

Federal Compliance Audit

Town of Brandon, Vermont

June 30, 2023



Proven Expertise & Integrity

TOWN OF BRANDON, VERMONT

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JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Selectboard
Town of Brandon
Brandon, Vermont

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Brandon, 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 Brandon, Vermont's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Brandon, Vermont as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Brandon, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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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 Brandon, 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 Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Brandon, 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 doubt about the Town of Brandon, Vermont's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 5 through 12 and 60 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Brandon, Vermont's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues, Schedule of Departmental Operations - General Fund, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule

of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2024 on our consideration of the Town of Brandon, 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 Brandon, 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 Brandon, Vermont's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
April 18, 2024

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

(UNAUDITED)

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

Financial Statement Overview

The Town of Brandon, Vermont's basic financial statements include the following components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule, pension information and other supplementary information which includes combining and other schedules.

Basic Financial Statements

The basic financial statements include financial information in two differing views: the government-wide financial statements and the fund financial statements. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Town's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Town's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities - this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the above-mentioned financial statements have separate columns for the two different types of Town activities. The types of activities presented for the Town of Brandon, Vermont are:

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). Most of the Town's basic services are reported in governmental activities, which include general government, public safety, public works, recreation, appropriations, education and unclassified.
- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Town of Brandon include the Wastewater Fund.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Brandon, like other local governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Brandon can be divided into two categories: governmental funds and proprietary funds.

Governmental funds: Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balance of spendable resources available at the end of the fiscal year. Such information will be useful in evaluating the government's near-term financing requirements. This approach is known as the current financial resources measurement focus and the modified accrual basis of accounting. Under this approach, revenues are recorded when cash is received or when susceptible to accrual. Expenditures are recorded when liabilities are incurred and due. These statements provide a detailed short-term view of the Town's finances to assist in determining whether there will be adequate financial resources available to meet the current needs of the Town.

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

comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The Town of Brandon presents four columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances. The Town's major governmental funds are the general fund, revolving loan funds and the trustees of public funds. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

The general fund is the only fund for which the Town legally adopted a budget. The Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund provides a comparison of the original and final budget and the actual expenditures for the current year.

Proprietary Funds: The Town of Brandon maintains one proprietary fund, the Wastewater Fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows - Proprietary Funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions - Pension and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regard to nonmajor funds, capital asset activity and other detailed budgetary information for the general fund.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the Town's governmental and business-type activities. The Town's total net position for governmental activities increased by \$142,951 from \$41,508,335 to \$41,651,286. For business-type activities, the Town's total net position increased by \$174,693 from \$4,274,022 to \$4,448,715.

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 - decreased for the governmental activities to a balance of \$548,633 at the end of the fiscal year. The business-type activities do not have an unrestricted net position.

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

	Governmental Activities		Business-type Activities	
	2023	2022	2023	2022
Assets:				
Current Assets	\$ 3,670,412	\$ 3,973,512	\$ 1,552,769	\$ 1,235,723
Noncurrent Assets - Capital Assets	40,458,403	40,072,536	8,010,021	4,751,798
Total Assets	<u>44,128,815</u>	<u>44,046,048</u>	<u>9,562,790</u>	<u>5,987,521</u>
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	543,073	294,254	-	-
Total Deferred Outflows of Resources	<u>543,073</u>	<u>294,254</u>	<u>-</u>	<u>-</u>
Liabilities:				
Current Liabilities	464,851	427,497	3,525,045	92,507
Noncurrent Liabilities	2,536,813	2,066,262	1,589,030	1,620,992
Total Liabilities	<u>3,001,664</u>	<u>2,493,759</u>	<u>5,114,075</u>	<u>1,713,499</u>
Deferred Inflows of Resources:				
Deferred Inflows Related to Pensions	18,938	338,208	-	-
Total Deferred Inflows of Resources	<u>18,938</u>	<u>338,208</u>	<u>-</u>	<u>-</u>
Net Position:				
Net Investment in Capital Assets	39,032,443	38,313,714	6,367,572	3,073,510
Restricted	1,918,746	2,078,748	(1,918,857)	1,200,512
Unrestricted	700,097	1,115,873	-	-
Total Net Position	<u>\$ 41,651,286</u>	<u>\$ 41,508,335</u>	<u>\$ 4,448,715</u>	<u>\$ 4,274,022</u>

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 227,579	\$ 221,774	\$ 875,506	\$ 708,101
Operating grants and contributions	179,839	195,898	130,997	107,878
<i>General Revenues:</i>				
Taxes	7,147,568	7,340,801	-	-
Grants and contributions not restricted to specific programs	1,082,087	870,450	-	-
Miscellaneous	563,329	291,254	29,902	34,359
Total Revenues	<u>9,200,402</u>	<u>8,920,177</u>	<u>1,036,405</u>	<u>850,338</u>
Expenses				
General government	841,078	1,012,159	-	-
Public safety	756,310	819,971	-	-
Public works	2,344,592	2,352,801	-	-
Recreation	194,780	193,496	-	-
Education	4,204,007	4,296,071	-	-
County tax	27,718	23,807	-	-
Appropriations	217,330	296,024	-	-
Interest on long-term debt	48,437	12,740	69,290	31,723
Wastewater fund	-	-	615,730	546,943
Depreciation	-	-	176,692	164,639
Unclassified	423,199	240,955	-	-
Total Expenses	<u>9,057,451</u>	<u>9,248,024</u>	<u>861,712</u>	<u>743,305</u>
Change in Net Position	142,951	(327,847)	174,693	107,033
Net Position - July 1	<u>41,508,335</u>	<u>41,836,182</u>	<u>4,274,022</u>	<u>4,166,989</u>
Net Position - June 30	<u>\$ 41,651,286</u>	<u>\$ 41,508,335</u>	<u>\$ 4,448,715</u>	<u>\$ 4,274,022</u>

Revenues and Expenses

Revenues for the Town of Brandon's governmental activities increased by 3.14%, while total expenses decreased by 2.06%. The increase in revenues was primarily due to grants and contributions not restricted to specific programs and miscellaneous and the decrease in expenses was primarily due to general government and county tax.

Revenues for the business-type activities increased by 21.88% while total expenses increased by 15.93%.

Financial Analysis of the Town's Fund Statements

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

Table 3
Town of Brandon, Vermont
Fund Balances - Governmental Funds
June 30,

	<u>2023</u>	<u>2022</u>	<u>Increase/ (Decrease)</u>
General Fund:			
Nonspendable	\$ 6,725	\$ 4,350	\$ 2,375
Restricted	66,203	217,667	(151,464)
Assigned	154,262	32,162	122,100
Unassigned	564,485	784,157	(219,672)
Total General Fund	<u>\$ 791,675</u>	<u>\$ 1,038,336</u>	<u>\$ (246,661)</u>
Revolving Loan Funds			
Restricted	\$ 83,390	\$ 79,042	\$ 4,348
Total Revolving Loan Funds	<u>\$ 83,390</u>	<u>\$ 79,042</u>	<u>\$ 4,348</u>
Trustees of Public Funds:			
Restricted	\$ 850,601	\$ 773,789	\$ 76,812
Total Trustees of Public Funds	<u>\$ 850,601</u>	<u>\$ 773,789</u>	<u>\$ 76,812</u>
Nonmajor Funds:			
Special Revenue Funds:			
Restricted	\$ 911,827	\$ 1,003,900	\$ (92,073)
Capital Projects Funds:			
Unassigned (deficit)	(290,034)	(58,522)	(231,512)
Total Nonmajor Funds	<u>\$ 621,793</u>	<u>\$ 945,378</u>	<u>\$ (323,585)</u>

The changes in total fund balances for the general fund, revolving loan funds, trustees of public funds and the nonmajor funds occurred due to the regular activity of operations.

Proprietary funds: The Town’s proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

The Wastewater Fund had an operating income of \$86,917 for the fiscal year versus an operating loss of \$718 last year.

Budgetary Highlights

The difference between the original and final budget for the general fund were due to applied receipts.

The general fund actual revenues exceeded budgeted amounts by \$377,988. Most revenue categories were receipted above budgeted amounts except for property taxes and charges for services.

The general fund actual expenditures exceeded budgeted amounts by \$624,649. All expenditure categories were within or under budgeted amounts with the exception of general government, public safety, public works, recreation and unclassified.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2023, the net book value of capital assets recorded by the Town increased by \$3,644,090 from the prior year. The increase is the result of capital additions of \$5,045,552, less current year depreciation of \$1,401,462.

Town of Brandon, Vermont Capital Assets (Net of Depreciation) June 30,

	2023	2022
Land	\$ 1,688,280	\$ 1,240,993
Construction in progress	4,163,515	599,829
Buildings, building improvements and land improvements	2,685,087	2,739,531
Machinery, equipment and vehicles	2,150,450	1,606,802
Infrastructure	37,781,092	38,637,179
Total	\$ 48,468,424	\$ 44,824,334

Debt

At June 30, 2023, the Town had \$3,068,409 in bonds payable and notes from direct borrowings versus \$3,437,110 last year, a decrease of 10.73%. Refer to Note 8 of the Notes to the Financial Statements for detailed information.

Currently Known Facts, Decisions or Conditions

Economic Factors and Next Year's Budgets and Rates

The Town's unassigned fund balance has fallen below a level sufficient to sustain government operations for less than a period of one month. However, the Town continues to maintain significant reserves for future operations, capital and program needs.

The Town noted a subsequent event as a currently known fact. Refer to Note 22 of Notes to the Financial Statements for more detailed information.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's Office at 49 Center Street, Brandon, Vermont 05733.

TOWN OF BRANDON, VERMONT

STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,359,423	\$ -	\$ 1,359,423
Investments	2,087,526	-	2,087,526
Accounts receivable (net of allowance for uncollectibles):			
Taxes	452,908	-	452,908
Other	34,669	606,092	640,761
Loans receivable (net of allowance for uncollectibles)	675,838	-	675,838
Prepaid items	6,725	-	6,725
Internal balances	(946,677)	946,677	-
Total current assets	<u>3,670,412</u>	<u>1,552,769</u>	<u>5,223,181</u>
Noncurrent assets:			
Capital assets:			
Land and other assets not being depreciated	2,204,181	3,647,614	5,851,795
Depreciable assets, net of accumulated depreciation	<u>38,254,222</u>	<u>4,362,407</u>	<u>42,616,629</u>
Total noncurrent assets	<u>40,458,403</u>	<u>8,010,021</u>	<u>48,468,424</u>
TOTAL ASSETS	<u>44,128,815</u>	<u>9,562,790</u>	<u>53,691,605</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	543,073	-	543,073
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>543,073</u>	<u>-</u>	<u>543,073</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 44,671,888</u>	<u>\$ 9,562,790</u>	<u>\$ 54,234,678</u>

STATEMENT A (CONTINUED)
TOWN OF BRANDON, VERMONT

STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 197,713	\$ 162,973	\$ 360,686
Accrued expenses	23,066	2,118	25,184
Accrued interest payable	11,834	5,136	16,970
Bond anticipation note	-	3,293,938	3,293,938
Current portion of long-term obligations	232,238	60,880	293,118
Total current liabilities	<u>464,851</u>	<u>3,525,045</u>	<u>3,989,896</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Bonds payable	1,167,390	741,890	1,909,280
Notes from direct borrowings	31,421	840,052	871,473
Accrued compensated absences	96,681	7,088	103,769
Net pension liability	1,241,321	-	1,241,321
Total noncurrent liabilities	<u>2,536,813</u>	<u>1,589,030</u>	<u>4,125,843</u>
TOTAL LIABILITIES	<u>3,001,664</u>	<u>5,114,075</u>	<u>8,115,739</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	18,938	-	18,938
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>18,938</u>	<u>-</u>	<u>18,938</u>
NET POSITION			
Net investment in capital assets	39,032,443	6,367,572	45,400,015
Restricted (deficit)	1,918,746	(1,918,857)	(111)
Unrestricted	700,097	-	700,097
TOTAL NET POSITION	<u>41,651,286</u>	<u>4,448,715</u>	<u>46,100,001</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 44,671,888</u>	<u>\$ 9,562,790</u>	<u>\$ 54,234,678</u>

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

STATEMENT B

TOWN OF BRANDON, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 841,078	\$ 227,579	\$ -	\$ -	\$ (613,499)	\$ -	\$ (613,499)
Public safety	756,310	-	-	-	(756,310)	-	(756,310)
Public works	2,344,592	-	179,839	-	(2,164,753)	-	(2,164,753)
Recreation	194,780	-	-	-	(194,780)	-	(194,780)
Education	4,204,007	-	-	-	(4,204,007)	-	(4,204,007)
County tax	27,718	-	-	-	(27,718)	-	(27,718)
Appropriations	217,330	-	-	-	(217,330)	-	(217,330)
Interest on long-term debt	48,437	-	-	-	(48,437)	-	(48,437)
Unclassified	423,199	-	-	-	(423,199)	-	(423,199)
Total governmental activities	<u>9,057,451</u>	<u>227,579</u>	<u>179,839</u>	<u>-</u>	<u>(8,650,033)</u>	<u>-</u>	<u>(8,650,033)</u>
Business-type activities:							
Wastewater fund	861,712	875,506	-	130,997	-	144,791	144,791
Total business-type activities	<u>861,712</u>	<u>875,506</u>	<u>-</u>	<u>130,997</u>	<u>-</u>	<u>144,791</u>	<u>144,791</u>
Total government	<u>\$ 9,919,163</u>	<u>\$ 1,103,085</u>	<u>\$ 179,839</u>	<u>\$ 130,997</u>	<u>(8,650,033)</u>	<u>144,791</u>	<u>(8,505,242)</u>

STATEMENT B (CONTINUED)
TOWN OF BRANDON, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Activities	Business- type Activities	Total
Changes in net position:			
Net (expense) revenue	(8,650,033)	144,791	(8,505,242)
General revenues:			
Taxes, levied for general purposes	7,147,568	-	7,147,568
Grants and contributions not restricted to specific programs	1,082,087	-	1,082,087
Miscellaneous	563,329	29,902	593,231
Total general revenues and transfers	8,792,984	29,902	8,822,886
Change in net position	142,951	174,693	317,644
NET POSITION - JULY 1	41,508,335	4,274,022	45,782,357
NET POSITION - JUNE 30	\$ 41,651,286	\$ 4,448,715	\$ 46,100,001

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

TOWN OF BRANDON, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Revolving Loan Funds	Trustees of Public Funds	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,316,899	\$ -	\$ 42,523	\$ 1	\$ 1,359,423
Investments	112,112	-	808,078	1,167,336	2,087,526
Accounts receivable (net of allowance for uncollectibles):					
Taxes	452,908	-	-	-	452,908
Other	2,296	-	-	32,373	34,669
Loans receivable (net of allowance for uncollectibles)	-	675,838	-	-	675,838
Prepaid items	6,725	-	-	-	6,725
Due from other funds	777,043	83,425	-	205,512	1,065,980
TOTAL ASSETS	\$ 2,667,983	\$ 759,263	\$ 850,601	\$ 1,405,222	\$ 5,683,069
LIABILITIES					
Accounts payable	\$ 191,292	\$ 35	\$ -	\$ 6,386	\$ 197,713
Accrued expenses	23,066	-	-	-	23,066
Due to other funds	1,235,614	-	-	777,043	2,012,657
TOTAL LIABILITIES	1,449,972	35	-	783,429	2,233,436
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues	426,336	675,838	-	-	1,102,174
TOTAL DEFERRED INFLOWS OF RESOURCES	426,336	675,838	-	-	1,102,174
FUND BALANCES					
Nonspendable	6,725	-	-	-	6,725
Restricted	66,203	83,390	850,601	911,827	1,912,021
Committed	-	-	-	-	-
Assigned	154,262	-	-	-	154,262
Unassigned (deficit)	564,485	-	-	(290,034)	274,451
TOTAL FUND BALANCES	791,675	83,390	850,601	621,793	2,347,459
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,667,983	\$ 759,263	\$ 850,601	\$ 1,405,222	\$ 5,683,069

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

TOWN OF BRANDON, VERMONT

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

	<u>Total Governmental Funds</u>
Total Fund Balances	\$ 2,347,459
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	40,458,403
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds shown above:	
Taxes and liens receivable	426,336
Loans receivable	675,838
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	543,073
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(1,363,900)
Notes from direct borrowings	(62,060)
Accrued compensated absences	(101,770)
Net pension liability	(1,241,321)
Accrued interest payable	(11,834)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	<u>(18,938)</u>
Net position of governmental activities	<u>\$ 41,651,286</u>

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

STATEMENT E

TOWN OF BRANDON, VERMONT

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

	General Fund	Revolving Loan Funds	Trustees of Public Funds	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 7,039,867	\$ -	\$ -	\$ -	\$ 7,039,867
Intergovernmental	232,248	-	-	1,029,678	1,261,926
Charges for services	227,469	110	-	-	227,579
Investment income, net of realized/unrealized gains/(losses)	-	7,282	84,077	11,403	102,762
Miscellaneous revenues	104,576	36,992	-	315,991	457,559
TOTAL REVENUES	7,604,160	44,384	84,077	1,357,072	9,089,693
EXPENDITURES					
Current:					
General government	1,091,555	-	-	-	1,091,555
Public safety	794,284	-	-	-	794,284
Public works	1,452,171	-	-	-	1,452,171
Recreation	192,794	-	-	-	192,794
Education	4,204,007	-	-	-	4,204,007
County tax	27,718	-	-	-	27,718
Appropriations	217,330	-	-	-	217,330
Unclassified	46,310	40,036	7,265	329,588	423,199
Debt service:					
Principal	196,510	-	-	-	196,510
Interest	48,437	-	-	-	48,437
Capital outlay	-	-	-	930,774	930,774
TOTAL EXPENDITURES	8,271,116	40,036	7,265	1,260,362	9,578,779
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(666,956)	4,348	76,812	96,710	(489,086)
OTHER FINANCING SOURCES (USES)					
Transfers in	425,295	-	-	1,006,080	1,431,375
Transfers (out)	(5,000)	-	-	(1,426,375)	(1,431,375)
TOTAL OTHER FINANCING SOURCES (USES)	420,295	-	-	(420,295)	-
NET CHANGE IN FUND BALANCES	(246,661)	4,348	76,812	(323,585)	(489,086)
FUND BALANCES - JULY 1	1,038,336	79,042	773,789	945,378	2,836,545
FUND BALANCES - JUNE 30	\$ 791,675	\$ 83,390	\$ 850,601	\$ 621,793	\$ 2,347,459

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

TOWN OF BRANDON, VERMONT

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

Net change in fund balances - total governmental funds (Statement E) \$ (489,086)

Amounts reported for governmental activities in the Statement of
Activities (Statement B) are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense allocated to
those expenditures over the life of the assets:

Capital asset acquisitions	1,610,637
Depreciation expense	<u>(1,224,770)</u>
	<u>385,867</u>

Revenues in the Statement of Activities that do not provide current
financial resources are not reported:

Taxes and liens receivable	107,701
Loans receivable	<u>3,008</u>
	<u>110,709</u>

Deferred outflows of resources are a consumption of net position by
the government that are applicable to a future reporting period and
therefore are not reported in the funds

248,819

Repayment of long-term debt principal is an expenditure in the
governmental funds, but the repayment reduces long-term obligations
in the Statement of Net Position

332,862

Deferred inflows of resources are an acquisition of net position by the
government that are applicable to a future reporting period and
therefore are not reported in the funds

319,270

Some expenses reported in the Statement of Activities do not require
the use of current financial resources and therefore are not reported
as expenditures in governmental funds:

Accrued compensated absences	(48,742)
Net pension liability	<u>(716,748)</u>
	<u>(765,490)</u>

Change in net position of governmental activities (Statement B) \$ 142,951

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

TOWN OF BRANDON, VERMONT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2023

	<u>Enterprise Funds</u> <u>Wastewater</u> <u>Fund</u>
ASSETS	
Current assets:	
Accounts receivable (net of allowance for uncollectibles)	\$ 606,092
Due from other funds	946,677
Total current assets	<u>1,552,769</u>
Noncurrent assets:	
Capital assets:	
Construction in progress	3,647,614
Buildings and improvements	2,121,498
Equipment	1,912,000
Sewer lines	2,834,600
Less: accumulated depreciation	<u>(2,505,691)</u>
Total noncurrent assets	<u>8,010,021</u>
TOTAL ASSETS	<u>\$ 9,562,790</u>
LIABILITIES	
Current liabilities:	
Accounts payable	162,973
Accrued expenses	2,118
Accrued interest payable	5,136
Bond anticipation note payable	3,293,938
Current portion of long-term obligations	<u>60,880</u>
Total current liabilities	<u>3,525,045</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bonds payable	741,890
Notes from direct borrowings	840,052
Accrued compensated absences	<u>7,088</u>
Total noncurrent liabilities	<u>1,589,030</u>
TOTAL LIABILITIES	<u>5,114,075</u>
NET POSITION	
Net investment in capital assets	6,367,572
Restricted	<u>(1,918,857)</u>
TOTAL NET POSITION	<u>4,448,715</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 9,562,790</u>

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

TOWN OF BRANDON, VERMONT

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

	<u>Enterprise Funds</u> Wastewater Fund
OPERATING REVENUES	
Charges for services	\$ 875,506
Other	3,833
TOTAL OPERATING REVENUES	<u>879,339</u>
OPERATING EXPENSES	
Wages and benefits	218,069
Professional services	42,673
Supplies	5,176
Equipment	11,215
Maintenance and repairs	90,410
Chemicals	77,384
Operations	119,459
Administration	30,000
Insurance	21,344
Depreciation	176,692
TOTAL OPERATING EXPENSES	<u>792,422</u>
OPERATING INCOME (LOSS)	<u>86,917</u>
NONOPERATING REVENUES (EXPENSES)	
Capital contributions	130,997
Interest income	26,069
Interest expense	(69,290)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>87,776</u>
CHANGE IN NET POSITION	174,693
NET POSITION - JULY 1	<u>4,274,022</u>
NET POSITION - JUNE 30	<u>\$ 4,448,715</u>

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

TOWN OF BRANDON, VERMONT

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

	<u>Enterprise Funds</u>
	<u>Wastewater</u>
	<u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 634,432
Other receipts	3,833
Internal activity - receipts (payments) from/to other funds	(75,972)
Payments to employees	(213,305)
Payments to suppliers	(259,948)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>89,040</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest paid on long-term debt	(69,290)
Debt proceeds	35,464
Bond anticipation note proceeds	3,293,938
Capital contributions	130,997
Capital asset additions	(3,434,915)
Principal payments on long-term debt	(71,303)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(115,109)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	26,069
Net cash provided (used) by investing activities	<u>26,069</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS - JULY 1	-
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 86,917
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation expense	176,692
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(241,074)
(Increase) decrease in due from other funds	(75,972)
Increase (decrease) in accounts payable	137,412
Increase (decrease) in accrued liabilities	(2,172)
Increase (decrease) in accrued interest	2,473
Increase (decrease) in accrued compensated absences	4,764
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 89,040</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	<u>\$ 69,290</u>

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Brandon was incorporated under the laws of the State of Vermont. The Town operates under the Selectboard-manager form of government and provides the following services: general government, public safety, public works, recreation, appropriations, education and unclassified.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The Town's combined financial statements include all accounts and all operations of the Town. We have determined that the Town has no component units as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

Implementation of New Accounting Standards

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

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

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's Wastewater Fund is categorized as business-type activities. All other activities of the Town are categorized as governmental.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts - net investment in capital assets, restricted net position and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, public safety, etc.) excluding fiduciary activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (taxes, certain intergovernmental revenues and charges for services, etc.).

The Town does not allocate indirect costs. All costs are charged directly to the corresponding department.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic Financial Statements and Fund Financial Statements

The financial transactions of the Town are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

1. Governmental Funds:

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

Major funds:

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The Revolving Loan Funds are used to account for financial resources used in community development programs. Revenue sources are interest and principal payments from community borrowers.
- c. The Trustees of Public Funds are used to account for assets held by the Town pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

Nonmajor funds:

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e., interest income. The following is a description of the proprietary funds of the Town:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenses of either the fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Basis of Accounting

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

1. Accrual

Governmental activities in the government-wide financial statements and proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Budget

The Town's policy is to adopt an annual budget for operations. The budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. In the second half of the year the Town prepares a budget for the fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A Town meeting of the residents of the Town was called for the purpose of adopting the proposed budget after public notice of the meeting was given.
3. The budget was adopted subsequent to passage by the inhabitants of the Town.

Deposits and Investments

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

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposit and other evidence of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

Receivables

Receivables include amounts due for loans receivable and Enterprise funds primarily. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2023. Accounts receivable and loans receivable netted with allowances for uncollectible accounts were \$1,316,599 for the year ended June 30, 2023.

Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Prepaid Items

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Infrastructure such as streets, traffic signals and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated capital assets are reported at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town is currently working on completing its fixed asset inventory.

Estimated useful lives are as follows:

Land improvements	10 - 50 years
Buildings and improvements	10 - 50 years
Infrastructure	20 - 50 years
Machinery and equipment	3 - 25 years
Vehicles	3 - 25 years

Long-term Obligations

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in government-wide statements. The long-term debt consists of bonds payable, notes from direct borrowings, accrued compensated absences and net pension liability.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components - nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - This includes amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - This includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Committed - This includes amounts that can be used only for specific purposes determined by a formal action of the inhabitants of the Town. The inhabitants of the Town through Town meetings are the highest level of decision-making authority of the Town. Commitments may be established, modified or rescinded only through a Town meeting vote.

Assigned - This includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The authority for assigning fund balance is given annually by the taxpayers and is expressed by the Selectboard.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned - This includes all other spendable amounts. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Town meeting vote has provided otherwise in its commitment or assignment actions.

Pensions

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has only one type of this item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred revenues, which arises only under a modified accrual basis of accounting, qualifies for reporting in this category. Accordingly, this item is reported in the governmental funds balance sheet. Deferred

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

inflows related to pensions qualifies for reporting in this category as well. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - Modified Accrual Basis

The Town's property tax for the current year was levied on July 15, 2022 on the assessed value listed as of April 1, annually, for all real property located in the Town. Taxes were due in four installments on August 15, November 15, February 15 and May 15. Interest accrues at 1% per month until three months following the final payment at which point 1½% per month for each month thereafter. An 8% penalty fee is added to the entire unpaid principal tax balance after May 15.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. The remaining receivables have been recorded as deferred revenues.

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services or privileges provided, operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Town does not utilize encumbrance accounting for its general fund.

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets,

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town's investment policies, which follow state statutes, authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other States and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all Town funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Town does not have a policy covering custodial credit risk.

At June 30, 2023, the Town's cash and cash equivalents balance of \$1,359,423 was comprised of bank deposits and cash equivalents amounting to \$1,553,233. Bank deposits and cash equivalents are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Town's cash and cash equivalents balance. All of these deposits were insured by federal depository insurance and consequently were not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 133,452
ICS accounts	1,313,459
Money market accounts	82,277
Cash equivalents	24,045
	<u>\$ 1,553,233</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

collateral securities that are in possession of an outside party. Currently, the Town does not have a policy for custodial credit risk for investments.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates. Certificates of deposit held with local financial institutions for \$1,279,448 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

At June 30, 2023, the Town's investments of \$2,087,526 were comprised of certificates of deposit, exchange-traded funds, closed end funds and open-end mutual funds. Of this amount, \$1,279,448 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk. \$500,000 was insured by the Securities Investor Protection Corporation and consequently not exposed to custodial risk. The remaining investments of \$308,078 were uncollateralized and uninsured.

Investment Type	Fair Value	N/A	< 1 Year	1 - 5 Years
Exchange-traded and closed-end funds	\$ 238,375	\$ 238,375	\$ -	\$ -
Mutual funds - equities	285,385	\$ 285,385		
Mutual funds - treasury	30,807	30,807	-	-
Mutual funds - fixed income	253,511	253,511	-	-
	<u>\$ 808,078</u>	<u>\$ 808,078</u>	<u>\$ -</u>	<u>\$ -</u>

Fair Value Hierarchy

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

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

	June 30, 2023 Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
<u>Investments by fair value level</u>				
Equity securities:				
Exchange-traded and closed-end funds	\$ 238,375	\$ 238,375	\$ -	\$ -
Mutual funds - equities	285,385	285,385	-	-
Mutual funds - treasury	30,807	30,807	-	-
Mutual funds - fixed income	253,511	253,511	-	-
Total equity securities	<u>808,078</u>	<u>808,078</u>	<u>-</u>	<u>-</u>
Total investments by fair value level	<u>808,078</u>	<u>\$ 808,078</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Cash equivalents measured at the net asset value (NAV)</u>				
Money market mutual funds	<u>24,045</u>			
Total cash equivalents measured at the NAV	<u>24,045</u>			
Total investments and cash equivalents measured at fair value	<u>\$ 832,123</u>			

Equity securities classified in Level I of the fair value hierarchy are valued using prices quoted in active markets for those securities. The Town has no Level II or III investments. The fair value of money market mutual funds that are measured at NAV per share (or its equivalent) is calculated as of June 30, 2023 in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Certificates of deposit held with local financial institutions for \$1,279,448 are excluded from the hierarchy as these investments are considered held to maturity and are therefore not measured at fair value.

Credit risk - Statutes for the State of Vermont authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other States and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does not have an investment policy on credit risk. Generally, the Town invests excess funds in savings accounts and various certificates of deposit. The investments with credit ratings as a percentage of the total investments (rating %) include AAA 32.19%, AA 13.04%, A 17.15%, BBB 31.60%, BB 3.38% and below BB/all others 2.65%.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

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

	Receivables (Due from)	Payables (Due to)
General Fund	\$ 777,043	\$ 1,235,614
Revolving Loans Fund	83,425	-
Nonmajor Capital Projects Funds	-	316,021
Nonmajor Special Revenue Funds	205,512	461,022
Wastewater Fund	946,677	-
	<u>\$ 2,012,657</u>	<u>\$ 2,012,657</u>

The result of amounts owed between funds are considered to be in the course of normal operations by the Town. Reconciliation of the amounts owed between funds may or may not be expected to be repaid within one year in their entirety due to the recurring nature of these transactions during operations.

NOTE 4 - INTERFUND TRANSFERS

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

	Transfers From	Transfers To
General Fund	\$ 5,000	\$ 425,295
Nonmajor Special Revenue Funds	1,426,375	713,291
Nonmajor Capital Projects Funds	-	292,789
	<u>\$ 1,431,375</u>	<u>\$ 1,431,375</u>

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

NOTE 5 - LOANS RECEIVABLE

The Town, through various federal programs, has received grants and advanced funds to encourage community development. These loans, generally secured by subordinated collateral positions, are recorded as loans receivable in the governmental funds. Until repaid, loans of federal awards are offset by deferred revenue, which is taken into operating revenue as payments are received. Upon receipt, the repayment of these loans is placed in the Town's Grant Fund and is available for future loans.

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

NOTE 5 - LOANS RECEIVABLE (CONTINUED)

The following is a description of the loans receivable for the year ended June 30, 2023:

Borrower	Principal	Interest Rate	Terms
Delilah's Hair Studio	\$ 7,394	1.25%	\$172 received monthly through February of 2027.
Swan & Stone, LLC	7,067	1.25%	\$355 received monthly through June of 2019 with a balloon payment of \$17,846 due in July
Olivia's Crouton, LLC	47,186	1.75%	\$442 received monthly through January of 2027 with a balloon payment of \$25,843 in February of 2027.
Park Village Partners, LLC	7,713	1.50%	\$326 received monthly through April of 2023 with a balloon payment of \$8,035 due in May of 2023.
Rutland County Community Land Trust Grant Fund	391,000	1.00%	\$1,278 received monthly beginning July 10, 2030 through July of 2060 and secured by a mortgage.
Red Clover Ale Company, LLC	32,123	2.75%	\$275 received monthly through September of 2025 with a balloon payment of \$23,964 due in October of 2025
Brandon Florist Shoppe, LLC	19,804	2.75%	\$170 received monthly through September of 2025 with a balloon payment of \$14,775
Junction Store, LLC	22,717	3.00%	\$248 received monthly through January of 2026 with a balloon payment of \$14,069 due
Isaiah 6:8. LLC	26,980	3.50%	\$357 paid monthly through May of 2023 with a balloon payment of \$39,471 due June 1, 2023.

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

NOTE 5 - LOANS RECEIVABLE (CONTINUED)

Borrower	Principal	Interest Rate	Terms
Ripton Mountain Distillery, Inc.	22,749	3.00%	\$311 received monthly through October of 2022 with a balloon payment of \$15,979 due November of 2022.
Safer Society Foundation	16,163	3.00%	First six months interest only payments of \$71 received between January 2020 and June 2020, beginning July 2020 monthly payments of \$560 through December of 2024.
Foley's Taco & Bean LLC	20,691	3.00%	\$396 received monthly through January of 2024 with a balloon payment of \$14,027 due February of 2024.
Mae's Place	14,251	3.00%	\$264 received monthly through February of 2025 with a balloon payment of \$6,413 due March of 2025.
Brandon Bakery & Pizza LLC	40,000	6.25%	\$343 received monthly through January 2029 with a balloon payment of \$30,889 due January of 2029.
Total	<u>\$ 675,838</u>		

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

NOTE 6 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2023:

	Balance, 7/1/22	Additions	Disposals	Balance, 6/30/23
<u>Governmental activities</u>				
Non-depreciated assets:				
Land	\$ 1,240,993	\$ 447,287	\$ -	\$ 1,688,280
Construction in progress	60,700	455,201	-	515,901
	<u>1,301,693</u>	<u>902,488</u>	<u>-</u>	<u>2,204,181</u>
Depreciated assets:				
Land improvements	82,049	-	-	82,049
Buildings and building improvements	2,455,732	49,441	-	2,505,173
Vehicles	1,070,054	306,326	-	1,376,380
Machinery and equipment	987,732	83,014	(10,489)	1,060,257
Infrastructure	40,491,561	269,368	(21,878)	40,739,051
	<u>45,087,128</u>	<u>708,149</u>	<u>(32,367)</u>	<u>45,762,910</u>
Less: accumulated depreciation	<u>(6,316,285)</u>	<u>(1,224,770)</u>	<u>32,367</u>	<u>(7,508,688)</u>
	<u>38,770,843</u>	<u>(516,621)</u>	<u>-</u>	<u>38,254,222</u>
Net governmental capital assets	<u>40,072,536</u>	<u>\$ 385,867</u>	<u>\$ -</u>	<u>\$ 40,458,403</u>
<u>Business-type activities</u>				
Non-depreciated assets:				
Construction in progress	\$ 539,129	\$ 3,335,023	\$ (226,538)	\$ 3,647,614
	<u>539,129</u>	<u>3,335,023</u>	<u>(226,538)</u>	<u>3,647,614</u>
Depreciated assets:				
Buildings and improvements	\$ 2,121,498	\$ -	\$ -	\$ 2,121,498
Equipment	1,608,366	326,430	(22,796)	1,912,000
Sewer lines	2,834,600	-	-	2,834,600
	<u>6,564,464</u>	<u>326,430</u>	<u>(22,796)</u>	<u>6,868,098</u>
Less: accumulated depreciation	<u>(2,351,795)</u>	<u>(176,692)</u>	<u>22,796</u>	<u>(2,505,691)</u>
	<u>4,212,669</u>	<u>149,738</u>	<u>-</u>	<u>4,362,407</u>
Net business-type capital assets	<u>\$ 4,751,798</u>	<u>\$ 3,484,761</u>	<u>\$ (226,538)</u>	<u>\$ 8,010,021</u>
Current year depreciation:				
<u>Governmental activities</u>				
General government				\$ 48,850
Public safety				42,187
Public works				1,131,747
Recreation				1,986
Total governmental activities depreciation expense				<u>\$ 1,224,770</u>
<u>Business-type activities</u>				
Wastewater fund				\$ 176,692
Total business-type activities depreciation expense				<u>\$ 176,692</u>

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

NOTE 7 - SHORT-TERM DEBT

The following is a description of short-term debt for the year ended June 30, 2023:

On May 9, 2022, the Town of Brandon issued a Bond Anticipation Note through Bar Harbor Bank & Trust, to meet obligations for wastewater facility improvements. The note allowed principal draws up to \$1,000,000 at 5.80% interest per annum with a maturity date of October 30, 2023.

On August 11, 2022, the Town of Brandon issued a Bond Anticipation Note through Bar Harbor Bank & Trust, to meet obligations for wastewater facility improvements. The note allowed principal draws up to \$2,780,000 at 5.80% interest per annum with a maturity date of October 30, 2023. The Town refinanced the Note with a USDA bond payable in October 2023.

Short-term debt activity for the year ended June 30, 2023 was as follows:

	Balance, 7/1/22	Additions	Repayments	Balance, 6/30/23
Bond anticipation note	\$ 1,000,000	\$ 2,293,938	\$ -	\$ 3,293,938

NOTE 8 - LONG-TERM DEBT

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

	Balance, 7/1/22	Additions	Deletions	Balance, 6/30/23	Current Portion
<u>Governmental activities:</u>					
Bonds payable	\$ 1,560,410	\$ -	\$ (196,510)	\$ 1,363,900	\$ 196,510
Notes from direct borrowings payable	198,412	-	(136,352)	62,060	30,639
Totals	\$ 1,758,822	\$ -	\$ (332,862)	\$ 1,425,960	\$ 227,149
<u>Business-type activities:</u>					
Bonds payable	\$ 814,160	\$ -	\$ (35,576)	\$ 778,584	\$ 36,694
Notes from direct borrowings payable	864,128	35,464	(35,727)	863,865	23,813
Totals	\$ 1,678,288	\$ 35,464	\$ (71,303)	\$ 1,642,449	\$ 60,507

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

NOTE 8 - LONG-TERM DEBT (CONTINUED)

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

Governmental activities bonds payable:

\$395,000, 2012 Series 4 & 5 Bond for public safety building improvements, due in annual principal payments of \$19,750 through December 1, 2032. Interest due bi-annually at a net fixed rate of 3.148% per annum.	\$ 197,500
\$2,750,000, 2006 Series 1 Bond for paving improvements, refunded \$1,770,000, 2014 Series 4 Bond due in annual principal payments of \$135,000 through November 15, 2026. Interest due bi-annually at a net fixed rate of 4.674% per annum.	540,000
\$835,200, 2017 Series 3 Bond for capital improvements, due in annual principal payments of \$41,760 through November 2037. Interest is due bi-annually at a net fixed rate of 3.30% per annum.	<u>626,400</u>
Total governmental activities bonds payable	<u>\$ 1,363,900</u>

Governmental activities notes from direct borrowings:

The Town leases a Caterpillar motor grader with Caterpillar Financial Services Corp. under a non-cancelable lease agreement dated February 26, 2016. The term of the lease is for a nine year period expiring February of 2025. Annual principal and interests payments are \$32,408. Interest is at a fixed rate of 2.75% per annum.	<u>\$ 62,060</u>
Total governmental activities notes from direct borrowings	<u>\$ 62,060</u>

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Business-type activities bonds payable:

\$499,000, USDA Bond for sewer system improvements, due in annual principal payments of \$11,482 through February 1, 2048. Net interest rate is 2.25% per annum.	\$ 437,069
\$478,343, VMBB 2012 Series 4 & 5 Bond for sewer system improvements, due in varying annual principal payments and semi-annual interest payments through December 2036. Net interest rate is 3.52% per annum.	328,359
\$48,063, VMBB 2012 Series 4 & 5 Bond for sewer system improvements, due in varying annual principal payments and semi-annual interest payments through December 2025. Net interest rate of 3.42% per annum.	<u>13,156</u>
Total business-type activities bonds payable	<u>\$ 778,584</u>

Business-type activities notes from direct borrowings:

\$97,000, RF1-223-1.2 Note payable to Vermont Municipal Bond Bank for sewer system improvements, due in annual principal installments of \$10,300 beginning July of 2025 due through July of 2029. Interest is charged at a fixed rate of 0%. \$45,500 of the note has been forgiven.	\$ 398,026
\$11,000, RF1-159 Vermont State Revolving Fund RF1-159 for sewer engineering services, due in annual principal payments of \$2,200 beginning May 1, 2020 through May 1, 2024. Interest is charged at a fixed rate of 0%.	2,158
\$540,000, RF1-214-3.0 Note payable to Vermont Municipal Bond Bank, paid in twenty annual principal installments of \$32,232, which includes a 2% administration fee beginning one year after project completion. Interest is charged at a fixed rate of 0%. \$12,962 of the note will be forgiven.	<u>463,681</u>
Total business type activities notes from direct borrowings	<u>\$ 863,865</u>

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 - LONG-TERM DEBT (CONTINUED)

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

	Governmental Activities				
	Bonds		Notes from Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2023	\$ 196,510	\$ 53,379	\$ 30,639	\$ 4,512	\$ 285,040
2024	196,510	34,736	31,421	1,999	264,666
2025	196,510	24,311	-	-	220,821
2026	196,510	21,050	-	-	217,560
2027	61,510	18,772	-	-	80,282
2028-2032	307,550	63,866	-	-	371,416
2033-2037	208,800	19,145	-	-	227,945
2038-2042	-	-	-	-	-
	<u>\$ 1,363,900</u>	<u>\$ 235,259</u>	<u>\$ 62,060</u>	<u>\$ 6,511</u>	<u>\$ 1,667,730</u>
	Business-type Activities				
	Bonds		Notes from Direct Borrowings		
	Principal	Interest	Principal	Interest	Total
2024	\$ 36,694	\$ 21,797	\$ 23,813	\$ 9,274	\$ 91,578
2025	37,850	56,600	22,088	8,841	125,379
2026	39,044	34,667	22,530	8,399	104,640
2027	35,569	12,362	421,006	7,948	476,885
2028	36,671	8,524	23,440	7,489	76,124
2029-2033	201,187	37,569	124,423	30,221	393,400
2034-2038	187,222	28,424	137,372	17,270	370,288
2039-2043	96,622	18,198	89,193	3,591	207,604
2044-2048	107,725	6,760	-	-	114,485
	<u>\$ 778,584</u>	<u>\$ 224,901</u>	<u>\$ 863,865</u>	<u>\$ 93,033</u>	<u>\$ 1,960,383</u>

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for business-type activities for the year ended June 30, 2023 was \$108,703.

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

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

NOTE 9 - OTHER LONG-TERM OBLIGATIONS

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

	Balance, 7/1/22	Additions	Deletions	Balance, 6/30/23	Current Portion
<u>Governmental activities:</u>					
Accrued compensated absences	\$ 53,028	\$ 48,742	\$ -	\$ 101,770	\$ 5,089
Net pension liability	524,573	820,362	(103,614)	1,241,321	-
	<u>\$ 577,601</u>	<u>\$ 869,104</u>	<u>\$ (103,614)</u>	<u>\$ 1,343,091</u>	<u>\$ 5,089</u>
<u>Business-type activities:</u>					
Accrued compensated absences	\$ 2,697	\$ 4,764	\$ -	\$ 7,461	\$ 373

Please see Notes 16 and 19 for detailed information on the other long-term obligations.

NOTE 10 - NET INVESTMENT IN CAPITAL ASSETS

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

	Governmental Activities	Business-type Activities
Invested in capital assets	\$ 47,967,091	\$ 10,515,712
Accumulated depreciation	(7,508,688)	(2,505,691)
Outstanding capital related debt	(1,425,960)	(1,642,449)
	<u>\$ 39,032,443</u>	<u>\$ 6,367,572</u>

NOTE 11 - NONSPENDABLE FUND BALANCE

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

General fund:	
Prepaid items	<u>\$ 6,725</u>

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

NOTE 12 - RESTRICTED NET POSITION

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

General fund:	
Record preservation	\$ 38,240
Recreation	27,963
Prepaid items	6,725
Revolving loan funds	83,390
Trustee of public funds	850,601
Special revenue funds:	
Reappraisal reserve	151,232
ARPA funds	687,625
Town farm fund	18,690
Public safety fund	10,627
Other grant programs	203
Local option tax fund	43,450
Wastewater fund	(1,918,857)
	<u>\$ (111)</u>

NOTE 13 - RESTRICTED FUND BALANCES

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

General fund:	
Record preservation	\$ 38,240
Recreation	27,963
Revolving loan funds	83,390
Trustee of public funds	850,601
Nonmajor special revenue funds (Schedule E)	911,827
	<u>\$ 1,912,021</u>

NOTE 14 - ASSIGNED FUND BALANCES

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

General fund:	
Police department canine	\$ 2,162
Paving	152,100
	<u>\$ 154,262</u>

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 15 - DEFICIT FUND BALANCE

At June 30, 2023, the Town had the following deficit fund balance:

Transportation grant funds	\$	41,741
Nonmajor capital projects funds (Schedule G)		
Equipment and infrastructure fund		<u>248,293</u>
	\$	<u>290,034</u>

NOTE 16 - ACCRUED COMPENSATED ABSENCES

The Town's policies regarding vacation time permits employees to accumulate vacation time. The Town's policies also permit employees to accumulate earned but unused comp time and sick leave, but these are not paid out upon termination. The liability for these compensated absences is recorded as long-term obligations in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of June 30, 2023, the Town's liability for compensated absences is \$109,231.

NOTE 17 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the prior year and amounts of settlements have not exceeded insurance coverage in the past three years. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

In addition, the Town is a member of the Vermont League of Cities and Towns (VLCT). The VLCT has set up two insurance trusts; the Property and Casualty Intermunicipal Fund, Inc. (PACIF) for multi-line insurance; the Vermont League of Cities and Towns Employment Resource Benefits Trust (VERB) for unemployment, life, disability and other ancillary coverage. PACIF and VERB are nonprofit corporations formed to provide insurance and risk management programs for Vermont cities and towns and is owned by the participating members. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

To provide insurance coverage, PACIF has established a self-funded insurance trust. It provides extensive coverage for losses to member municipalities for property damage, auto accidents, injured employees, public official liability and employment practices liability. Members gain additional benefits from PACIF's unique public safety and risk management programs as well as dedicated in-house claims adjusters. In the

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 17 - RISK MANAGEMENT (CONTINUED)

event that total contributions assessed to and made by all members result in an actual or projected financial deficit and PACIF is unable to meet its required obligations, the Program will be terminated with each member assessed their proportionate share of the deficit.

To provide unemployment insurance coverage, VERB has established a self-funded fully insured program. Contributions fund unemployment claims and are based on payroll expense and the claim experience from the best four years out of the last five. Other benefits available include dental insurance, vision plans, flexible spending accounts, life insurance, disability insurance and long-term care insurance. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VERB is unable to meet its required obligations, the Program will be terminated with each member assessed their proportionate share of the deficit.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 18 - CONTINGENCIES

With regard to pending legal claims or any unasserted claims, it is not feasible at this time to predict or determine their outcome. Management believes, however, that settlement amounts, if any, will not have a material adverse effect on the Town's financial position.

The Town participates in various intergovernmental grant programs which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirement may be established at some future date. The amount, if any, of any liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

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

NOTE 19 - DEFINED BENEFIT PENSION PLAN

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost sharing, multi-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975 and is governed by Title 24, V.S.A. Chapter 125. It is designed for persons employed on a regular basis by a school district or by a supervisory union for no fewer than 1,040 hours in a year and for no fewer than 30 hours a week for the school year, as defined in 16 V.S.A. § 1071 or for no fewer than 1,040 hours in a year and for no fewer than 24 hours a week year-round; provided, however, that if a person who was employed on a regular basis by a school district as either a special education or transportation employee and who was transferred to and is working in a supervisory union in the same capacity pursuant to 16 V.S.A. § 261a(a)(6) or (8)(E) and if that person is also employed on a regular basis by a school district within the supervisory union, then the person is an "employee" if these criteria are met by the combined hours worked for the supervisory union and school district. The term shall also mean persons employed on a regular basis by a municipality other than a school district for no fewer than 1,040 hours in a year and for no fewer than 24 hours per week, including persons employed in a library at least one-half of whose operating expenses are met by municipal funding. For the year ended June 30, 2021 (the most recent data available), the retirement system consisted of 16,158 participating members.

The general administration and responsibility for formulating administrative policy and procedures of the Retirement System for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system and two employer representatives - one elected by the governing bodies of participating employers of the system and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Schools and the Vermont 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. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Annual Comprehensive Financial Report. The Annual Report may be viewed on the State's Department of Finance and Management website at: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](#).

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided

The pension plan is divided into four membership groups:

- Group A - general employees whose legislative bodies have not elected to become a member of Group B or Group C
- Groups B and C - general employees whose legislative bodies have elected to become members of Group B or Group C
- Group D - sworn police officers, firefighters and emergency medical personnel

The Town participates in Groups A, B and C. Benefits available to each group are based on average final compensation (AFC) and years of creditable service and are summarized below:

VMERS	Group A	Group B	Group C	Group D
Normal service retirement eligibility	Age 65 with 5 years of service or age 55 with 35 years of service	Age 62 with 5 years of service or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula - Normal Service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

VMERS	Group A	Group B	Group C	Group D
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service
Early Retirement Reduction	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

** - A special early retirement factor of 3% per year only for municipal police officers who have attained age 60.

Members of all groups may qualify for vested deferred allowance, disability allowances and death benefit allowance subject to meeting various eligibility requirements. Benefits are based on AFC and service.

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group as of July 1, 2022 are as follows:

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	3.500% of gross salary	5.875% of gross salary	11.000% of gross salary	12.350% of gross salary
Employer Contributions	5.000% of gross salary	6.500% of gross salary	8.250% of gross salary	10.850% of gross salary

Employee contributions are withheld pre-income tax by the Town and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2023 totaled \$131,582. The Town contributed \$103,614 for the year ended June 30, 2023. The Town's total payroll for the year ended June 30, 2023 for all employees covered under this plan was \$1,330,951.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities

At June 30, 2023, the Town reported a liability of \$1,236,321 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2022 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2021. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2022, the Town's proportion was 0.407526% for VMERS, which was an increase of 0.05112% from its proportion measured as of June 30, 2021 for VMERS.

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

For the year ended June 30, 2023, the Town recognized pension expense of \$148,659 for the VMERS plan. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 92,848	\$ -
Changes of assumptions	63,206	-
Net difference between projected and actual earnings on pension plan investments	200,717	-
Changes in proportion and differences between contributions and proportionate share of contributions	82,688	18,938
Contributions subsequent to the measurement date	103,614	-
Total	<u>\$ 543,073</u>	<u>\$ 18,938</u>

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

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$103,614 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

		VMERS Plan
Plan year ended June 30:		
2023	\$	127,979
2024		104,896
2025		42,982
2026		144,665
2027		-

Significant Actuarial Assumptions and Methods

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

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

Inflation: 2.30%

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

Deaths After Retirement: Mortality rates for pre-retirement, healthy retirees and disabled retirees in the VMERS plan for Groups A, B, C and D were based on historical and current demographic data, adjusted to reflect health characteristics of the underlying groups and estimated future experience and professional judgment. The mortality tables were then adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pre-Retirement:

- Groups A/B/C - 40% PubG-2010 General Employee Amount-Weighted below-median and 60% of PubG-2010 General Employee Amount-Weighted, with generational projection using Scale MP-2019.
- Group D - PubG-2010 General Employee Amount-Weighted above-median, with generational projection using scale MP-2019.

Healthy Post-Retirement - Retirees:

- Groups A/B/C - 104% of 40% PubG-2010 General Healthy Retiree Amount-Weighted below-median and 60% of PubG-2010 General Healthy Retiree Amount-Weighted, with generational projection using scale MP-2019.
- Group D - PubG-2010 General Healthy Retiree Amount-Weighted, with generational projection using scale MP-2019.

Healthy Post-Retirement - Beneficiaries:

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

Disabled Post-Retirement:

- All Groups - PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using Scale MP-2019.

Inactive Members: Valuation liability equals 100% of accumulated contributions. Inactive who are vested immediately become Deferred Members and the liabilities for all Deferred Members are based on the accrued benefit.

Future Administrative Expenses: An expense adjustment based on actual expenses for the previous year is reflected in the development of recommended employer contribution levels.

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

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Unknown Data for Participants: The same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

Percent Married: 85% of male members and 50% of female members are assumed to be married.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.10% per annum for Group A members and 1.20% per annum for Groups B, C and D members (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group A, B and D who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2022 COLA is 2.00% for Group A members and 2.30% for Group B, C and D members. The January 1, 2023 COLA is 2.00% for Group A members and 3.00% for Group B, C and D members.

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

A smoothing *asset valuation method* was used for funding purposes in the VMERS plan, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

The *long-term expected rate of return* on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class. These best estimate ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2022 are summarized in the following table:

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

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Passive Global Equities	24.00%	4.30%
Active Global Equities	5.00%	4.30%
US Equity - Large Cap	4.00%	3.25%
US Equity - Small/Mid Cap	3.00%	3.75%
Non-US Developed Market Equities	7.00%	5.00%
Emerging Market Debt	4.00%	3.50%
Core Fixed Income	19.00%	0.00%
Private and Alternative Credit	10.00%	4.75%
US TIPS	3.00%	-0.50%
Core Real Estate	3.00%	3.50%
Non-Core Real Estate	4.00%	6.00%
Private Equity	10.00%	6.50%
Infrastructure/Farmland	4.00%	4.25%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for the VMERS plan. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy which exceeds the actuarially determined contribution rate. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00% for the VMERS plan, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

TOWN OF BRANDON, VERMONT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 19 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	1% Decrease	Discount Rate	1% Increase
<u>VMERS:</u>			
Discount rate	6.00%	7.00%	8.00%
Town's proportionate share of the net pension liability	\$ 1,852,572	\$ 1,236,321	\$ 729,428

Pension Plan Fiduciary Net Position

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of VMERS or their participating employers. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Annual Comprehensive Financial Report. The Annual Report can be viewed on the State's Department of Finance and Management website at: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](https://www.vermont.gov/annual-comprehensive-financial-report).

NOTE 20 - EXPENDITURES OVER APPROPRIATIONS

The Town was noncompliant with the legally adopted budget, overspending the entire allowed appropriation of \$7,651,467 by \$624,649 at June 30, 2023.

NOTE 21 - COMPARATIVE DATA/RECLASSIFICATIONS

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

NOTE 22 - SUBSEQUENT EVENT

On October 13, 2023, the Town issued a \$3,780,000 USDA registered public sewer system improvement bond with a fixed interest rate of 1.750% per annum due in semi-annual installments of \$81,720 each April 13 and October 13 through October 2053.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

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

TOWN OF BRANDON, VERMONT

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

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
Budgetary Fund Balance, July 1	\$ 1,038,336	\$ 1,038,336	\$ 1,038,336	\$ -
Resources (Inflows):				
Property taxes	7,133,611	7,133,611	7,039,867	(93,744)
Intergovernmental	209,211	209,211	232,248	23,037
Charges for services	236,145	236,145	227,469	(8,676)
Miscellaneous revenues	72,500	72,500	104,576	32,076
Transfers from other funds	-	-	425,295	425,295
Amounts Available for Appropriation	<u>8,689,803</u>	<u>8,689,803</u>	<u>9,067,791</u>	<u>377,988</u>
Charges to Appropriations (Outflows):				
General government	1,087,660	1,087,660	1,091,555	(3,895)
Public safety	765,420	765,420	794,284	(28,864)
Public works	896,350	896,350	1,452,171	(555,821)
Recreation	147,400	147,400	192,794	(45,394)
Education	4,204,007	4,204,007	4,204,007	-
County tax	30,000	30,000	27,718	2,282
Appropriations	217,330	217,330	217,330	-
Debt service:				
Principal	203,750	203,750	196,510	7,240
Interest	48,500	48,500	48,437	63
Unclassified	46,050	46,050	46,310	(260)
Transfers to other funds	5,000	5,000	5,000	-
Total Charges to Appropriations	<u>7,651,467</u>	<u>7,651,467</u>	<u>8,276,116</u>	<u>(624,649)</u>
Budgetary Fund Balance, June 30	<u>\$ 1,038,336</u>	<u>\$ 1,038,336</u>	<u>\$ 791,675</u>	<u>\$ (246,661)</u>

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

TOWN OF BRANDON, VERMONT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>VMERS:</u>									
Proportion of the net pension liability	0.41%	0.36%	0.37%	0.36%	0.36%	0.38%	0.36%	0.34%	0.00%
Proportionate share of the net pension liability	\$ 1,236,321	\$ 524,573	\$ 946,612	\$ 624,321	\$ 509,726	\$ 465,228	\$ 459,489	\$ 263,484	\$ 33,210
Covered payroll	\$ 1,348,686	\$ 1,176,816	\$ 1,191,211	\$ 1,183,593	\$ 1,118,217	\$ 1,136,033	\$ 986,618	\$ 865,453	\$ 594,130
Proportionate share of the net pension liability as a percentage of its covered payroll	91.67%	44.58%	79.47%	52.75%	45.58%	40.95%	46.57%	30.44%	5.59%
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%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

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

TOWN OF BRANDON, VERMONT

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>VMERS:</u>									
Contractually required contribution	\$103,614	\$ 101,962	\$ 79,241	\$ 77,553	\$ 69,141	\$ 63,467	\$ 62,709	\$ 54,264	\$ 47,773
Contributions in relation to the contractually required contribution	(103,614)	(101,962)	(79,241)	(77,553)	(69,141)	(63,467)	(62,709)	(54,264)	(47,773)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$1,330,951	\$ 1,348,686	\$ 1,176,816	\$ 1,191,211	\$ 1,183,593	\$ 1,118,217	\$ 1,136,033	\$ 986,618	\$ 865,453
Contributions as a percentage of covered payroll	7.78%	7.56%	6.73%	6.51%	5.84%	5.68%	5.52%	5.50%	5.52%

* The amounts presented for each fiscal year are for those years for which information is available.

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

TOWN OF BRANDON, VERMONT

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

Changes of Assumptions

VMERS Pension Plan:

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

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

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Fund Revenues
- Schedule of Departmental Operations - General Fund
- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Schedule of General Capital Assets by Function
- Schedule of Changes in General Capital Assets by Function

TOWN OF BRANDON, VERMONT

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property taxes	\$ 7,133,611	\$ 7,133,611	\$ 7,039,867	\$ (93,744)
Intergovernmental revenues:				
State aid - highways	158,000	158,000	179,839	21,839
PILOT	51,211	51,211	52,409	1,198
Charges for services:				
Fees and fines	250	250	300	50
Licenses and permits	18,045	18,045	12,303	(5,742)
Clerk revenue	93,800	93,800	76,916	(16,884)
Police revenue	61,500	61,500	19,255	(42,245)
Recreation revenue	51,100	51,100	88,535	37,435
Solid waste revenue	10,000	10,000	24,832	14,832
Public works	1,450	1,450	5,328	3,878
Other income:				
Interest and penalties	55,000	55,000	76,273	21,273
Interest income	1,500	1,500	8,571	7,071
Other income	16,000	16,000	19,732	3,732
Transfers from other funds	-	-	425,295	425,295
TOTAL REVENUES	\$ 7,651,467	\$ 7,651,467	\$ 8,029,455	\$ 377,988

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

SCHEDULE B

TOWN OF BRANDON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES					
General government:					
Administration	\$ 412,320	\$ -	\$ 412,320	\$ 393,093	\$ 19,227
Assessor	21,050	-	21,050	14,369	6,681
Code enforcement	42,515	-	42,515	33,620	8,895
Town clerk	212,090	-	212,090	192,815	19,275
Insurance	142,950	-	142,950	141,897	1,053
Economic development	45,840	-	45,840	45,859	(19)
Town buildings and maintenance	210,895	-	210,895	269,902	(59,007)
	<u>1,087,660</u>	<u>-</u>	<u>1,087,660</u>	<u>1,091,555</u>	<u>(3,895)</u>
Public safety:					
Public safety	765,420	-	765,420	794,284	(28,864)
	<u>765,420</u>	<u>-</u>	<u>765,420</u>	<u>794,284</u>	<u>(28,864)</u>
Public works:					
Administration	376,650	-	376,650	374,689	1,961
Professional services	5,000	-	5,000	9,265	(4,265)
Supplies and equipment	11,500	-	11,500	3,662	7,838
Winter roads	110,000	-	110,000	102,309	7,691
Summer roads	231,000	-	231,000	542,680	(311,680)
Town farm road reconstruction	-	-	-	157,022	(157,022)
Vehicle repairs and maintenance	84,200	-	84,200	116,922	(32,722)
Leased equipment	78,000	-	78,000	145,622	(67,622)
	<u>896,350</u>	<u>-</u>	<u>896,350</u>	<u>1,452,171</u>	<u>(555,821)</u>
Recreation	147,400	-	147,400	192,794	(45,394)
Education	4,204,007	-	4,204,007	4,204,007	-
County tax	30,000	-	30,000	27,718	2,282

SCHEDULE B (CONTINUED)
TOWN OF BRANDON, VERMONT

SCHEDULE OF DEPARTMENTAL OPERATIONS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative)
Debt service:					
Principal	203,750	-	203,750	196,510	7,240
Interest	48,500	-	48,500	48,437	63
	<u>252,250</u>	<u>-</u>	<u>252,250</u>	<u>244,947</u>	<u>7,303</u>
Appropriations:					
BIDCC - 4th of July	7,000	-	7,000	7,000	-
Brandon rescue squad	82,580	-	82,580	82,580	-
Chamber of Commerce	1,000	-	1,000	1,000	-
Charter House Coalition	3,000	-	3,000	3,000	-
Open Door Clinic - Middlebury	1,000	-	1,000	1,000	-
RSVP	550	-	550	550	-
RAVNA	10,200	-	10,200	10,200	-
Stephen A. Douglas Inc.	5,000	-	5,000	5,000	-
Brandon Library	92,000	-	92,000	92,000	-
Senior Citizen Center	13,500	-	13,500	13,500	-
Rutland Co Humane Society	1,500	-	1,500	1,500	-
	<u>217,330</u>	<u>-</u>	<u>217,330</u>	<u>217,330</u>	<u>-</u>
Unclassified:					
Rutland Regional Commission	1,000	-	1,000	1,000	-
Green-up Day	300	-	300	819	(519)
Public transit	3,500	-	3,500	3,500	-
REDC	500	-	500	500	-
Rut Nat Resources Conservation	250	-	250	-	250
Mosquito control	40,500	-	40,500	40,491	9
	<u>46,050</u>	<u>-</u>	<u>46,050</u>	<u>46,310</u>	<u>(260)</u>
Transfers to other funds	5,000	-	5,000	5,000	-
Total Departmental Operations	<u>\$ 7,651,467</u>	<u>\$ -</u>	<u>\$ 7,651,467</u>	<u>\$ 8,276,116</u>	<u>\$ (624,649)</u>

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

TOWN OF BRANDON, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2023

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 1	\$ -	\$ 1
Investments	1,167,336	-	1,167,336
Accounts receivable (net of allowance for uncollectibles)	-	32,373	32,373
Due from other funds	205,512	-	205,512
TOTAL ASSETS	<u>\$ 1,372,849</u>	<u>\$ 32,373</u>	<u>\$ 1,405,222</u>
LIABILITIES			
Accounts payable	\$ -	\$ 6,386	\$ 6,386
Due to other funds	461,022	316,021	777,043
TOTAL LIABILITIES	<u>461,022</u>	<u>322,407</u>	<u>783,429</u>
FUND BALANCES (DEFICITS)			
Nonspendable	-	-	-
Restricted	911,827	-	911,827
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	(290,034)	(290,034)
TOTAL FUND BALANCES (DEFICITS)	<u>911,827</u>	<u>(290,034)</u>	<u>621,793</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 1,372,849</u>	<u>\$ 32,373</u>	<u>\$ 1,405,222</u>

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

TOWN OF BRANDON, VERMONT

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

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 558,508	\$ 471,170	\$ 1,029,678
Investment income, net of realized/unrealized gains/(losses)	11,403	-	11,403
Other	294,758	21,233	315,991
TOTAL REVENUES	<u>864,669</u>	<u>492,403</u>	<u>1,357,072</u>
EXPENDITURES			
Capital outlay	-	930,774	930,774
Program expenses	243,658	85,930	329,588
TOTAL EXPENDITURES	<u>243,658</u>	<u>1,016,704</u>	<u>1,260,362</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>621,011</u>	<u>(524,301)</u>	<u>96,710</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	713,291	292,789	1,006,080
Transfers (out)	(1,426,375)	-	(1,426,375)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(713,084)</u>	<u>292,789</u>	<u>(420,295)</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(92,073)	(231,512)	(323,585)
FUND BALANCES (DEFICITS) - JULY 1	<u>1,003,900</u>	<u>(58,522)</u>	<u>945,378</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ 911,827</u>	<u>\$ (290,034)</u>	<u>\$ 621,793</u>

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

Special Revenue Funds

Special revenue funds are established to account for the proceeds of specific revenue sources (other than fiduciary trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

SCHEDULE E

TOWN OF BRANDON, VERMONT

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

	Reappraisal Reserve	ARPA Funds	Town Farm Fund	Public Safety Funds	Other Grant Programs	Local Option Tax Fund	Total
ASSETS							
Cash and cash equivalents	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 1
Investments	-	896,162	271,174	-	-	-	1,167,336
Due from other funds	151,232	-	-	10,627	203	43,450	205,512
TOTAL ASSETS	\$ 151,232	\$ 896,163	\$ 271,174	\$ 10,627	\$ 203	\$ 43,450	\$ 1,372,849
LIABILITIES							
Due to other funds	\$ -	\$ 208,538	\$ 252,484	\$ -	\$ -	\$ -	\$ 461,022
TOTAL LIABILITIES	-	208,538	252,484	-	-	-	461,022
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	151,232	687,625	18,690	10,627	203	43,450	911,827
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	151,232	687,625	18,690	10,627	203	43,450	911,827
TOTAL LIABILITIES AND FUND BALANCES	\$ 151,232	\$ 896,163	\$ 271,174	\$ 10,627	\$ 203	\$ 43,450	\$ 1,372,849

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

SCHEDULE F

TOWN OF BRANDON, VERMONT

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

	Reappraisal Reserve	ARPA Funds	Town Farm Fund	Public Safety Funds	Other Grant Programs	Local Option Tax Fund	Total
REVENUES							
Intergovernmental	\$ -	\$ 558,508	\$ -	\$ -	\$ -	\$ -	\$ 558,508
Interest income	-	8,410	1,683	-	1	1,309	11,403
Other income	17,398	-	-	10,416	-	266,944	294,758
TOTAL REVENUES	17,398	566,918	1,683	10,416	1	268,253	864,669
EXPENDITURES							
Other	-	243,658	-	-	-	-	243,658
TOTAL EXPENDITURES	-	243,658	-	-	-	-	243,658
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	17,398	323,260	1,683	10,416	1	268,253	621,011
OTHER FINANCING SOURCES (USES)							
Transfers in	5,000	-	-	-	-	708,291	713,291
Transfers (out)	-	(83,854)	-	-	-	(1,342,521)	(1,426,375)
TOTAL OTHER FINANCING SOURCES (USES)	5,000	(83,854)	-	-	-	(634,230)	(713,084)
NET CHANGE IN FUND BALANCES	22,398	239,406	1,683	10,416	1	(365,977)	(92,073)
FUND BALANCES - JULY 1	128,834	448,219	17,007	211	202	409,427	1,003,900
FUND BALANCES - JUNE 30	\$ 151,232	\$ 687,625	\$ 18,690	\$ 10,627	\$ 203	\$ 43,450	\$ 911,827

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

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

TOWN OF BRANDON, VERMONT

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

	Transportation Grant Funds	Equipment and Infrastructure Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Accounts receivable (net of allowance for uncollectibles)	\$ -	\$ 32,373	\$ 32,373
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 32,373</u>	<u>\$ 32,373</u>
LIABILITIES			
Accounts payable	\$ -	\$ 6,386	\$ 6,386
Due to other funds	41,741	274,280	316,021
TOTAL LIABILITIES	<u>41,741</u>	<u>280,666</u>	<u>322,407</u>
FUND BALANCES (DEFICITS)			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	(41,741)	(248,293)	(290,034)
TOTAL FUND BALANCES (DEFICITS)	<u>(41,741)</u>	<u>(248,293)</u>	<u>(290,034)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ -</u>	<u>\$ 32,373</u>	<u>\$ 32,373</u>

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

TOWN OF BRANDON, VERMONT

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

	Transportation Grant Funds	Equipment and Infrastructure Fund	Total
REVENUES			
Intergovernmental	\$ 7,077	\$ 464,093	\$ 471,170
Other income	19,981	1,252	21,233
TOTAL REVENUES	<u>27,058</u>	<u>465,345</u>	<u>492,403</u>
EXPENDITURES			
Capital outlay	-	930,774	930,774
Program expenses	61,588	24,342	85,930
TOTAL EXPENDITURES	<u>61,588</u>	<u>955,116</u>	<u>1,016,704</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(34,530)</u>	<u>(489,771)</u>	<u>(524,301)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	292,789	292,789
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>292,789</u>	<u>292,789</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(34,530)	(196,982)	(231,512)
FUND BALANCES (DEFICITS) - JULY 1	<u>(7,211)</u>	<u>(51,311)</u>	<u>(58,522)</u>
FUND BALANCES (DEFICITS) - JUNE 30	<u>\$ (41,741)</u>	<u>\$ (248,293)</u>	<u>\$ (290,034)</u>

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

General Capital Assets

General capital assets are those assets related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position.

TOWN OF BRANDON, VERMONT

SCHEDULE OF GENERAL CAPITAL ASSETS BY FUNCTION
JUNE 30, 2023

	Land and Non-depreciable Assets	Buildings, Building Improvements and Land Improvements	Furniture, Fixtures, Equipment and Vehicles	Infrastructure	Total
General government	\$ 1,682,606	\$ 1,745,097	\$ 121,483	\$ -	\$ 3,549,186
Public safety	-	588,449	333,991	-	922,440
Public works	519,175	83,957	1,911,139	40,739,051	43,253,322
Recreation	2,400	169,719	70,024	-	242,143
Wastewater fund	3,647,614	2,121,498	1,912,000	2,834,600	10,515,712
Total General Capital Assets	5,851,795	4,708,720	4,348,637	43,573,651	58,482,803
Less: Accumulated Depreciation	-	(2,023,633)	(2,198,187)	(5,792,559)	(10,014,379)
Net General Capital Assets	<u>\$ 5,851,795</u>	<u>\$ 2,685,087</u>	<u>\$ 2,150,450</u>	<u>\$ 37,781,092</u>	<u>\$ 48,468,424</u>

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

TOWN OF BRANDON, VERMONT

SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2023

	General Capital Assets 7/1/22	Additions	Deletions	General Capital Assets 6/30/23
General government	\$ 3,052,459	\$ 496,728	\$ -	\$ 3,549,187
Public safety	874,646	80,161	(32,367)	922,440
Public works	42,219,573	1,033,748	-	43,253,321
Recreation	242,143	-	-	242,143
Wastewater fund	7,103,593	3,661,453	(249,334)	10,515,712
Total General Capital Assets	53,492,414	5,272,090	(281,701)	58,482,803
Less: Accumulated Depreciation	(8,668,080)	(1,401,462)	55,163	(10,014,379)
Net General Capital Assets	<u>\$ 44,824,334</u>	<u>\$ 3,870,628</u>	<u>\$ (226,538)</u>	<u>\$ 48,468,424</u>

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

Federal Compliance Description

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

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditor's Report on Compliance or Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

TOWN OF BRANDON, VERMONT

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

Federal Grantor Pass Through Grantor Program or Cluster Title	Federal AL Number	Pass Through Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture passed through the State of Vermont				
Department of Environmental Conservation:				
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ 3,216,364	\$ -
Total U.S. Department of Agriculture			3,216,364	-
U.S. Department of Housing and Urban Development, passed through State Vermont Department of Housing and Community:				
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	N/A	24,342	24,342
Total U.S. Department of Housing and Urban Development			24,342	24,342
U.S. Department of Transportation Agency, passed through State of Vermont Department of Transportation:				
Highway Planning and Construction	20.205	N/A	8,910	-
Highway Planning and Construction	20.205	N/A	28,184	-
Highway Planning and Construction	20.205	N/A	6,040	-
			43,134	-
Total U.S. Department of Transportation Agency			43,134	-
U.S. Treasury Department, passed through the State of Vermont				
Department of Administration:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	327,513	-
Passed through the State of Vermont Department of Environmental Conservation:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	17,421	-
			344,934	-
Total U.S. Treasury Department			344,934	-
U.S. Department of Homeland Security, passed through State of Vermont Agency of Public Safety:				
Hazard Mitigation Grant	97.039	N/A	438,969	-
Building Resilient Infrastructure and Communities	97.047	N/A	5,793	-
Building Resilient Infrastructure and Communities	97.047	N/A	16,826	-
			22,619	-
Total U.S. Department of Homeland Security			461,588	-
TOTAL FEDERAL ASSISTANCE			\$ 4,090,362	\$ 24,342

TOWN OF BRANDON, VERMONT

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

1. Basis of Presentation

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

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. Town of Brandon, Vermont has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

3. Expenditures to Subrecipients

AL Number	Subrecipient	Total
14.228	Brandon Free Public Library	<u>\$ 24,342</u>



Proven Expertise & Integrity

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Selectboard
Town of Brandon
Brandon, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Brandon, 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 Brandon, Vermont's basic financial statements and have issued our report thereon dated April 18, 2024.

Internal Control Over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Brandon, 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the Town of Brandon, Vermont in a separate letter dated April 18, 2024.

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
April 18, 2024



Proven Expertise & Integrity

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

Selectboard
Town of Brandon, Vermont
Brandon, Vermont

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Town of Brandon, Vermont and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Brandon, Vermont's compliance with the compliance requirements referred to above.

Management's Responsibility

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

Auditor's Responsibility

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Brandon, Vermont's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Brandon, Vermont's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Brandon, Vermont's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000697
April 18, 2024

TOWN OF BRANDON, VERMONT

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

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

• *Federal Awards*

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported
In accordance with section OMB Compliance Supplement? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities

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

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None

Section III - Federal Awards Findings and Questioned Costs

None