

VILLAGE OF WELLS RIVER, VERMONT

AUDIT REPORT

JANUARY 31, 2021

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AUDIT REPORT
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Independent Auditor's Report

Board of Trustees
Village of Wells River, Vermont
Post Office Box 737
Wells River, Vermont 05081

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Wells River, Vermont as of and for the year ended January 31, 2021, and the related notes to the financial statements, which collectively comprise the Village of Wells River, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note I; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Village of Wells River, Vermont as of January 31, 2021, and the respective changes in financial position thereof, for the year then ended in conformity with the cash basis of accounting as described in Note I.D.

Change in Accounting Principles

As described in Note I.E. to the financial statements, effective January 31, 2021, the Village implemented GASB Statement No. 84, "Fiduciary Activities".

Basis of Accounting

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

Other Matters

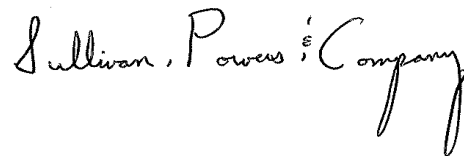
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Wells River, Vermont's basic financial statements. The budgetary comparison information on Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Other Reporting Required by “Government Auditing Standards”

In accordance with “Government Auditing Standards”, we have also issued our report dated November 14, 2022 on our consideration of the Village of Wells River, Vermont’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Auditing Standards” in considering the Village of Wells River, Vermont’s internal control over financial reporting and compliance.

November 14, 2022
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned to the right of the typed text.

VILLAGE OF WELLS RIVER, VERMONT
STATEMENT OF NET POSITION - CASH BASIS
JANUARY 31, 2021

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|-----------------------|------------------------------------|-------------------------------------|-------------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 183,741 | \$ 87,292 | \$ 271,033 |
| Total Assets | <u>183,741</u> | <u>87,292</u> | <u>271,033</u> |
| <u>LIABILITIES</u> | | | |
| Total Liabilities | <u>0</u> | <u>0</u> | <u>0</u> |
| <u>NET POSITION</u> | | | |
| Restricted: | | | |
| Highways and Streets | 6,628 | 0 | 6,628 |
| Community Development | 83,434 | 0 | 83,434 |
| Unrestricted: | <u>93,679</u> | <u>87,292</u> | <u>180,971</u> |
| Total Net Position | <u>\$ 183,741</u> | <u>\$ 87,292</u> | <u>\$ 271,033</u> |

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

VILLAGE OF WELLS RIVER, VERMONT
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED JANUARY 31, 2021

| | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Position | | |
|--------------------------------------|-----------------------|-------------------------|--|---|-----------------------------|-------------------|
| | Cash Disbursements | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Functions/Programs: | | | | | | |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | \$ 188,180 | \$ 79 | \$ 0 | \$ (188,101) | \$ 0 | \$ (188,101) |
| Public Safety | 1,860 | 100 | 0 | (1,760) | 0 | (1,760) |
| Highways and Streets | 278,153 | 0 | 6,869 | (271,284) | 0 | (271,284) |
| Cemetery | 3,000 | 0 | 0 | (3,000) | 0 | (3,000) |
| Debt Service | 35,500 | 0 | 0 | (35,500) | 0 | (35,500) |
| Total Governmental Activities | <u>506,693</u> | <u>179</u> | <u>6,869</u> | <u>(499,645)</u> | <u>0</u> | <u>(499,645)</u> |
| Business-type Activities: | | | | | | |
| Water/Sewer | <u>252,631</u> | <u>162,360</u> | <u>0</u> | <u>0</u> | <u>(90,271)</u> | <u>(90,271)</u> |
| Total Business-type Activities | <u>252,631</u> | <u>162,360</u> | <u>0</u> | <u>0</u> | <u>(90,271)</u> | <u>(90,271)</u> |
| Total Primary Government | <u>\$ 759,324</u> | <u>\$ 162,539</u> | <u>\$ 6,869</u> | <u>(499,645)</u> | <u>(90,271)</u> | <u>(589,916)</u> |
| General Receipts: | | | | | | |
| Property Taxes | | | | 452,206 | 0 | 452,206 |
| General State Grants | | | | 9,716 | 0 | 9,716 |
| Unrestricted Investment Earnings | | | | 111 | 0 | 111 |
| Proceeds from Sale of Vehicle | | | | 25,000 | 0 | 25,000 |
| Other Revenues | | | | 4,967 | 0 | 4,967 |
| Transfers: | | | | <u>732</u> | <u>(732)</u> | <u>0</u> |
| Total General Receipts and Transfers | | | | <u>492,732</u> | <u>(732)</u> | <u>492,000</u> |
| Change in Net Position | | | | (6,913) | (91,003) | (97,916) |
| Net Position - February 1, 2020 | | | | <u>190,654</u> | <u>178,295</u> | <u>368,949</u> |
| Net Position - January 31, 2021 | | | | <u>\$ 183,741</u> | <u>\$ 87,292</u> | <u>\$ 271,033</u> |

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

VILLAGE OF WELLS RIVER, VERMONT
 STATEMENT OF CASH BASIS ASSETS, LIABILITIES AND FUND BALANCES
 GOVERNMENTAL FUNDS
 JANUARY 31, 2021

| | General Fund | Highway Fund | Revolving Loan Fund | Total |
|---|-------------------------|------------------------|---------------------------|--------------------------|
| <u>ASSETS</u> | | | | |
| Cash | \$ <u>93,679</u> | \$ <u>6,628</u> | \$ <u>83,434</u> | \$ <u>183,741</u> |
| Total Assets | \$ <u><u>93,679</u></u> | \$ <u><u>6,628</u></u> | \$ <u><u>83,434</u></u> | \$ <u><u>183,741</u></u> |
| <u>LIABILITIES</u> | | | | |
| Liabilities | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> |
| Total Liabilities | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <u>FUND BALANCES</u> | | | | |
| Restricted | 0 | 6,628 | 83,434 | 90,062 |
| Unassigned | <u>93,679</u> | <u>0</u> | <u>0</u> | <u>93,679</u> |
| Total Fund Balances | <u>93,679</u> | <u>6,628</u> | <u>83,434</u> | <u>183,741</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ <u><u>93,679</u></u> | \$ <u><u>6,628</u></u> | \$ <u><u>83,434</u></u> | \$ <u><u>183,741</u></u> |

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

VILLAGE OF WELLS RIVER, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES
IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JANUARY 31, 2021

| | General Fund | Highway Fund | Revolving Loan Fund | Total |
|---|----------------------|----------------------|---------------------------|-----------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Cash Receipts: | | | | |
| Property Taxes | \$ 344,206 | \$ 108,000 | \$ 0 | \$ 452,206 |
| Intergovernmental | 9,716 | 6,869 | 0 | 16,585 |
| Charges for Services | 100 | 0 | 0 | 100 |
| Permits, Licenses and Fees | 79 | 0 | 0 | 79 |
| Investment Income | 111 | 0 | 0 | 111 |
| Other | <u>0</u> | <u>4,967</u> | <u>0</u> | <u>4,967</u> |
| Total Cash Receipts | <u>354,212</u> | <u>119,836</u> | <u>0</u> | <u>474,048</u> |
| Cash Disbursements: | | | | |
| General Government | 188,179 | 0 | 0 | 188,179 |
| Public Safety | 1,860 | 0 | 0 | 1,860 |
| Highways and Streets | 0 | 231,505 | 0 | 231,505 |
| Cemetery | 3,000 | 0 | 0 | 3,000 |
| Capital Outlay: | | | | |
| Highways and Streets | 0 | 46,649 | 0 | 46,649 |
| Debt Service: | | | | |
| Principal | 0 | 33,501 | 0 | 33,501 |
| Interest | <u>0</u> | <u>1,999</u> | <u>0</u> | <u>1,999</u> |
| Total Cash Disbursements | <u>193,039</u> | <u>313,654</u> | <u>0</u> | <u>506,693</u> |
| Excess/(Deficiency) of Cash Receipts Over Cash Disbursements | <u>161,173</u> | <u>(193,818)</u> | <u>0</u> | <u>(32,645)</u> |
| Other Financing Sources/(Uses): | | | | |
| Proceeds from Sale of Vehicle | 0 | 25,000 | 0 | 25,000 |
| Transfers In | 0 | 120,732 | 0 | 120,732 |
| Transfers Out | <u>(120,000)</u> | <u>0</u> | <u>0</u> | <u>(120,000)</u> |
| Total Other Financing Sources/(Uses) | <u>(120,000)</u> | <u>145,732</u> | <u>0</u> | <u>25,732</u> |
| Net Change in Fund Balances | 41,173 | (48,086) | 0 | (6,913) |
| Fund Balances - February 1, 2020 | <u>52,506</u> | <u>54,714</u> | <u>83,434</u> | <u>190,654</u> |
| Fund Balances - January 31, 2021 | <u>\$ 93,679</u> | <u>\$ 6,628</u> | <u>\$ 83,434</u> | <u>\$ 183,741</u> |

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

VILLAGE OF WELLS RIVER, VERMONT
STATEMENT OF FUND NET POSITION - CASH BASIS
PROPRIETARY FUND
JANUARY 31, 2021

| | Water/Sewer Fund |
|---------------------------------------|-------------------------|
| <u>ASSETS</u> | |
| Cash | \$ <u>87,292</u> |
| Total Assets | \$ <u><u>87,292</u></u> |
| <u>LIABILITIES</u> | |
| Liabilities: | \$ <u>0</u> |
| <u>NET POSITION</u> | |
| Unrestricted: | <u>87,292</u> |
| Total Net Position | <u>87,292</u> |
| Total Liabilities and Net Position | \$ <u><u>87,292</u></u> |

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

VILLAGE OF WELLS RIVER, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH BASIS FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JANUARY 31, 2021

| | <u>Water/Sewer Fund</u> |
|--|-----------------------------|
| Operating Receipts: | |
| Charges for Services | \$ <u>162,360</u> |
| Total Operating Receipts | <u>162,360</u> |
| Operating Disbursements: | |
| Salaries and Benefits | 20,927 |
| Administrative Fees | 2,305 |
| Contracted Services | 38,088 |
| Utilities | 10,356 |
| Repairs and Maintenance | 9,872 |
| Testing | 610 |
| Materials and Supplies | 3,884 |
| Other | <u>1,826</u> |
| Total Operating Disbursements | <u>87,868</u> |
| Operating Income | <u>74,492</u> |
| Non-Operating Receipts/(Disbursements): | |
| Issuance of Long Term Debt | 74,395 |
| Capital Improvement Expenses | (74,395) |
| Principal Payments on Long-term Debt | (161,015) |
| Interest Expense | <u>(3,748)</u> |
| Total Non-Operating Receipts/(Disbursements) | <u>(164,763)</u> |
| Transfers: | |
| Transfer Out | <u>(732)</u> |
| Total Transfers | <u>(732)</u> |
| Change in Net Position | (91,003) |
| Net Position - February 1, 2020 | <u>178,295</u> |
| Net Position - January 31, 2021 | <u>\$ <u>87,292</u></u> |

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

VILLAGE OF WELLS RIVER, VERMONT
 STATEMENT OF FIDUCIARY CASH BASIS NET POSITION
 FIDUCIARY FUND
 JANUARY 31, 2021

| | <u>Custodial Fund</u> <u>Education Tax</u> <u>Fund</u> |
|---------------------|--|
| <u>ASSETS</u> | |
| Assets: | \$ <u>0</u> |
| <u>LIABILITIES</u> | |
| Liabilities: | <u>0</u> |
| <u>NET POSITION</u> | |
| Net Position: | \$ <u><u>0</u></u> |

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

VILLAGE OF WELLS RIVER, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY CASH BASIS NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JANUARY 31, 2021

| | Custodial Fund Education Tax Fund |
|--|---|
| <u>ADDITIONS</u> | |
| Education Taxes Collected for Other Governments | \$ <u>387,985</u> |
| Total Additions | <u>387,985</u> |
| <u>DEDUCTIONS</u> | |
| Education Taxes Distributed to Other Governments | <u>387,985</u> |
| Total Deductions | <u>387,985</u> |
| Change in Net Position | 0 |
| Net Position - February 1, 2020 | <u>0</u> |
| Net Position - January 31, 2021 | <u><u>\$ 0</u></u> |

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

VILLAGE OF WELLS RIVER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2021

The Village of Wells River, Vermont (herein the "Village") operates under a Board of Trustees form of government and provides the following services: public safety, highways and streets, cemetery, community development, water/sewer and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

B. Basis of Presentation

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

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

VILLAGE OF WELLS RIVER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2021

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Village. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. Governmental activities generally are financed through property taxes, intergovernmental receipts, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The Village reports on the following major governmental funds:

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

Highway Fund – This fund accounts for the maintenance and operations of the Village highways.

Revolving Loan Fund – This fund accounts for the Village's community development activity which provides loans to local businesses.

The Village reports on the following major enterprise fund:

Water/Sewer Fund – This fund accounts for the maintenance and operations of the Village water and sewer system.

VILLAGE OF WELLS RIVER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2021

Proprietary fund operating receipts, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating receipts, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Additionally, the Village reports the following fund types:

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

The Village's policy is to prepare its financial statements on the basis of cash receipts and disbursements; consequently, certain revenue and related assets are recognized when received rather than when earned and certain expenditures and related liabilities are recognized when paid rather than when the obligation is incurred.

General capital asset acquisitions are reported as expenditures. Proceeds of general long-term debt are reported as other financing sources.

VILLAGE OF WELLS RIVER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2021

E. New Pronouncement – Fiduciary Activities

Effective January 31, 2021, the Village implemented GASB Statement No. 84, “Fiduciary Activities”. GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This required moving certain items previously recorded through a General Fund liability account to a newly established custodial fund that reports additions and deductions for these activities. No restatement of beginning net position/fund balance was required in any fund. As a result, the collection and remittance of education taxes on behalf of other governments are now presented in Custodial Funds.

F. Assets, Liabilities and Equity

1. Cash

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

2. Fund Equity

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

3. Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as “advances to/from other funds”. All other outstanding balances between funds are reported as “due from/to other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The General Fund and Highway Fund budgets are approved at the annual Village Meeting in March. Any budget changes require voter approval. There were no budget changes during the year.

VILLAGE OF WELLS RIVER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2021

B. Excess of Expenditures Over Appropriations

For the year ended January 31, 2021, expenditures in the Highway Fund exceeded appropriations by \$52,654. This was funded by excess revenues and available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments as of January 31, 2021 consist of the following:

Cash:

| | |
|--------------------------------------|------------------|
| Deposits with Financial Institutions | <u>\$271,033</u> |
| Total Cash | <u>\$271,033</u> |

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Village does not have any policy to limit the exposure to custodial credit risk. The following table shows the custodial credit risk of the Village's cash.

| | <u>Book Balance</u> | <u>Bank Balance</u> |
|--------------|-------------------------|-------------------------|
| FDIC Insured | \$250,000 | \$250,000 |
| Uninsured | <u>21,033</u> | <u>28,341</u> |
| Total | <u>\$271,033</u> | <u>\$278,341</u> |

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

The book balance is comprised of the following:

| | |
|---|------------------|
| Cash – Deposits with Financial Institutions | <u>\$271,033</u> |
| Total | <u>\$271,033</u> |

VILLAGE OF WELLS RIVER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 31, 2021

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Village does not have any policy to limit the exposure to interest rate risk. The Village has no investments subject to interest rate risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Village does not have any policy to limit the exposure to credit risk. The Village has no investments subject to credit risk.

Concentration of Credit Risk

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

B. Interfund Balances and Activity

Interfund transfers during the year ended January 31, 2021 were as follows:

| <u>Transfer From</u> | <u>Transfer To</u> | <u>Amount</u> | <u>Purpose</u> |
|----------------------|--------------------|-------------------|----------------------|
| General Fund | Highway Fund | \$ 120,000 | Appropriation |
| Water/Sewer Fund | Highway Fund | <u>732</u> | Fund Highway Expense |
| Total | | <u>\$ 120,732</u> | |

C. Fund Balances

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

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

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

VILLAGE OF WELLS RIVER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2021

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

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

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

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

The fund balances in the following funds are restricted as follows:

Major Funds

Highway Fund:

| | |
|--|----------|
| Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes and State Highway Aid) | \$ 6,628 |
|--|----------|

Revolving Loan Fund:

| | |
|---|---------------|
| Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue) | <u>83,434</u> |
|---|---------------|

| | |
|--------------------------------|-----------------|
| Total Restricted Fund Balances | <u>\$90,062</u> |
|--------------------------------|-----------------|

D. Restricted Net Position

The restricted net position in the Governmental Activities includes the restricted fund balances of \$90,062.

VILLAGE OF WELLS RIVER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2021

IV. OTHER INFORMATION

A. Pension Plan

Defined Benefit Plan

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. As of June 30, 2020, the measurement date selected by the State of Vermont, the retirement system consisted of 353 participating employers.

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

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

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

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

As of June 30, 2020, the measurement date selected by the State of Vermont, VMERS was funded at 74.52% and had a plan fiduciary net position of \$740,052,895 and a total pension liability of \$993,026,959 resulting in a net position liability of \$252,974,064. As of January 31, 2021, the Village's proportionate share of this was 0.03151% resulting in a net pension liability of \$79,732. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Village's proportion of 0.03151% was an increase of 0.0007 from its proportion measured as of the prior year.

VILLAGE OF WELLS RIVER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2021

Summary of System Provisions

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

Creditable Service – Service as a member plus purchased service.

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

Service Retirement Allowance:

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

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

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

Early Retirement Allowance:

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

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

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

VILLAGE OF WELLS RIVER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2021

Disability Retirement Allowance:

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

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

Death Benefit:

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

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

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

Refund of 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 2% for Group A and 3% for Groups B, C and D.

Member Contributions – Group A – 3.00%. Group B – 5.375%. Group C – 10.50%. Group D – 11.85%.

Employer Contributions – Group A – 4.50%. Group B – 6.00%. Group C – 7.75%. Group D – 10.35%.

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

Significant Actuarial Assumptions and Methods

Investment Rate of Return: 7.00%, net of pension plan investment expenses, including inflation, a decrease from 7.50% in the prior year.

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

VILLAGE OF WELLS RIVER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2021

Mortality:

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

Healthy Post-retirement – Retirees: Groups A, B and C – 104% of 40% PubG-2010 General Healthy Retiree below-median and 60% of PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019. Group D – PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019.

Healthy Post-retirement – Beneficiaries: Groups A, B and C – 70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor, with generational projection using scale MP-2019. Group D – Pub-2010 Contingent Survivor, with generational projection using scale MP-2019.

Disabled Post-retirement: All Groups – 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: 1.10% for Group A members and 1.20% for Groups B, C and D members. The January 1, 2020 and January 1, 2021 COLAs are 0.80% and 0.40%, respectively, for all groups.

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

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

Inflation: 2.30%

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, 2020 are summarized in the following table:

VILLAGE OF WELLS RIVER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2021

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|----------------------------|--------------------------|---|
| Global Equity | 29% | 7.07% |
| US Equity – Large Cap | 4% | 6.19% |
| US Equity – Small/Mid Cap | 3% | 6.93% |
| Non-US Equity – Large Cap | 5% | 7.01% |
| Non-US Equity – Small Cap | 2% | 7.66% |
| Emerging Markets Debt | 4% | 3.66% |
| Core Bond | 20% | 0.39% |
| Private & Alternate Credit | 10% | 6.03% |
| US TIPS | 3% | (0.20)% |
| Core Real Estate | 5% | 4.06% |
| Non-Core Real Estate | 3% | 6.43% |
| Private Equity | 10% | 11.27% |
| Infrastructure/Farmland | 2% | 5.44% |

Discount Rate – The discount rate used to measure the total pension liability was 7.00%, a decrease from 7.50% in the prior year. 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) with scheduled increases through July 1, 2021. Further, based upon Board resolution, projected contributions beginning July 1, 2022, and each subsequent July 1, through 2025 include additional total contribution increases of 0.50% per year. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2020. 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 Village's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.00%) or one percent higher (8.00%):

| <u>1% Decrease (6.00%)</u> | <u>Discount Rate (7.00%)</u> | <u>1% Increase (8.00%)</u> |
|----------------------------|------------------------------|----------------------------|
| \$121,814 | \$79,732 | \$45,107 |

Additional Information

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

VILLAGE OF WELLS RIVER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 31, 2021

B. Property Taxes

The Village is responsible for assessing and collecting its own property taxes as well as education taxes for the State of Vermont. The tax rate is set by the Selectboard based on the voter approved budget, the estimated grand list and the State education property tax liability. Property taxes are due in two installments on September 20 and November 20. The penalty rate is eight percent (8%) after the November 20 payment. Interest is charged at one percent (1%) per month for the first three months and one and a half percent (1-1/2%) per month for each month thereafter. The tax rates for 2021 were as follows:

| | <u>Homestead</u> | <u>Non-Homestead</u> |
|-----------|------------------|----------------------|
| Village | 1.2000 | 1.2000 |
| Education | <u>1.5115</u> | <u>1.5711</u> |
| Total | <u>2.7115</u> | <u>2.7711</u> |

C. Risk Management

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

The Village has elected to pay actual unemployment claims instead of enrolling in an unemployment insurance program. The Village paid \$-0- in unemployment claims during fiscal year 2021.

D. Contingent Liabilities

The Village participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Village expects such amounts, if any, to be immaterial.

VILLAGE OF WELLS RIVER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2021

E. Short-term Debt

The Village had short-term notes payable as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Tax Anticipation Note, Wells River Savings Bank, Interest at 3.60%, Due and Paid January 20, 2021 | \$ <u>0</u> | \$ <u>75,000</u> | \$ <u>75,000</u> | \$ <u>0</u> |
| Total | \$ <u>0</u> | \$ <u>75,000</u> | \$ <u>75,000</u> | \$ <u>0</u> |

F. Long-term Debt

The Village issues general obligation bonds to provide resources for the acquisition and construction of major capital assets and to refund prior issues. General obligation bonds have been issued for proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

The Village has a note payable to finance an equipment purchase through a local bank.

Long-term debt outstanding as of January 31, 2021 was as follows:

Governmental Activities:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Notes Payable, Wells River Savings Bank, 2019 Silverado 5500, Interest at 4.15%, Principal and Interest Payments of \$500 Payable on the 2 nd of every Month, Due October 2, 2024 During the year, the Village made an Additional payment of \$27,500 | \$ <u>45,199</u> | \$ <u>0</u> | \$ <u>33,501</u> | \$ <u>11,698</u> |
| Total Governmental Activities: | <u>45,199</u> | <u>0</u> | <u>33,501</u> | <u>11,698</u> |

VILLAGE OF WELLS RIVER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JANUARY 31, 2021

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|-------------------|---------------------------|
| Business-Type Activities: | | | | |
| Bond Payable, Vermont Municipal Bond Bank, Water Project Loan RF3-353, Interest at 0%, Principal Payments of \$10,019 Payable Annually on April 1, Due April, 2059 | \$ 392,679 | \$ 0 | \$ 11,964 | \$ 380,715 |
| Bond Payable, Vermont Municipal Bond Bank, Old Water Loan, Interest at 0%, Principal Payments of \$4,051 Payable Annually on May 1, Due May 1, 2045 | 105,336 | 0 | 4,051 | 101,285 |
| Notes Payable, Wells River Savings Bank, Bond Anticipation Note, Interest at 3.55%, Payable Annually * | <u>205,535</u> | <u>74,395</u> | <u>145,000</u> | <u>134,930</u> |
| Total Business-type Activities: | <u>703,550</u> | <u>74,395</u> | <u>161,015</u> | <u>616,930</u> |
| Total Long-term Debt | \$ <u>748,749</u> | \$ <u>74,395</u> | \$ <u>194,516</u> | \$ <u>628,628</u> |

Maturities are as follows:

| <u>Year Ending January 31, 2021</u> | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|---|--------------------------------|-----------------|---------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2022 | \$ 5,656 | \$ 340 | \$ 14,070 | \$ 0 |
| 2023 | 6,042 | 140 | 14,070 | 0 |
| 2024 | 0 | 0 | 14,070 | 0 |
| 2025 | 0 | 0 | 14,070 | 0 |
| 2026 | 0 | 0 | 14,070 | 0 |
| 2027-2031 | 0 | 0 | 70,350 | 0 |
| 2032-2036 | 0 | 0 | 70,350 | 0 |
| 2037-2041 | 0 | 0 | 70,350 | 0 |
| 2042-2046 | 0 | 0 | 70,360 | 0 |
| 2047-2051 | 0 | 0 | 50,095 | 0 |
| 2052-2056 | 0 | 0 | 50,095 | 0 |
| 2057-2059 | 0 | 0 | 30,050 | 0 |
| Total | <u>\$ 11,698</u> | <u>\$ 480</u> | <u>\$ 482,000</u> | <u>\$ 0</u> |

* Bond Anticipation Note – unknown maturity

VILLAGE OF WELLS RIVER, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JANUARY 31, 2021

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|--|----------------|------------------|---|
| Cash Receipts: | | | |
| Property Taxes | \$ 329,850 | \$ 344,206 | \$ 14,356 |
| Fire Station Rent | 0 | 100 | 100 |
| Interest | 0 | 111 | 111 |
| Local Fines | 0 | 79 | 79 |
| PILOT | 3,000 | 9,716 | 6,716 |
| | <u>332,850</u> | <u>354,212</u> | <u>21,362</u> |
| Total Cash Receipts | <u>332,850</u> | <u>354,212</u> | <u>21,362</u> |
| Cash Disbursements: | | | |
| Library Appropriation | 20,600 | 20,600 | 0 |
| Cemetery Appropriation | 5,000 | 3,000 | 2,000 |
| Berry Field | 500 | 0 | 500 |
| WRAP Appropriation | 200 | 200 | 0 |
| Parade Appropriation | 250 | 200 | 50 |
| Payroll | 35,000 | 99,240 | (64,240) |
| FICA Expense | 55,000 | 13,292 | 41,708 |
| Health Insurance | 12,400 | 12,881 | (481) |
| Retirement | 15,000 | 15,022 | (22) |
| Office Expenses | 6,800 | 5,294 | 1,506 |
| Insurance | 35,000 | 15,793 | 19,207 |
| Fuel Oil | 6,000 | 2,141 | 3,859 |
| Rubbish | 500 | 540 | (40) |
| Dues | 800 | 950 | (150) |
| Police | 8,000 | 1,860 | 6,140 |
| Repairs and Maintenance | 1,000 | 0 | 1,000 |
| Ballot Clerk | 300 | 441 | (141) |
| Lawyer Expense | 1,500 | 0 | 1,500 |
| Notice | 0 | 300 | (300) |
| Interest Expense | 0 | 1,285 | (1,285) |
| Transfer to Highway Fund | 129,000 | 120,000 | 9,000 |
| | <u>332,850</u> | <u>313,039</u> | <u>19,811</u> |
| Total Cash Disbursements | <u>332,850</u> | <u>313,039</u> | <u>19,811</u> |
| Excess of Cash Receipts Over Cash Disbursements | <u>\$ 0</u> | 41,173 | <u>\$ 41,173</u> |
| Fund Balance - February 1, 2020 | | <u>52,506</u> | |
| Fund Balance - January 31, 2021 | | <u>\$ 93,679</u> | |

See Disclaimer in Accompanying Independent Auditor's Report.

VILLAGE OF WELLS RIVER, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
HIGHWAY FUND
FOR THE YEAR ENDED JANUARY 31, 2021

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|---|----------------|-----------------|---|
| Cash Receipts: | | | |
| Property Taxes | \$ 108,000 | \$ 108,000 | \$ 0 |
| Highway State Aid | 6,500 | 6,869 | 369 |
| Reimbursement | 0 | 4,967 | 4,967 |
| Sale of Equipment | 0 | 25,000 | 25,000 |
| Other Revenue | 500 | 732 | 232 |
| Transfer from General Fund | 146,000 | 120,000 | (26,000) |
| | <u>261,000</u> | <u>265,568</u> | <u>4,568</u> |
| Total Cash Receipts | | | |
| Cash Disbursements: | | | |
| Payroll Expenses | 52,000 | 49,711 | 2,289 |
| Supplies | 2,500 | 2,422 | 78 |
| Notices | 0 | 297 | (297) |
| Miscellaneous | 0 | 50 | (50) |
| Electricity | 11,000 | 12,144 | (1,144) |
| Diesel and Gas | 3,500 | 1,914 | 1,586 |
| Equipment Maintenance | 3,500 | 3,904 | (404) |
| Equipment Repair | 0 | 2,115 | (2,115) |
| Equipment Purchase | 3,500 | 364 | 3,136 |
| Equipment Rental | 4,500 | 5,750 | (1,250) |
| Winter Maintenance | 8,000 | 13,293 | (5,293) |
| Salt | 25,000 | 12,728 | 12,272 |
| Sand | 0 | 380 | (380) |
| Road Maintenance | 25,000 | 10,641 | 14,359 |
| Road Repair | 0 | 1,469 | (1,469) |
| Paving | 75,000 | 78,348 | (3,348) |
| Street Sweeping | 1,500 | 250 | 1,250 |
| Highway Tax | 34,000 | 35,725 | (1,725) |
| New Truck | 0 | 46,649 | (46,649) |
| Truck Payment | 10,500 | 35,500 | (25,000) |
| Building Repairs and Maintenance | 1,500 | 0 | 1,500 |
| | <u>261,000</u> | <u>313,654</u> | <u>(52,654)</u> |
| Total Cash Disbursements | | | |
| Excess/(Deficiency) of Cash Receipts Over Cash Disbursements | <u>\$ 0</u> | (48,086) | <u>\$ (48,086)</u> |
| Fund Balance - February 1, 2020 | | <u>54,714</u> | |
| Fund Balance - January 31, 2021 | | <u>\$ 6,628</u> | |

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Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
"Government Auditing Standards"

Board of Trustees
Village of Wells River, Vermont
Post Office Box 737
Wells River, Vermont 05081

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Wells River, Vermont, as of and for the year ended January 31, 2021, and the related notes to the financial statements, which collectively comprise the Village of Wells River, Vermont's basic financial statements, and have issued our report thereon dated November 14, 2022.

Report on Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village of Wells River, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2021-01 through 2021-04 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2021-05 and 2021-06 to be significant deficiencies.

Report on Compliance and Other Matters

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

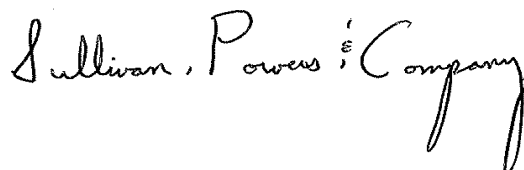
Village of Wells River, Vermont's Response to Findings

The Village of Wells River, Vermont has not responded to the deficiencies in internal control identified in our audit.

Purpose of this Report

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

November 14, 2022
Montpelier, Vermont
VT Lic. #92-000180



VILLAGE OF WELLS RIVER, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JANUARY 31, 2021

Deficiencies in Internal Control:

Material Weaknesses:

2021-01 Segregation of Duties - Cash

Criteria:

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

Condition:

In the Village, the same person that reconciles the bank accounts also collects cash, posts to the journals, makes deposits and has check signing authority.

Cause:

The limit staff available in the office provides little opportunity to achieve an optimum separation of duties and responsibilities.

Effect:

The Village has inadvertently made its assets susceptible to misappropriation.

Recommendation:

We recommend that the Village revise their procedures to ensure that the bank reconciliation function is delegated to an individual who does not have check signing authority. Otherwise, we recommend that, at a minimum, someone other than a check signer review all bank reconciliations, bank statements, cancelled checks and any debit memos.

2021-02 Accounting System

Criteria:

The general ledger is a primary control device in any double entry accounting system. If properly and regularly maintained, the account balances will facilitate prompt and complete financial reporting at the end of any operating period. The individual accounts, particularly the asset and liability accounts, will provide control for reconciliation with other data from internal or external sources.

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Condition:

The accounting system currently utilized by the Village does not have the capacity to maintain a double entry accounting model that can provide meaningful and productive financial information to the intended users in a timely manner.

Cause:

Unknown.

Effect:

The absence of an effective double entry accounting system could lead to material misstatements that will not be prevented, or detected and corrected, on a timely basis. Furthermore, it imposes difficulties when extracting relevant financial information for management, the Board of Trustees or other intended users.

Recommendation:

We recommend that the Village investigate the implementation of accounting software that possesses the technical requirements to maintain an effective double entry accounting system that will be supported externally for the foreseeable future.

2021-03 Payroll

Criteria:

Internal controls should be in place to ensure that all employees are paid appropriately.

Condition:

In the Village, there were no controls in place to ensure that all employees were paid appropriately. There were no documented approved pay rates or job descriptions. In addition, there was very little oversight over the hours worked or amounts paid. The payroll was recorded net of taxes in several funds which made knowing the total amounts paid by employee difficult to determine.

Cause:

Unknown.

Effect:

Because of the lack of documentation and oversight, it was unclear if the employees were paid appropriately.

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Recommendation:

We recommend that the Board review and approve salaries and pay rates for all employees at least annually. We also recommend that the salaries/pay rates be documented and acknowledged by each employee and included in the personnel files.

We also recommend that the Board develop job descriptions for each position in the Village. We also recommend that the timesheets maintained by hourly employees be approved by an appropriate individual prior to employees being paid. We also recommend that all payroll be recorded at gross in the accounting records so that the total amounts being paid are clear and transparent.

2021-04 Property Tax/Water Billings Reconciliations

Criteria:

Internal controls should be in place to ensure that property tax and water billings are reconciled on a timely basis.

Condition:

The Village did not have controls in place to ensure that property tax and water billings were reconciled on a timely basis.

Cause:

Unknown.

Effect:

The Village's property taxes and water billings were not reconciled to supporting documentation. As a result, the Village could not be sure that all property taxes and water billings were received and recorded in the Village's accounts.

Recommendation:

We recommend that the Village implement controls to ensure that property taxes and water billings are reconciled supporting documentation on a regular and timely basis.

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Significant Deficiencies:

2021-05 Authorization and Support for General Journal Entries

Criteria:

Internal controls should be in place that requires appropriate officials to authorize all adjustments to the books of original entry. Each journal entry should have supporting documentation showing where the amounts come from and why the journal entry is being made. This should be attached or referenced to the journal entry.

Condition:

The Village does not have a policy in place to require authorization or review of adjustments to the books of original entry.

Cause:

Unknown.

Effect:

This deficiency in the internal control structure could allow other working control policies to be circumvented.

Recommendation:

We recommend that the Village enact a policy that requires appropriate officials to authorize all general journal entries so as not to circumvent the original approval process. We also recommend that the Village attach or reference supporting documentation to all journal entries.

2021-06 Accounting and Procedures Manual

Criteria:

An accounting and procedures manual should be in place. This manual should define duties and responsibilities for current personnel so as to prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. It will also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees.

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Condition:

The Village does not have an accounting and procedures manual in place.

Cause:

This has not been considered a priority as the small staff is busy recording the activity of the Village.

Effect:

The Village staff does not have a manual to turn to when questions arise about the scope of their duties and responsibilities.

Recommendation:

We recommend that the Village develop this document for all accounting procedures as soon as possible. Each individual should document their duties and how to perform them. The manual should include examples of forms with descriptions of their use. Once developed, only changes in procedures or forms will require changes in the manual.

We believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

We also recommend that the Village make sure that there are no jobs related to accounting and finance that only one person knows how to perform. The procedures manual would also be useful in determining whether this situation exists.