets	<u>5,694,771</u>
Total non-current assets	<u>5,857,771</u>
Total assets	<u>7,314,148</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - Pension	<u>174,255</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	34,791
Accrued wages	20,041
Unearned grant revenue	3,007
Refundable advances	462,445
Interest payable	20,255
Short-term debt	350,000
Long-term liabilities	
Due within one year	146,841
Due in more than one year	895,380
Total liabilities	<u>1,932,760</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - Leases	178,250
Deferred inflows of resources - Pension	35,848
Total deferred inflows of resources	<u>214,098</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,776,498
Restricted for:	
Reappraisal	13,074
Tomas Meadow reserve	5,677
Restoration reserve	16,360
Listers education	2,815
Unrestricted	527,121
Total net position	<u>\$ 5,341,545</u>

See accompanying notes.

**TOWN OF UNDERHILL, VERMONT**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2023**

<b>Funds/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Governmental activities:					
General government	\$ 657,312	\$ 38,846	\$ 89,977	\$ 3,698	\$ (524,791)
Public safety	337,270	25	-	-	(337,245)
Recreation	47,248	1,531	-	-	(45,717)
Planning and zoning	90,470	24,500	-	-	(65,970)
Energy	-	813	-	-	813
Cultural services	114,805	-	-	-	(114,805)
Appropriations	155,121	-	-	-	(155,121)
Highway	1,415,672	1,160	109,271	26,415	(1,278,826)
ARPA grant	153,783	-	-	233,784	80,001
Interest on long-term debt	24,049	-	-	-	(24,049)
Total governmental activities	<u>\$ 2,995,730</u>	<u>\$ 66,875</u>	<u>\$ 199,248</u>	<u>\$ 263,897</u>	<u>(2,465,710)</u>
General revenues:					
Property taxes, penalties and interest					2,595,467
Earnings on investments					22,720
Gain on sale of asset					35,740
Miscellaneous					<u>23,593</u>
Total general revenues					<u>2,677,520</u>
Change in net position					211,810
Net position - July 1, 2022					<u>5,129,735</u>
Net position - June 30, 2023					<u>\$ 5,341,545</u>

See accompanying notes.



**TOWN OF UNDERHILL, VERMONT**

**BALANCE SHEET  
GOVERNMENTAL FUND  
June 30, 2023**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,304,184
Receivables:	
Delinquent taxes	15,117
Delinquent tax interest	427
Delinquent tax penalties	751
Grants receivable	31,500
Other receivables	224
Leases receivable	178,250
Prepaid expenses	37,983
Inventory	50,941
Total assets	<u>\$ 1,619,377</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 34,791
Accrued wages	20,041
Unearned grant revenue	3,007
Refundable advances	462,445
Short term debt	350,000
Total liabilities	<u>870,284</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - Property taxes	6,450
Deferred inflows of resources - Leases	178,250
Total deferred inflows of resources	<u>184,700</u>
<b>FUND BALANCE</b>	
Nonspendable	88,924
Restricted	37,926
Committed	155,416
Unassigned	282,127
Total fund balance	<u>564,393</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,619,377</u>

See accompanying notes.

## TOWN OF UNDERHILL, VERMONT

### RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2023

Total fund balance - Governmental fund		\$ 564,393
Amount reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$8,993,129, and the accumulated depreciation is \$3,298,358.	5,694,771	
Property taxes that are not collected within 60 days of year end are not available to pay liabilities of the current period and are recorded as unavailable revenue in the governmental funds.	6,450	
Current year pension contributions and other changes in the net pension liability are reported as deferred outflows of resources in the statement of net position, but are not reported as deferred outflows of resources in the governmental funds.	174,255	
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Notes payable	568,273	
Accrued compensated absences	30,337	
Accrued post employment benefits	8,713	
Net pension liability	<u>434,898</u>	
		(1,042,221)
Accrued interest on long term debt is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(20,255)
Changes in the Town's proportionate share of pension contributions and other changes in the net pension liability are reported as deferred inflows of resources in the statement of net position, but are not reported in the governmental funds.		<u>(35,848)</u>
Total net position - Governmental activities		<u>\$ 5,341,545</u>

See accompanying notes.

**TOWN OF UNDERHILL, VERMONT**

**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND**

**For the Year Ended June 30, 2023**

	<b>General Fund</b>
<b>REVENUES</b>	
Property taxes	\$ 2,601,678
Licenses and permits	35,600
Intergovernmental	464,518
Charges for services	28,906
Investment income	22,720
Miscellaneous income	24,589
Total revenues	<u>3,178,011</u>
<b>EXPENDITURES</b>	
Current:	
General government	578,043
Public safety	337,270
Recreation	53,628
Planning and zoning	90,541
Conservation	228
Cultural services	114,805
Appropriations	155,121
Highway	1,020,067
Grant expenses	216,065
Debt service	117,379
Capital outlay	<u>860,119</u>
Total expenditures	<u>3,543,266</u>
Deficiency of revenues over expenditures	<u>(365,255)</u>
<b>OTHER FINANCING SOURCES</b>	
Proceeds from issuance of long-term debt	192,000
Proceeds from sale of asset	<u>37,000</u>
Total other financing sources	<u>229,000</u>
Net change in fund balance	(136,255)
Fund balance - July 1, 2022	<u>700,648</u>
Fund balance - June 30, 2023	<u>\$ 564,393</u>

See accompanying notes.

**TOWN OF UNDERHILL, VERMONT**

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT  
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2023**

Total net change in fund balances - Governmental fund	\$	(136,255)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which net capital outlays of \$912,086 exceeds depreciation expense of \$418,336 in the period.		493,750
---	--	---------

In the statement of activities, previously capitalized work in process is written off to expense. In the governmental funds, these costs were expensed in prior years.		(19,500)
--	--	----------

In the statement of activities, a gain of \$35,740 is recognized for the difference between the net book value of disposed assets and the proceeds received for those assets. In the governmental funds, the proceeds received of \$37,000 are recorded as other financing sources. This is the amount that the proceeds exceeded the gain on these assets.		(1,260)
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Property taxes that are not collected within 60 days of year end are not available to pay current liabilities and are recorded as unavailable revenue in the governmental funds. Unavailable property tax revenue decreased by \$6,211.		(6,211)
---	--	---------

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		107,387
--	--	---------

Proceeds of long term debt issued is recorded as other financing sources in the governmental funds and as a long-term liability in the statement of net position.		(192,000)
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In the statement of activities, accrued compensated absences payable are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially the amounts actually paid). This year, compensated absences earned exceeded amounts used by \$3,948.		(3,948)
--	--	---------

In the statement of activities, accrued post employment benefits are measured by the amounts due in the future as of the end of the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially the amounts actually paid). This year, post employment benefits paid exceeded the amounts due by \$2,189.		2,189
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In the governmental fund, interest on long term debt is recognized as an expenditure when due. In the statement of activities, interest is recognized as it accrues, regardless of when it is due.		(14,057)
--	--	----------

Pension expense for the defined benefit plan (VMERS) is recognized in the governmental funds based on current year employer matching contributions. Pension expense in the government-wide statements is based on the change in the net pension liability.		(18,285)
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Change in net position of governmental activities	\$	<u>211,810</u>
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See accompanying notes.

**TOWN OF UNDERHILL, VERMONT**

**STATEMENT OF FIDUCIARY NET POSITION**

**FIDUCIARY FUND**

**June 30, 2023**

	<b>Custodial Fund</b>
<b>ASSETS</b>	
<b>Total assets</b>	<b>\$ -</b>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
<b>Total liabilities</b>	<b>\$ -</b>
<b>NET POSITION</b>	
<b>Total net position</b>	<b>-</b>
<b>Total liabilities and net position</b>	<b>\$ -</b>

See accompanying notes.

**TOWN OF UNDERHILL, VERMONT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

**FIDUCIARY FUND**

**June 30, 2023**

	<b>Custodial Fund</b>
<b>ADDITIONS</b>	
Education taxes collected for other governments	<u>\$ 5,250,193</u>
Total additions	<u>5,250,193</u>
<b>DEDUCTIONS</b>	
Education taxes distributed to other governments	<u>5,250,193</u>
Total deductions	<u>5,250,193</u>
Change in Net Position	-
Net position - July 1, 2022	<u>-</u>
Net position - June 30, 2023	<u><u>\$ -</u></u>

See accompanying notes.

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 1. Summary of Significant Accounting Policies**

The financial statements of the Town of Underhill, Vermont have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are described below.

#### **A. Reporting Entity**

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity are set forth in GASB 14 as amended by GASB 39 and 61 and Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

Based on the aforementioned criteria, the Town has no component units.

#### **B. Basic Financial Statements - Government-Wide Statements**

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. All of the Town's activities are classified as governmental activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. The functions are also supported by general government revenues (primarily property taxes). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. Program revenues must be directly associated with the function (highway, public safety, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs by function are normally covered by general revenue (property taxes, interest income, etc.). The Town does not allocate indirect costs.

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

#### **C. Basic Financial Statements – Fund Financial Statements**

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues, and expenditures.

## **Note 1. Summary of Significant Accounting Policies (Continued)**

The emphasis in fund financial statements is on the major funds in the governmental activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which either had debt outstanding or specific community focus. The Town does not report any nonmajor funds.

### **Governmental Funds:**

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

- The general fund is the Town's primary operating fund. It accounts for all financial resources of the Town.

The activities reported in this fund are reported as governmental activities in the government-wide financial statements.

Additionally, the Town reports the following fund type:

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

### **D. Basis of Accounting**

Basis of accounting refers to the point at which revenues, expenditures, assets, deferred outflows and inflows of resources, and liabilities are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### **1. Accrual**

Governmental activities in the government-wide financial statements are presented on the economic resources measurement focus and the accrual basis of accounting. Property taxes are reported in the period for which they are levied. Other nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

#### **2. Modified Accrual**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of



## **Note 1. Summary of Significant Accounting Policies (Continued)**

the end of the current fiscal period for property taxes and six months for other revenues. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The exception to this general rule includes principal and interest on general obligation long term debt which is recognized when due.

### **E. Budgetary Data**

Budgets are presented on the modified accrual basis of accounting for all governmental funds. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- The Finance Officer prepares a budget for the upcoming fiscal year during December. The operating budget includes proposed expenditures and means of financing them and includes the Capital Improvement Plan.
- The budget and any revisions are approved by the Selectboard.
- The legal voters of the Town of Underhill, Vermont meet on the first Tuesday in March to review, discuss, and vote on the budget.
- Formal budgetary integration is employed as a management control device during the year for the General Fund.
- The General Fund budgetary comparison schedule presents comparisons of the legally adopted budget with actual data on a budgetary basis which conforms with the modified accrual basis of accounting.

### **F. Equity Classification**

#### *Government-wide Statements*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets -- Consists of capital assets, net of accumulated depreciation and reduced by remaining balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus deferred outflows of resources, less deferred inflows of resources related to those assets.
- b. Restricted net position -- Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position -- All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

## **Note 1. Summary of Significant Accounting Policies (Continued)**

### *Fund Statements*

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - Amounts that are not in a spendable form (such as prepaid expenses or inventory) or are legally or contractually required to remain intact (such as the principal of an endowment fund).

The spendable portion of the fund balances are categorized based on a hierarchy of spending constraints.

- a. Restricted fund balance - Amounts constrained to specific purposes by external parties (such as grantors, bondholders, and higher levels of government), constitutional provisions, or enabling legislation.
- b. Committed fund balance – Fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority. These amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- c. Assigned fund balance - Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- d. Unassigned fund balance - Amounts that are available for any purpose; positive amounts are reported only in the general fund.

### **G. Use of Restricted Resources**

When an expense is incurred that can be paid from either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then to unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other less-restrictive classifications – committed then assigned fund balances before using unassigned fund balances.

### **H. Cash and Cash Equivalents**

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

### **I. Receivables**

The Town utilizes the allowance method for uncollectible accounts. It has determined that all accounts are collectible and the allowance is zero as of June 30, 2023.

## **Note 1. Summary of Significant Accounting Policies (Continued)**

### **J. Leases Receivable**

The Town's leases receivable includes the land lease and easement for the solar array and the post office lease. The leases are measured at the stated value of the lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the leases. The deferred inflow of resources is recorded at the initiation of the leases in an amount equal to the initial recording of the leases receivable. The deferred inflow of resources is amortized as lease payments are received.

### **K. Inventory**

Inventory consists of road materials held for the Town's use and is carried at cost.

### **L. Property Taxes**

Property taxes are recognized as revenue in the year for which taxes have been levied. Delinquent property taxes not collected within 60 days of year end are reflected as deferred inflows of resources in the governmental funds financial statements.

### **M. Capital Assets**

Infrastructure assets purchased or acquired with an original cost of \$25,000 and capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	10-75 years
Machinery and equipment	2-25 years
Infrastructure	10-75 years

GASB No. 34 required the Town to report and depreciate new infrastructure assets effective at the beginning of fiscal year 2004. It was not required to report these assets retroactively. General infrastructure assets include roads, bridges, underground pipe (other than related to utilities), etc.

### **N. Deferred Outflows/Inflows of Resources**

The Town reports deferred outflows of resources related to its pension on the statement of net position. Deferred outflows of resources represent 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 the applicable period. Deferred outflows consist of (1) the Town's current year pension contributions subsequent to the measurement date, (2) the change in the Town's proportionate share of the

## **Note 1. Summary of Significant Accounting Policies (Continued)**

differences between projected and actual investment earnings, (3) the Town's proportionate share of change in the net pension liability due to changes in assumptions, and (4) the Town's proportionate share of differences between expected and actual experience.

The Town reports deferred inflows of resources related to its pension on the statement of net position. Deferred inflows of resources represent 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 future period. Deferred inflows on the statement of net position consist of the change in the Town's proportionate share of pension contributions.

Deferred inflows on the governmental fund balance sheet consist of unavailable revenue - property taxes that were not collected within 60 days of year end and lease payments to be received in future years.

Deferred inflows of resources related to leases consist of the value of the lease payments expected to be received for the remaining lease term.

### **O. Defined Benefit Pension Plan**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Vermont Municipal Employees Retirement System (VMERS) and additions to/deductions from 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.

VMERS investments are reported at fair value. VMERS does not issue stand-alone financial reports, but is instead included as part of the State of Vermont's Comprehensive Annual Financial Report (CAFR).

### **P. Use of 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 amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the period. Accordingly, actual results could differ from those estimates.

### **Q. Accrued Compensated Absences**

Government-Wide Financial Statements - All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days, personal days, and compensatory time are not accrued since they are not paid when the employee terminates employment.

## **Note 1. Summary of Significant Accounting Policies (Continued)**

Fund Financial Statements - Vested or accumulated vacation and personal leave and compensatory time that has matured is reported as expenditures and fund liabilities of the governmental fund that will pay it. Amounts of vested or accumulated vacation and personal leave and compensatory time that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these amounts.

### **R. Accrued Post-Employment Benefits**

Government-Wide Financial Statements – Accrued post-employment benefits based on the value of the discounted cash flows related to the anticipated cost of the agreement is reported as a liability on the government-wide financial statements.

Fund Financial Statements – Actual post-employment benefits paid are reported as expenditures in the governmental fund that will pay it. Amounts of post-employment benefits that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements.

### **S. Implementation of New Accounting Principles**

On July 1, 2022, the Town adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which requires the Town to recognize a subscription liability and an intangible right-to-use subscription asset in the government-wide financial statements for certain long-term vendor information technology software contracts. The adoption of this statement had no effect on the financial statements for the year ended June 30, 2023.

The Town is reviewing the following GASB Statements, which are effective in future years, for possible implementation.

GASB Statement No. 99, *Omnibus 2022*

GASB Statement No. 100, *Accounting Changes and Error Corrections*

GASB Statement No. 101, *Compensated Absences*

## **Note 2. Cash and Custodial Credit Risk - Deposits in Financial Institutions**

Cash belonging to the Town is placed in the custody of the Town Treasurer who is elected. The Town Treasurer invests excess cash according to policies established by the Selectboard. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At June 30, 2023, the Town of Underhill, Vermont's bank balance was \$1,445,877, of which \$438 was uninsured.

## **Note 3. Delinquent Taxes Receivable**

Property taxes are payable in four installments due August 15, November 15, February 15, and May 15. Interest of 1% per month is charged for overdue taxes from the due date of each installment. Any tax levies still delinquent after the due dates are charged an 8% penalty.

#### Note 4. Property Taxes

The Town levies its property tax based upon the assessed value as of April 1 for all real and personal property, with exemptions to qualifying veterans, and excludes assessments on municipal, school, and church properties. Listers establish a Grand List of all property and the Selectboard sets the tax rate required to raise the tax revenue authorized by the Town. The State Department of Education determines the amount of the state education tax rate for the local school district.

The tax rates for fiscal year 2023 were:

	Residential	Non-Residential
Municipal	\$ 0.4505	\$ 0.4505
Local agreement	0.0152	0.0152
Education	1.1423	1.2847
Total tax rate	<u>\$ 1.6080</u>	<u>\$ 1.7504</u>

#### Note 5. Leases Receivable

The Town has entered into a five-year agreement to lease a building to the United States Postal Services (USPO). The lease commences November 2022 and expires October 2027. The agreement provides for two 5-year extensions. It is reasonably expected that the first extension will be exercised. The USPO has the option to terminate the contract upon 90 days written notice. Monthly payments of \$1,000 are required through October 2027 and \$1,100 through October 2032. The Town recognized \$11,981 in lease revenue under this lease during the year.

The Town has entered into a land lease and easement agreement for twenty years with an outside party for a solar array. The agreement provides for three renewal options of five years each. The agreement provides for annual payments to the Town of \$3,250 commencing November 2019 for ten years and annual payments of \$3,750 for the remaining ten years and for the term of each renewal option. The Town recognized \$2,438 in lease revenue under this lease during the year.

The voters have approved to create a decommissioning fund to be funded from the first four annual lease payments for the purpose of decommissioning the solar array.

Below is a summary of leases receivable and deferred inflows of resources – leases as of June 30, 2023.

	Leases receivable -ST	Leases receivable -LT	Leases receivable -Total	Deferred inflows of resources - Leases
USPO lease	\$ 12,000	\$ 106,000	\$ 118,000	\$ 118,000
Land lease	<u>3,250</u>	<u>57,000</u>	<u>60,250</u>	<u>60,250</u>
Total	<u>\$ 15,250</u>	<u>\$ 163,000</u>	<u>\$ 178,250</u>	<u>\$ 178,250</u>

## Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 342,335	\$ -	\$ -	\$ 342,335
Work in progress	640,387	17,705	(618,538)	39,554
Total capital assets not depreciated	<u>982,722</u>	<u>17,705</u>	<u>(618,538)</u>	<u>381,889</u>
Capital assets, being depreciated				
Infrastructure	4,449,964	1,210,683	-	5,660,647
Building and improvements	1,236,861	46,380	-	1,283,241
Vehicles and equipment	1,617,880	236,356	(244,880)	1,609,356
Office equipment	57,996	-	-	57,996
Total capital assets being depreciated	<u>7,362,701</u>	<u>1,493,419</u>	<u>(244,880)</u>	<u>8,611,240</u>
Less accumulated depreciation for:				
Infrastructure	(1,207,369)	(260,674)	-	(1,468,043)
Building and improvements	(824,198)	(55,643)	-	(879,841)
Vehicles and equipment	(1,035,070)	(101,028)	243,620	(892,478)
Office equipment	(57,005)	(991)	-	(57,996)
Total accumulated depreciation	<u>(3,123,642)</u>	<u>(418,336)</u>	<u>243,620</u>	<u>(3,298,358)</u>
Total capital assets, being depreciated, net	<u>4,239,059</u>	<u>1,075,083</u>	<u>(1,260)</u>	<u>5,312,882</u>
Governmental activities capital assets, net	<u>\$ 5,221,781</u>	<u>\$ 1,092,788</u>	<u>\$ (619,798)</u>	<u>\$ 5,694,771</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 39,379
Highway	<u>378,957</u>
Total depreciation expense - Governmental activities	<u>\$ 418,336</u>

## Note 7. Long-Term Liabilities

Below is a summary of long-term liabilities for the year ended June 30, 2023:

	Beginning Balance	Additions	Principal Payments	Ending Balance	Due Within One Year
Bonds and Notes Payable:					
Union Bank - note, interest 2.04%, maturing September 8, 2025, payments of \$64,995 due annually beginning September 8, 2021.	\$ 247,225	\$ -	\$ 58,673	\$ 188,552	\$ 61,174
Union Bank - note, interest 1.58%, maturing December 11, 2025, payments of \$14,671 due annually beginning December 11, 2021.	56,435	-	13,841	42,594	13,997
Union Bank - note, interest 1.59%, maturing August 10, 2026, payments of \$37,735 due annually beginning August 10, 2022.	180,000	-	34,873	145,127	35,428
Union Bank - note, interest 4.75%, maturing October 28, 2027, payments of \$44,041 due annually beginning October 28, 2023.	<u>-</u>	<u>192,000</u>	<u>-</u>	<u>192,000</u>	<u>34,921</u>
Total bonds and notes payable	483,660	192,000	107,387	568,273	145,520
Other long term liabilities:					
Accrued compensated absences	26,389	3,948	-	30,337	-
Accrued post employment benefits	10,902	-	2,189	8,713	1,321
Net pension liability	<u>220,899</u>	<u>213,999</u>	<u>-</u>	<u>434,898</u>	<u>-</u>
Total long-term liabilities	<u>\$ 741,850</u>	<u>\$ 409,947</u>	<u>\$ 109,576</u>	<u>\$ 1,042,221</u>	<u>\$ 146,841</u>

Maturities for bonds and notes payable including interest are as follows:

Years Ending	Principal	Interest	Total
2024	\$ 145,520	\$ 15,922	\$ 161,442
2025	149,196	12,244	161,440
2026	154,229	8,415	162,644
2027	77,282	4,495	81,777
2028	42,046	1,997	44,043
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 568,273</u>	<u>\$ 43,073</u>	<u>\$ 611,346</u>

Interest expense on long-term debt for the year ended June 30, 2023 was \$9,992.



## **Note 8. Short-Term Debt**

The Town has a current expense note for \$350,000 with interest at 3.45% to finance paving projects, if needed. The note matures October 13, 2023. Below summarizes the activity in short-term debt for the year ended June 30, 2023.

	Balance June 30, 2022	Debt Added	Debt Retired	Balance June 30, 2023
Current expense note	\$ -	\$ 350,000	\$ -	\$ 350,000

## **Note 9. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc., covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days' notice. Fund underwriting and rate-setting policies have been established after consultations with actuaries. Fund members are subject to supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

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

## **Note 10. Lease Agreement**

The Town leased a copier under a 60-month operating lease that expired June 2023. Lease expense for fiscal year 2023 was \$1,831.

## **Note 11. Municipal Employees' Retirement System**

### ***Plan Description***

The Vermont Municipal Employees' Retirement System is a cost-sharing, multiple employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts 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

## **Note 11. Municipal Employees' Retirement System (Continued)**

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, 2022, the retirement system consisted of 359 participating employers.

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

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

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

### ***Summary of System Provisions***

There are four levels of contributions and benefits available under the system, Group A, Group B, Group C, and Group D. The Town's employees are covered under Group C. The following is a summary of system provisions under Group C.

<b>Membership</b>	Full time employees of participating municipalities. Municipality elects coverage.
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<b>Creditable service</b>	Service as member plus purchased service.
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<b>Average Final Compensation (AFC)</b>	Average annual compensation during highest 3 consecutive years.
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#### **Service Retirement Allowance**

Eligibility:	Age 55 with 5 years of service.
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Amount:	2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x AFC.
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Maximum benefit is 50% of AFC. The above amounts include the portion of the allowance provided by member contributions.

#### **Vested Retirement Allowance**

Eligibility:	5 years of service.
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## **Note 11. Municipal Employees' Retirement System (Continued)**

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

### **Death Benefit**

Eligibility: Death after 5 years of service.

Amount: 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.

**Optional Benefit And Death after Retirement** Lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee.

**Refund of Contribution** Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

**Post-Retirement Adjustments** Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 3%.

**Retirement Stipend** \$25 per month payable at the option of the Board of retirees.

**Member Contributions** 10.75% for fiscal year ended 6/30/22, 11.00% effective 7/1/22

**Employer Contributions** 8.00% for fiscal year ended 6/30/22, 8.25% effective 7/1/22

### ***Contributions***

The contribution requirements of VMERS members and the Town are established by the VMERS Board of Trustees. The contribution rates are reviewed annually by the VMERS Board as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund. The employees' contributions are deducted from the employee's wages or salary and remitted by the Town to VMERS on a monthly basis. The Town's contractually required contribution rate was 8.25% from July 1, 2022 to June 30, 2023. This rate was actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town's contributions to the Plan for the year ended June 30, 2023 were \$48,754.

# **Note 11. Municipal Employees' Retirement System (Continued)**

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

At June 30, 2023, the Town reported a liability of \$434,898 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the Town's proportion was .14335%, which was a decrease of .00673% from its proportion of .15008% measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$67,039. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 32,661	\$ -
Changes in assumptions	22,234	-
Difference between projected and actual investment earnings	70,606	-
Changes in proportionate share of contributions	-	35,848
Town contributions subsequent to the measurement date	<u>48,754</u>	<u>-</u>
Total	<u>\$ 174,255</u>	<u>\$ 35,848</u>

The \$48,754 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2023	\$ 72,600
2024	19,104
2025	4,872
2026	41,831
Thereafter	<u>-</u>
Total	<u>\$ 138,407</u>

## **Note 11. Municipal Employee's Retirement System (Continued)**

### ***Significant Actuarial Assumptions and Methods***

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**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:**

*Pre-Retirement:* 40% PubG-2010 General Employee below-median and 60% of PubG-2010 General Employee, with generational projection using scale MP-2019.

#### *Healthy Post-retirement – Retirees:*

104% of 40% PubG-2010 General Healthy Retiree below-median and 60% of PubG-2010 General Healthy Retiree, with general projection using scale MP-2019.

#### *Healthy Post-retirement - Beneficiaries:*

70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor, with generational projection using scale MP-2019.

#### *Disabled Post-retirement:*

PubNS-2010 Non-Safety Disabled Retiree Mortality Table with generational projection using scale MP-2019.

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

**Cost-of-Living Adjustments:** 1.20% per annum. The January 1, 2023 COLA is assumed to be 3.00%. The January 1, 2022 COLA was 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.

**Inflation:** 2.30% per year

## Note 11. Municipal Employees' Retirement System (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 real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Passive Global Equities	24.00%	4.30%
Active Global Equities	5.00%	4.30%
US Equities - Large Cap	4.00%	3.25%
US Equities - Small/Mid Cap	3.00%	3.75%
Non-US Developed US Equities	7.00%	5.00%
Emerging Markets Debt	4.00%	3.50%
Core Fixed Income	19.00%	0.00%
Private & Alternate Credit	10.00%	4.75%
US TIPS	3.00%	-0.50%
Core Real Estate	3.00%	3.75%
Non-Core Real Estate	4.00%	6.00%
Private Equity	10.00%	5.50%
Infrastructure/Farmland	4.00%	4.25%
	<u>100.00%</u>	

### *Discount Rate*

The long-term expected rate of return on pension plan assets is 7.00%. The high quality tax-exempt general obligation municipal bond rate (20-Bond GO Index) as of the closest date prior to the valuation date of June 30, 2022, is 3.54%, as published by the Bond Buyer.

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. 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 costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions,

#### **Note 11. Municipal Employees' Retirement System (Continued)**

the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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:

	<b>Discount Rate</b>	<b>Town's Proportionate Share of Net Pension Liability</b>
1% decrease	6.00%	\$ 651,675
Current discount rate	7.00%	\$ 434,898
1% increase	8.00%	\$ 256,589

Included in accounts payable are legally required contributions not yet submitted to VMERS in the amount of \$3,883 at June 30, 2023.

Detailed information about the plan's fiduciary net position is available in the separately issued State of Vermont Comprehensive Annual Financial Report. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

#### **Note 12. Accrued Post-Employment Benefits**

The Town has entered into an agreement with a former employee to provide for benefit costs until the former employee's death. Under the terms of the agreement, the Town will pay 25% of health insurance premiums for the former employee, with the former employee reimbursing the Town for other benefits at cost. A liability in the amount of \$8,713 has been recognized, based on the value of the discounted cash flows related to the anticipated cost of the agreement.

#### **Note 13. Long Term Contracts**

The Town has entered into an agreement with the Underhill-Jericho Fire Department, Inc. which the Town has designated as the primary provider of emergency response; firefighting; and fire prevention, protection, and suppression services. The Town appropriates annually, out of the General Fund, a sum of money to be paid to the Fire Department in anticipation of the costs incurred. Such appropriations are included in the Town's annual budget for voter approval. Payments are made quarterly. The agreement has no expiration date. The agreement can only be cancelled upon one year's advance written notice once the Fire Department has no mortgages outstanding.

**Note 13. Long Term Contracts (Continued)**

The Town has entered into a five-year land records computerization contract that expired December 2022. The contract required monthly payment of \$685.

In January 2023, the contract was extended for one year, expiring in December 2023. Under the extension, monthly payments of \$685 are required from January 2023 to April 2023 and \$754 per month for the months of May 2023 through December 2023.

The Town paid \$8,357 in fees under the contract for the year end of June 30, 2023.

**Note 14. Commitments and Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the State of Vermont or the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town is a party to various legal actions in the normal course of business, the aggregate effect of which, in management's opinion, would not be material to the financial condition of the Town of Underhill, Vermont.



**Note 15. Fund Balances**

Fund balances are composed of the following at June 30, 2023:

	<b>General Fund</b>
Nonspendable	
Inventory	\$ 50,941
Prepaid expenses	37,983
	<u>88,924</u>
Restricted	
Listers education	2,815
Reappraisal	13,074
Tomasi Meadow reserve	5,677
Restoration reserve	16,360
	<u>37,926</u>
Committed	
Building reserve	26,704
Conservation	2,888
Contingency	56,244
Solar decommissioning reserve	9,300
Highway - Capital reserve	8,008
Highway - Contingency reserve	20,684
Highway - Tree warden reserve	3,000
Highway - Garage reserve	27,137
Recreation	1,451
	<u>155,416</u>
Unassigned	<u>282,127</u>
Total fund balance	<u>\$ 564,393</u>

#### **Note 16. Tax Abatements**

The Town enters into property tax abatement agreements with local charitable and fraternal organizations pursuant to Vermont Statutes Annotated, Title 32, Chapter 125 §3840, as approved by the voters during town meeting. This statute states that fraternal organizations, volunteer fire, and ambulance or rescue companies who own real estate exclusively for such purposes, may be exempted from real estate taxation, either in whole or in part, for a period not exceeding 10 years, if the town so votes. Upon the expiration of the exemption, the town may vote additional periods of exemption not exceeding five years each.

During the March 2019 Town meeting, the voters approved a five-year exemption of real estate taxes for the Underhill Jericho Fire Department. The real property value exempted from taxes was \$1,700,400 which amounted to \$7,660 in municipal taxes during the year ended June 30, 2023. The property is exempt from state education taxes.

#### **Note 17. Subsequent Events**

Subsequent to year end, the Town received a loan from Union Bank for \$331,000 with interest at 4.49%, annual principal and interest payments of \$75,380, and maturing July 2028. The loan is to be used to finance the purchase of a new excavator and heavy equipment trailer.

Subsequent to year end, the town leased a copier under a 60-month lease. The lease requires monthly payments of \$229.

Subsequent to year end, the Town received a grant in the amount of \$63,993 for a sidewalk study.

Subsequent to year end, the Town received a grant in the amount of \$56,000 for upgrades made to a culvert.

Management has evaluated subsequent events through January 24, 2024, the date which the financial statements were available for issue

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF UNDERHILL, VERMONT**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**For the Year Ended June 30, 2023**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Property taxes	\$ 2,424,162	\$ 2,424,162	\$ 2,601,678	\$ 177,516
Licenses and permits	42,500	42,500	35,600	(6,900)
Intergovernmental	227,500	227,500	464,518	237,018
Charges for services	32,500	32,500	28,906	(3,594)
Miscellaneous income	35,000	35,000	47,309	12,309
Total revenue	<u>2,761,662</u>	<u>2,761,662</u>	<u>3,178,011</u>	<u>416,349</u>
<b>EXPENDITURES</b>				
General government				
Select board	55,244	55,244	114,131	(58,887)
Elections	8,225	8,225	6,055	2,170
Administration	85,009	85,009	85,530	(521)
Town clerk and treasurer	117,677	117,677	117,953	(276)
Finance	102,939	102,939	114,289	(11,350)
Assessing	84,071	84,071	66,052	18,019
Town hall	83,600	83,600	69,273	14,327
Post office	1,500	1,500	2,571	(1,071)
School house	2,000	2,000	2,189	(189)
Public safety				
Animal control	3,575	3,575	10,204	(6,629)
Public safety	314,272	314,272	310,292	3,980
Health	18,100	18,100	16,774	1,326
Recreation	52,500	52,500	53,628	(1,128)
Planning and zoning	102,973	102,973	90,541	12,432
Conservation	2,275	2,275	228	2,047
Energy	4,000	4,000	-	4,000
Cultural services	114,805	114,805	114,805	-
Appropriations	176,001	176,001	155,121	20,880
Highway	1,043,810	1,043,810	1,020,067	23,743
Grant expenses	-	-	216,065	(216,065)
Debt service				
Principal	107,216	107,216	107,387	(171)
Interest	10,178	10,178	9,992	186
Capital outlay	609,180	609,180	860,119	(250,939)
Total expenditures	<u>3,099,150</u>	<u>3,099,150</u>	<u>3,543,266</u>	<u>(444,116)</u>
Excess (deficiency) of revenues over expenditures	<u>(337,488)</u>	<u>(337,488)</u>	<u>(365,255)</u>	<u>(27,767)</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from issuance of debt	270,000	270,000	542,000	272,000
Proceeds from sale of assets	-	-	37,000	37,000
Use of reserves	67,488	67,488	25,000	(42,488)
Total other financing sources	<u>337,488</u>	<u>337,488</u>	<u>604,000</u>	<u>266,512</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,745</u>	<u>\$ 238,745</u>

**TOWN OF UNDERHILL, VERMONT**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**For the Year Ended June 30, 2023**

**Note A - Explanation of difference between budgetary basis and GAAP basis**

Total other financing sources as reported on the budgetary comparison schedule	\$ 604,000
Use of reserves are recorded as other financing sources for budgetary purposes but as reserve transfers for GAAP purposes	(25,000)
Proceeds from issuance of debt, including short-term debt, is recorded as other financing sources for budgetary purposes. Short-term debt is due and payable in the current period and therefore is recorded as a liability for GAAP purposes.	<u>(350,000)</u>
Total other financing sources as reported on the statement of revenues, expenditures, and changes in fund balance - governmental fund	\$ <u>229,000</u>

**TOWN OF UNDERHILL, VERMONT**

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Vermont Municipal Employees Retirement System**  
**Last 9 Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.1434%	0.1501%	0.1598%	0.1827%	0.2007%	0.2003%	0.1862%	0.2124%	0.2014%
Town's proportionate share of the net pension liability	\$ 434,898	\$ 434,898	\$ 404,207	\$ 316,993	\$ 282,308	\$ 242,654	\$ 239,577	\$ 163,747	\$ 18,384
Town's covered-employee payroll	\$ 448,339	\$ 430,562	\$ 455,335	\$ 476,010	\$ 484,835	\$ 451,144	\$ 393,636	\$ 428,200	\$ 388,221
Town's proportionate share of the net pension liability as a percentage of the covered-employee payroll	97.00%	101.01%	88.77%	66.59%	58.23%	53.79%	60.86%	38.24%	4.74%
Plan fiduciary net position as a percentage of the total pension liability	73.60%	86.29%	74.52%	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS**  
**Vermont Municipal Employees Retirement System**  
**Last 9 Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 35,369	\$ 33,369	\$ 34,151	\$ 35,106	\$ 35,151	\$ 32,708	\$ 28,293	\$ 29,689	\$ 25,983
Contributions in relation to the statutorily required contribution	<u>35,369</u>	<u>33,369</u>	<u>34,151</u>	<u>35,106</u>	<u>35,151</u>	<u>32,708</u>	<u>28,293</u>	<u>29,689</u>	<u>25,040</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 943</u>
Town's covered-employee payroll	\$ 448,339	\$ 430,562	\$ 455,335	\$ 476,010	\$ 484,835	\$ 451,144	\$ 393,636	\$ 428,200	\$ 388,221
Contributions in relation to the statutory required contribution as a percentage of the covered-employee payroll	7.89%	7.75%	7.50%	7.38%	7.25%	7.25%	7.19%	6.93%	6.69%

Note: These schedules will eventually present 10 years of information; however, they currently only provide information on fiscal years for which it is available.

**TOWN OF UNDERHILL, VERMONT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN**  
**Vermont Municipal Employees Retirement System**

**Change in actuarial assumptions and methods:**      There have been no changes in actuarial assumptions and methods since the last measurement date.

**Changes in plan provisions:**      At the November 17, 2020 Board meeting, the Board voted unanimously to authorize employer contribution rate increases of 0.50% each year for a period of four years, beginning July 1, 2022. In 2022, the Legislature passed H.740, which effectively split the Board-authorized increases evenly between members and employers by including an increase in the employee rate of 0.25% for each group for four years, beginning July 1, 2022.

## **OTHER SUPPLEMENTARY INFORMATION**



**TOWN OF UNDERHILL, VERMONT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL  
GENERAL FUND**

**For the Year Ended June 30, 2023**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Property taxes				
Property taxes	\$ 2,375,162	\$ 2,375,162	\$ 2,549,923	\$ 174,761
Delinquent interest	4,000	4,000	2,727	(1,273)
Delinquent penalties	15,000	15,000	14,809	(191)
Payment in lieu of taxes	30,000	30,000	34,219	4,219
Total property taxes	<u>2,424,162</u>	<u>2,424,162</u>	<u>2,601,678</u>	<u>177,516</u>
Licenses and permits				
Dog licenses	4,000	4,000	2,662	(1,338)
Zoning	30,000	30,000	24,500	(5,500)
Traffic control	3,000	3,000	3,286	286
Tax research	4,000	4,000	3,060	(940)
Other fees	1,500	1,500	2,092	592
Total licenses and permits	<u>42,500</u>	<u>42,500</u>	<u>35,600</u>	<u>(6,900)</u>
Intergovernmental				
State aid	102,000	102,000	109,271	7,271
Current use	55,000	55,000	57,791	2,791
Road grants	17,500	17,500	26,415	8,915
Lister education grant	-	-	500	500
Housing needs assessment grant	-	-	20,015	20,015
Historical preservation grant	-	-	3,698	3,698
Reappraisal and equalization	13,000	13,000	13,044	44
ARPA grant	40,000	40,000	233,784	193,784
Total intergovernmental	<u>227,500</u>	<u>227,500</u>	<u>464,518</u>	<u>237,018</u>
Charges for services				
Copier usage	2,500	2,500	1,621	(879)
Town hall rent	-	-	575	575
Recording fees	30,000	30,000	26,710	(3,290)
Total charges for services	<u>32,500</u>	<u>32,500</u>	<u>28,906</u>	<u>(3,594)</u>
Miscellaneous income				
Interest income	9,000	9,000	22,720	13,720
Rental - Post office	12,000	12,000	11,981	(19)
Other miscellaneous income	14,000	14,000	12,608	(1,392)
Total miscellaneous income	<u>35,000</u>	<u>35,000</u>	<u>47,309</u>	<u>12,309</u>
Total revenues	<u>2,761,662</u>	<u>2,761,662</u>	<u>3,178,011</u>	<u>416,349</u>

**TOWN OF UNDERHILL, VERMONT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL  
GENERAL FUND**

**For the Year Ended June 30, 2023**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>EXPENDITURES</b>				
General government:				
Select board				
Stipend	4,500	4,500	4,500	-
Payroll taxes and benefits	10,400	10,400	33,311	(22,911)
Training and development	300	300	-	300
Professional and technical services	25,000	25,000	24,724	276
Other purchased services	5,044	5,044	46,537	(41,493)
Other expenses	10,000	10,000	5,059	4,941
Total select board	<u>55,244</u>	<u>55,244</u>	<u>114,131</u>	<u>(58,887)</u>
Elections				
Salaries	2,800	2,800	1,683	1,117
Payroll taxes and benefits	-	-	26	(26)
Other purchased services	3,500	3,500	2,661	839
Supplies	1,925	1,925	1,685	240
Total elections	<u>8,225</u>	<u>8,225</u>	<u>6,055</u>	<u>2,170</u>
Administration				
Salaries	63,600	63,600	63,831	(231)
Payroll taxes and benefits	20,509	20,509	20,368	141
Training and development	200	200	150	50
Professional and technical services	-	-	706	(706)
Supplies	-	-	198	(198)
Other expenses	700	700	277	423
Total administration	<u>85,009</u>	<u>85,009</u>	<u>85,530</u>	<u>(521)</u>
Town clerk and treasurer				
Salaries	90,699	90,699	93,437	(2,738)
Payroll taxes and benefits	16,453	16,453	16,113	340
Training and development	675	675	130	545
Professional and technical services	8,850	8,850	7,535	1,315
Other expenses	1,000	1,000	738	262
Total town clerk and treasurer	<u>117,677</u>	<u>117,677</u>	<u>117,953</u>	<u>(276)</u>

**TOWN OF UNDERHILL, VERMONT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL  
GENERAL FUND**

**For the Year Ended June 30, 2023**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Finance				
Salaries	59,612	59,612	62,050	(2,438)
Payroll taxes and benefits	27,777	27,777	30,269	(2,492)
Training and development	300	300	541	(241)
Professional and technical services	15,000	15,000	19,454	(4,454)
Supplies	-	-	1,611	(1,611)
Other expenses	250	250	364	(114)
Total finance	<u>102,939</u>	<u>102,939</u>	<u>114,289</u>	<u>(11,350)</u>
Assessing				
Salaries	39,729	39,729	52,214	(12,485)
Payroll taxes and benefits	9,024	9,024	10,811	(1,787)
Training and development	1,800	1,800	1,240	560
Professional and technical services	32,318	32,318	375	31,943
Supplies	-	-	1,223	(1,223)
Other expenses	1,200	1,200	189	1,011
Total assessing	<u>84,071</u>	<u>84,071</u>	<u>66,052</u>	<u>18,019</u>
Town hall				
Other purchased services	44,900	44,900	19,569	25,331
Supplies	29,900	29,900	40,419	(10,519)
Other expenses	8,800	8,800	9,285	(485)
Total town hall	<u>83,600</u>	<u>83,600</u>	<u>69,273</u>	<u>14,327</u>
Post office				
Other purchased services	1,000	1,000	185	815
Supplies	500	500	2,386	(1,886)
Total post office	<u>1,500</u>	<u>1,500</u>	<u>2,571</u>	<u>(1,071)</u>
School house				
Other purchased services	1,700	1,700	1,813	(113)
Other expenses	300	300	376	(76)
Total school house	<u>2,000</u>	<u>2,000</u>	<u>2,189</u>	<u>(189)</u>
Total general government	<u>540,265</u>	<u>540,265</u>	<u>578,043</u>	<u>(37,778)</u>

**TOWN OF UNDERHILL, VERMONT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL  
GENERAL FUND**

**For the Year Ended June 30, 2023**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Public safety:				
Animal control				
Salaries	2,300	2,300	2,526	(226)
Payroll taxes	175	175	193	(18)
Professional and technical services	700	700	4,919	(4,219)
Supplies	300	300	1,969	(1,669)
Other expenses	100	100	597	(497)
Total animal control	<u>3,575</u>	<u>3,575</u>	<u>10,204</u>	<u>(6,629)</u>
Public safety				
Professional and technical services	21,500	21,500	17,520	3,980
Appropriations	<u>292,772</u>	<u>292,772</u>	<u>292,772</u>	<u>-</u>
Total public safety	<u>314,272</u>	<u>314,272</u>	<u>310,292</u>	<u>3,980</u>
Health				
Salaries	1,200	1,200	-	1,200
Professional and technical services	9,000	9,000	8,874	126
Appropriations	<u>7,900</u>	<u>7,900</u>	<u>7,900</u>	<u>-</u>
Total health	<u>18,100</u>	<u>18,100</u>	<u>16,774</u>	<u>1,326</u>
Total public safety	<u>335,947</u>	<u>335,947</u>	<u>337,270</u>	<u>(1,323)</u>
Recreation:				
Professional and technical services	-	-	-	-
Other purchased services	47,000	47,000	47,000	-
Supplies	<u>5,500</u>	<u>5,500</u>	<u>6,628</u>	<u>(1,128)</u>
Total recreation	<u>52,500</u>	<u>52,500</u>	<u>53,628</u>	<u>(1,128)</u>
Planning and zoning:				
Salaries	63,529	63,529	54,908	8,621
Payroll taxes and benefits	12,467	12,467	17,912	(5,445)
Training and development	2,500	2,500	316	2,184
Professional and technical services	14,000	14,000	10,231	3,769
Other purchased services	8,177	8,177	6,726	1,451
Supplies	1,750	1,750	165	1,585
Other expenses	<u>550</u>	<u>550</u>	<u>283</u>	<u>267</u>
Total planning and zoning	<u>102,973</u>	<u>102,973</u>	<u>90,541</u>	<u>12,432</u>
Conservation:				
Other expenses	<u>2,275</u>	<u>2,275</u>	<u>228</u>	<u>2,047</u>
Total conservation	<u>2,275</u>	<u>2,275</u>	<u>228</u>	<u>2,047</u>

**TOWN OF UNDERHILL, VERMONT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL  
GENERAL FUND**

**For the Year Ended June 30, 2023**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Energy:				
Project 2	4,000	4,000	-	4,000
Total energy	4,000	4,000	-	4,000
Cultural services:				
Town library	114,805	114,805	114,805	-
Total cultural services	114,805	114,805	114,805	-
Appropriations:				
General appropriations	129,547	129,547	107,452	22,095
Regional service appropriations	39,604	39,604	41,069	(1,465)
Social service appropriations	6,850	6,850	6,600	250
Total appropriations	176,001	176,001	155,121	20,880
Highway:				
Salaries	317,955	317,955	268,659	49,296
Payroll taxes and benefits	87,780	87,780	92,574	(4,794)
Training and development	200	200	-	200
Professional and technical services	97,000	97,000	78,111	18,889
Other purchased services	118,878	118,878	99,454	19,424
Supplies	295,000	295,000	352,246	(57,246)
Other expenses	126,997	126,997	129,023	(2,026)
Total highway	1,043,810	1,043,810	1,020,067	23,743
Grant expenses:				
ARPA	-	-	193,783	(193,783)
Housing	-	-	21,449	(21,449)
Other	-	-	833	(833)
Total grant expenses	-	-	216,065	(216,065)
Debt service:				
Principal	107,216	107,216	107,387	(171)
Interest	10,178	10,178	9,992	186
Total debt service	117,394	117,394	117,379	15
Capital outlay	609,180	609,180	860,119	(250,939)
Total expenditures	3,099,150	3,099,150	3,543,266	(444,116)
Excess (deficiency) of revenues over expenditures	(337,488)	(337,488)	(365,255)	(27,767)

**TOWN OF UNDERHILL, VERMONT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGETARY BASIS - BUDGET AND ACTUAL  
GENERAL FUND**

**For the Year Ended June 30, 2023**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from issuance of debt	270,000	270,000	542,000	272,000
Proceeds from sale of asset	-	-	37,000	37,000
Use of reserves	<u>67,488</u>	<u>67,488</u>	<u>25,000</u>	<u>(42,488)</u>
Total other financing sources	<u>337,488</u>	<u>337,488</u>	<u>604,000</u>	<u>266,512</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 238,745</u>	 <u>\$ 238,745</u>