EDWARD FARRAR UTILITY DISTRICT

AUDIT REPORT

DECEMBER 31, 2023

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Independent Auditor's Report

Board of Commissioners
Edward Farrar Utility District
28 North Main Street, Suite 1
Waterbury, Vermont 05676

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Edward Farrar Utility District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Edward Farrar Utility District's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Edward Farrar Utility District, as of December 31, 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 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 Edward Farrar Utility District 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.

Change in Accounting Principles

As described in Note I.F. to the financial statements, effective December 31, 2023, the Utility District implemented GASB Statement No. 96, "Subscription-Based Information Technology Arrangements".

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Pension Liability on Schedule 1 and the Schedule of Contributions on Schedule 2 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated September 16, 2024 on our consideration of the Edward Farrar Utility District's internal control over financial reporting and 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 Edward Farrar Utility District'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 Edward Farrar Utility District's internal control over financial reporting and compliance.

Sullivan, Powers & Co.

September 16, 2024
Montpelier, Vermont
VT Lic. #92-000180

Exhibit A

EDWARD FARRAR UTILITY DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$ 185,981	$ 1,540	$ 187,521
Investments	699,091	1,036,870	1,735,961
Receivables (Net of Allowance for Uncollectibles)	0	462,327	462,327
Loans Receivable	1,269,157	0	1,269,157
Lease Receivable	0	74,394	74,394
Internal Balances	276,185	(276,185)	0
Prepaid Expenses	19,561	0	19,561
Capital Assets:			
Land	177,704	0	177,704
Construction in Progress	0	776,704	776,704
Other Capital Assets, (Net of Accumulated Depreciation)	1,404	22,916,407	22,917,811
Total Assets	2,629,083	24,992,057	27,621,140
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources Related to the Utility District's Participation in VMERS	30,800	80,080	110,880
Total Deferred Outflows of Resources	30,800	80,080	110,880
LIABILITIES			
Accounts Payable	135	245,058	245,193
Accrued Payroll and Benefits Payable	738	11,765	12,503
Unearned Revenue	0	616	616
Accrued Interest Payable	0	19,723	19,723
Noncurrent Liabilities:			
Due within One Year	0	802,707	802,707
Due in More than One Year	86,949	2,406,589	2,493,538
Total Liabilities	87,822	3,486,458	3,574,280
DEFERRED INFLOWS OF RESOURCES			
Lease Receivable	0	73,671	73,671
Deferred Inflows of Resources Related to the Utility District's Participation in VMERS	3,552	4,520	8,072
Total Deferred Inflows of Resources	3,552	78,191	81,743
NET POSITION			
Net Investment in Capital Assets	179,108	20,648,775	20,827,883
Restricted for:			
Community Development	74,615	0	74,615
Unrestricted	2,314,786	858,713	3,173,499
Total Net Position	$ 2,568,509	$ 21,507,488	$ 24,075,997

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

EDWARD FARRAR UTILITY DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

		Program Revenues	Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Governmental Activities	Business-type Activities	Total
Functions/Programs:					
Primary Government:					
Governmental Activities:					
General Government	$ 2,375	$ 0	$ (2,375)	$ 0	$ (2,375)
Public Safety	7,237	0	(7,237)	0	(7,237)
Community Development	0	15,702	15,702	0	15,702
Total Governmental Activities	9,612	15,702	6,090	0	6,090
Business-type Activities:					
Water	1,405,118	1,140,633	0	(264,485)	(264,485)
Sewer	1,017,020	930,375	0	(86,645)	(86,645)
Total Business-type Activities	2,422,138	2,071,008	0	(351,130)	(351,130)
Total Primary Government	$ 2,431,750	$ 2,086,710	6,090	(351,130)	(345,040)
General Revenues:					
Town of Waterbury Contribution - ARPA Funds			0	150,000	150,000
Unrestricted Investment Earnings			90,910	116,407	207,317
Gain on Sale of Equipment			0	2,523	2,523
Total General Revenues			90,910	268,930	359,840
Transfer from Duxbury-Moretown Fire District No. 1			0	4,266,433	4,266,433
Change in Net Position			97,000	4,184,233	4,281,233
Net Position - January 1, 2023			2,471,509	17,323,255	19,794,764
Net Position - December 31, 2023			$ 2,568,509	$ 21,507,488	$ 24,075,997

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

Exhibit C

EDWARD FARRAR UTILITY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General Fund	Community Development Fund	Total Governmental Funds
ASSETS			
Cash	$ 185,981	$ 0	$ 185,981
Investments	699,091	0	699,091
Loans Receivable	1,197,086	72,071	1,269,157
Due from Other Funds	273,641	2,544	276,185
Prepaid Items	19,561	0	19,561
Total Assets	$ 2,375,360	$ 74,615	$ 2,449,975
LIABILITIES			
Accounts Payable	$ 135	$ 0	$ 135
Accrued Payroll and Benefits Payable	738	0	738
Total Liabilities	873	0	873
DEFERRED INFLOWS OF RESOURCES			
Unavailable Loans Receivable	1,197,086	72,071	1,269,157
Total Deferred Inflows of Resources	1,197,086	72,071	1,269,157
FUND BALANCES			
Nonspendable	19,561	0	19,561
Restricted	0	2,544	2,544
Committed	461,024	0	461,024
Assigned	604,978	0	604,978
Unassigned	91,838	0	91,838
Total Fund Balances	1,177,401	2,544	1,179,945
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,375,360	$ 74,615	

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.	179,108
Other Assets are not Available to Pay for Current-Period Expenditures and, Therefore, are Deferred in the Funds.	1,269,157
Long-term and Accrued Liabilities, Including the Net Pension Liability, are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds.	(86,949)
Deferred Outflows and Inflows of Resources related to the Utility District's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.	27,248
Net Position of Governmental Activities	$ 2,568,509

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

EDWARD FARRAR UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Community Development Fund	Total Governmental Funds
Revenues:			
Loan Repayments	$ 63,035	$ 0	$ 63,035
Loan Interest Income	15,702	0	15,702
Investment Income	90,883	27	90,910
Total Revenues	169,620	27	169,647
Expenditures:			
General Government	503	0	503
Community Development	180,000	0	180,000
Total Expenditures	180,503	0	180,503
Net Change in Fund Balances	(10,883)	27	(10,856)
Fund Balances - January 1, 2023	1,188,284	2,517	1,190,801
Fund Balances - December 31, 2023	$ 1,177,401	$ 2,544	$ 1,179,945

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

Exhibit E

EDWARD FARRAR UTILITY DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	$	(10,856)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets ($-0-) is allocated over their estimated useful lives and reported as depreciation expense ($1,872). This is the amount by which depreciation exceeded capital outlays in the current period.		(1,872)
The issuance of loans receivable ($180,000) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable ($63,035) provides current financial resources to governmental funds. Neither transaction, however, has any effect on net position.		116,965
Governmental funds report employer pension contributions as expenditures ($-0-). However, in the statement of activities, the cost of pension benefits earned net of employee contributions ($7,237) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(7,237)
Change in net position of governmental activities (Exhibit B)	$	97,000

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

EDWARD FARRAR UTILITY DISTRICT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023

	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets:			
Cash	$ 0	$ 1,540	$ 1,540
Investments	973,304	63,566	1,036,870
Receivables (Net of Allowance for Uncollectibles)	256,704	205,623	462,327
Lease Receivable - Current Portion	3,082	0	3,082
Advances to Other Funds - Current Portion	24,744	0	24,744
Due from Other Funds	335,023	0	335,023
Total Current Assets	1,592,857	270,729	1,863,586
Noncurrent Assets:			
Lease Receivable - Noncurrent Portion	71,312	0	71,312
Advances to Other Funds - Noncurrent Portion	24,744	0	24,744
Capital Assets:			
Construction in Progress	776,704	0	776,704
Vehicles, Machinery and Equipment	456,246	482,308	938,554
Buildings, Distribution and Collection Systems	22,075,840	16,532,531	38,608,371
Less: Accumulated Depreciation	(10,448,927)	(6,181,591)	(16,630,518)
Total Noncurrent Assets	12,955,919	10,833,248	23,789,167
Total Assets	14,548,776	11,103,977	25,652,753
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources Related to the Utility District's Participation in VMERS	50,489	29,591	80,080
Total Deferred Outflows of Resources	50,489	29,591	80,080
LIABILITIES			
Current Liabilities:			
Accounts Payable	216,704	28,354	245,058
Accrued Payroll and Benefits Payable	8,346	3,419	11,765
Advances from Other Funds - Current Portion	0	24,744	24,744
Due to Other Funds	0	611,208	611,208
Unearned Revenue	601	15	616
Accrued Interest Payable	15,247	4,476	19,723
Note Payable - Current Portion	516,431	0	516,431
General Obligation Bonds Payable - Current Portion	206,114	80,162	286,276
Total Current Liabilities	963,443	752,378	1,715,821
Noncurrent Liabilities:			
Advances from Other Funds - Noncurrent Portion	0	24,744	24,744
Compensated Absences Payable	42,145	12,153	54,298
Net Pension Liability	71,930	38,732	110,662
General Obligation Bonds Payable - Noncurrent Portion	1,820,263	421,366	2,241,629
Total Noncurrent Liabilities	1,934,338	496,995	2,431,333
Total Liabilities	2,897,781	1,249,373	4,147,154
DEFERRED INFLOWS OF RESOURCES			
Lease Receivable	73,671	0	73,671
Deferred Inflows of Resources Related to the Utility District's Participation in VMERS	2,938	1,582	4,520
Total Deferred Inflows of Resources	76,609	1,582	78,191
NET POSITION			
Net Investment in Capital Assets	10,317,055	10,331,720	20,648,775
Unrestricted/(Deficit)	1,307,820	(449,107)	858,713
Total Net Position	$ 11,624,875	$ 9,882,613	$ 21,507,488

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

EDWARD FARRAR UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	$ 1,129,413	$ 920,541	$ 2,049,954
Interest and Penalties	10,559	9,239	19,798
Other	661	595	1,256
Total Operating Revenues	1,140,633	930,375	2,071,008
Operating Expenses:			
Payroll and Benefits	456,691	217,924	674,615
Administrative Costs	111,610	30,185	141,795
Professional Services	103,961	29,105	133,066
Supplies	4,425	1,701	6,126
Insurances	17,142	14,253	31,395
Utilities	97,220	111,895	209,115
Maintenance	48,956	184,318	233,274
Machinery and Equipment	5,040	7,118	12,158
Chemicals	17,945	66,751	84,696
Permits & Testing	12,428	7,597	20,025
Taxes	17,547	0	17,547
Depreciation	423,036	328,933	751,969
Other Operating Expenses	5,291	3,207	8,498
Total Operating Expenses	1,321,292	1,002,987	2,324,279
Operating Income/(Loss)	(180,659)	(72,612)	(253,271)
Non-Operating Revenues/(Expenses):			
Gain on Sale of Equipment	0	2,523	2,523
Town of Waterbury Contribution - ARPA Funds	0	150,000	150,000
Investment Income	113,216	3,191	116,407
Interest Expense	(83,826)	(14,033)	(97,859)
Total Non-Operating Revenues/(Expenses)	29,390	141,681	171,071
Net Income/(Loss) Before Transfers	(151,269)	69,069	(82,200)
Transfers:			
Transfer from Duxbury-Moretown Fire District No. 1	4,266,433	0	4,266,433
Total Transfers	4,266,433	0	4,266,433
Change in Net Position	4,115,164	69,069	4,184,233
Net Position - January 1, 2023	7,509,711	9,813,544	17,323,255
Net Position - December 31, 2023	$ 11,624,875	$ 9,882,613	$ 21,507,488

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

EDWARD FARRAR UTILITY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	$ 1,094,648	$ 878,435	$ 1,973,083
Payments for Goods and Services	(342,640)	(411,537)	(754,177)
Payments for Interfund Services	(111,610)	(30,185)	(141,795)
Payments for Wages and Benefits	(433,305)	(222,739)	(656,044)
Net Cash Provided by Operating Activities	207,093	213,974	421,067
Cash Flows From Noncapital Financing Activities:			
Town of Waterbury Contribution - ARPA Funds	0	150,000	150,000
Receipt of Cash from Duxbury-Moretown Fire District No. 1	69,688	0	69,688
Increase/(Decrease) in Advances from Other Funds	0	(24,744)	(24,744)
(Increase)/Decrease in Due from Other Funds	92,794	0	92,794
Increase/(Decrease) in Due to Other Funds	0	(113,665)	(113,665)
Net Cash Provided by Noncapital Financing Activities	162,482	11,591	174,073
Cash Flows From Capital and Related Financing Activities:			
Issuance of Long-term Debt	516,431	0	516,431
Proceeds from Sale of Equipment	0	3,523	3,523
Acquisition and Construction of Capital Assets	(632,564)	(129,803)	(762,367)
Principal Paid on Long-term Debt	(199,744)	(79,557)	(279,301)
Interest Paid on Long-term Debt	(83,826)	(14,033)	(97,859)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(399,703)	(219,870)	(619,573)
Cash Flows From Investing Activities:			
Receipt of Interest and Dividends	113,216	3,191	116,407
Net (Increase)/Decrease in Investments	(107,875)	(11,941)	(119,816)
(Increase)/Decrease in Advances to Other Funds	24,744	0	24,744
Net Cash Provided by Investing Activities	30,085	(8,750)	21,335
Net Increase/(Decrease) in Cash	(43)	(3,055)	(3,098)
Cash - January 1, 2023	43	4,595	4,638
Cash - December 31, 2023	$ 0	$ 1,540	$ 1,540
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:			
Operating Income/(Loss)	$ (180,659)	$ (72,612)	$ (253,271)
Depreciation	423,036	328,933	751,969
(Increase)/Decrease in Receivables	(44,301)	(51,955)	(96,256)
(Increase)/Decrease in Lease Receivable	2,986	0	2,986
(Increase)/Decrease in Deferred Outflows of Resources Related to the Utility District's Participation in VMERS	(21,104)	(2,982)	(24,086)
Increase/(Decrease) in Accounts Payable	(12,685)	14,408	1,723
Increase/(Decrease) in Accrued Payroll and Benefits Payable	146	70	216
Increase/(Decrease) in Unearned Revenue	(961)	15	(946)
Increase/(Decrease) in Compensated Absences Payable	19,025	3,520	22,545
Increase/(Decrease) in Net Pension Liability	43,509	12,498	56,007
Increase/(Decrease) in Deferred Inflows of Resources Related to Lease Receivable	(3,709)	0	(3,709)
Increase/(Decrease) in Deferred Inflows of Resources Related to the Utility District's Participation in VMERS	(18,190)	(17,921)	(36,111)
Net Cash Provided by Operating Activities	$ 207,093	$ 213,974	$ 421,067

During the year, the Utility District took over operations of the Duxbury-Moretown Fire District No. 1. As a result of the transfer, the Water Fund received cash of $69,688, receivables of $40,530 and capital assets with a cost and accumulated depreciation of $5,189,480 and $1,033,265, respectively.

The Sewer Fund sold capital assets with a cost and accumulated depreciation of $14,063 and $13,063, respectively, for $3,523.

There were $202,606 of capital acquisitions in the Water Fund included in accounts payable at December 31, 2023.

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

The Edward Farrar Utility District, (herein the "Utility District") operates under a Board of Commissioners/Manager form of government and provides the following services: public safety, community/economic development, water, sewer and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Edward Farrar Utility District conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

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

B. Basis of Presentation

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

The basic financial statements of the Utility District include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Utility District as a whole and present a longer-term view of the Utility District's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Utility District and present a shorter-term view of how operations were financed and what remains available for future spending.

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

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

Fund Financial Statements: The fund financial statements provide information about the Utility District's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The Utility District reports on the following major governmental funds:

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

Community Development Fund – This fund accounts for the activity of the community development program.

The Utility District reports on the following major enterprise funds:

Water Fund – This fund accounts for the operations of the Water Department.

Sewer Fund – This fund accounts for the operations of the Sewer Department:

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

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., total net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

D. 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.

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

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Utility District considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under financed purchases and sales of capital assets are reported as other financing sources.

Under the terms of grant agreements, the Utility District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Utility District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

Recognition of revenues on funds received in connection with loan programs are recognized when loans are awarded and expenses incurred in excess of current grants and program income. An offsetting deferred inflows of resources is recognized for all loans receivable. Loan repayment revenue is recognized as the loans are repaid.

E. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows and inflows of resources 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.

F. New Pronouncement – Subscription-Based Information Technology Arrangements

Effective December 31, 2023, the Utility District implemented GASB Statement No. 96, "Subscription-Based Information Technology Arrangements". GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. To the extent relevant, the standards for SBITAs are based on the standards established in GASB Statement No. 87, "Leases", as amended. The Utility District currently has no subscription-based information technology arrangements applicable to this Statement that are material to the financial statements.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

1. Cash

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

Excess cash of individual funds are shown as due from other funds and excess cash withdrawals are shown as due to other funds. Interest income is allocated based on the due from/to other fund balances.

2. Investments

The Utility District invests in investments as allowed by State statutes. Investments with readily determinable fair values are reported at the fair values on the balance sheet. Unrealized gains and losses are included in revenue.

3. Receivables

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

4. Internal Balances

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

5. Pensions

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

6. Inventories and Prepaid Expenses/Items

Inventory quantities are determined by physical count and are valued at the lower of cost or market.

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses/items.

Reported inventories and prepaid items of governmental funds in the fund financial statements are offset by a nonspendable fund balance as they are not in spendable form.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements 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/expenditures) until then. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

8. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated acquisition value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets’ lives are not capitalized. Infrastructure assets are reported starting with fiscal year ended December 31, 2004. The Utility District has elected to not report major general infrastructure assets retroactively.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	Capitalization Threshold		Estimated Service Life
Land	$	5,000	Not Depreciated
Buildings and Building Improvements	$	5,000	40 Years
Vehicles, Machinery and Equipment	$	5,000	5-10 Years
Distribution and Collection Systems	$	5,000	50 Years

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

9. Leases

Lessee: The Utility District recognizes lease liabilities and a right-to-use lease asset (lease asset) in the government-wide and proprietary fund financial statements. The Utility District recognizes lease liabilities with an initial, individual value deemed material. At the commencement of a lease, the Utility District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported as right to use along with other capital assets and lease liabilities are reported with long-term debt in the government-wide and proprietary fund financial statements.

Lessor: The Utility District recognizes a lease receivable and a deferred inflows of resources in both the government-wide and fund financial statements. At the commencement of a lease, the Utility District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources is initially measured as the initial amount of the lease receivable. Subsequently, the deferred inflows of resources is recognized as revenue on a straight-line basis over the term of the lease. Lease receivables in excess of the related deferred inflows of resources are reported as nonspendable fund balances of governmental funds in the fund financial statements as these are not in spendable form.

10. Compensated Absences

It is the Utility District's policy to permit employees to accumulate earned but unused leave time. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements and proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental fund financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

11. Long-term Liabilities

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

12. Fund Equity

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

II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND AND GOVERNMENT-WIDE STATEMENTS

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, whereas government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as other financing sources, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report proceeds of long-term debt as other financing sources and principal payments as an expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

Loans receivable differences arise because governmental funds report the issuance of loans receivable as expenditures and repayments of loans receivable as revenues, whereas government-wide statements report those transactions as increases and decreases in assets, respectively.

Pension-related differences arise because governmental funds report the current period’s required employer contributions as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources, if made after the measurement date. In addition, the accrual for the Utility District’s proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Utility District's cash and investments as of December 31, 2023 consisted of the following:

Cash:	
Deposits with Financial Institutions	$ 185,981
Deposits with Investment Company	1,540
Total Cash	187,521
Investments:	
Certificates of Deposit	42,150
Common Stock	87
Mutual Funds – Mixed Holdings	1,693,724
Total Investments	1,735,961
Total Cash and Investments	$1,923,482

The Utility District has seven (7) certificates of deposit with various banks ranging from $3,031 to $9,994 with interest rates ranging from 5.15% to 5.50%. All certificates of deposit mature by fiscal year 2026.

Custodial Credit Risk

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

	Book Balance	Bank Balance
Insured by FDIC/SIPC	$229,671	$267,991

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

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	$185,981
Cash – Deposits with Investment Company	1,540
Investments – Certificates of Deposit	42,150
Total	$229,671

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Utility District does not have any policy to limit the exposure to interest rate risk. The Utility District's certificates of deposit and common stock are exempt from interest rate risk disclosure. The Utility District's mutual funds are open-ended and, therefore, also exempt from interest rate disclosure.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. These organizations look at a number of factors in order to evaluate the risk of an obligation and rate the risk. The rating allows the investor to make informed buying and selling decisions. The Utility District does not have any policy to limit the exposure to credit risk. The Utility District's certificates of deposit and common stock are not subject to credit risk disclosure. The Utility District's mutual funds are open-ended and are, therefore, also excluded from the credit risk analysis.

Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the Utility District's investments are held within one security. The Utility District does not have any limitations on the amount that can be invested in any one issuer. The Utility District's certificates of deposit and mutual funds are exempt from concentration of credit risk analysis. There are no other investments in any one issuer that represent more than 5% of total investments.

Fair Value

The Utility District categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application." The hierarchy is based on the valuation inputs used to measure fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The Utility District's certificates of deposit are not subject to fair value disclosures.

Level 1 – Unadjusted quoted prices for identical instruments in active markets

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

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

		Fair Value Measurements Using:		
Description	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Common Stock	$ 87	$ 87	$ 0	$ 0
Mutual Funds - Mixed Holdings	1,693,724	1,693,724	0	0
Total	$ 1,693,811	$ 1,693,811	$ 0	$ 0

B. Receivables

Receivables as of December 31, 2023, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Business-type Activities
Billed Services	$ 89,102
Unbilled Services	354,000
Due from Town of Waterbury	20,225
Allowance for Doubtful Accounts - Water	(1,000)
Total	$ 462,327

C. Loans Receivable

Loans receivable as of December 31, 2023 are as follows:

General Fund (UDAG Fund):	
Loan Receivable, Revitalizing Waterbury, Interest at 2%, Monthly Principal and Interest Payments of $666, Due September 15, 2032, Secured by Real Property	$ 63,573
Loan Receivable, The Ice Center, Interest at 2%, Monthly Principal and Interest Payments of $2,879 Beginning October 15, 2027, Due January 15, 2046, Secured by Building Subordinate to Mortgage to Community National Bank	529,800
Loan Receivable, Ladd Hall Limited Partnership, Interest at 2%, Principal and Interest Payments of $914, Due May 15, 2040, Secured by Real Property Subordinate to Several Mortgages	153,123
Loans Receivable, 7 Small Business Loans, Monthly Principal and Interest Payments Required, Interest Ranging from 2% to 5%, Various Due Dates, Secured by Various Assets and Personal Guarantees	450,590
Total General Fund (UDAG Fund)	1,197,086
Community Development Fund:	
Loan Receivable, Ladd Hall Limited Partnership, Interest at 0%, Annual Repayment based on 16.445% of "Surplus Cash", as Defined in the Loan Agreement, up to a Maximum of $2,960 which Begun on May 15, 2018, Balance to be Paid in Full by May 15, 2043, Secured by Real Estate	72,071
Total	$1,269,157

D. Lease Receivable

In May, 2014, the Utility District entered into a land lease agreement with Village of Waterbury Solar I, LLC for the purpose of the installation and operation of an array of solar panels. The initial lease term is for twenty (20) years with annual payments of $5,500. Upon the twentieth (20th) anniversary, the Utility District has the option to renew the agreement for an additional five (5) years with annual payments of $8,500 and an option to purchase the system at the term end. If the Utility District elects not to renew the agreement, the lessee has the option to renew the agreement for an additional fifteen (15) years with annual payments of $8,500. The Lessee has the right to terminate this agreement provided that sixty (60) days prior notice is given. The Utility District has measured this lease receivable using a discount rate of 3.25%.

As of December 31, 2023, the Utility District's receivable for lease payments was $74,394. During the year ended December 31, 2023, the Utility District recognized $4,604 and $2,515 in lease revenue and interest revenue, respectively.

The future lease payments for this agreement are as follows:

2024	$ 5,500
2025	5,500
2026	5,500
2027	5,500
2028	5,500
2029-2033	27,500
2034-2038	42,500
	$97,500

E. Capital Assets

Capital asset activity for the period ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 177,704	$ 0	$ 0	$ 177,704
Total Capital Assets, Not Being Depreciated	177,704	0	0	177,704
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	140,400	0	0	140,400
Totals	140,400	0	0	140,400
Less Accumulated Depreciation for:				
Buildings and Building Improvements	137,124	1,872	0	138,996
Totals	137,124	1,872	0	138,996
Total Capital Assets, Being Depreciated	3,276	(1,872)	0	1,404
Governmental Activities Capital Assets, Net	$ 180,980	$ (1,872)	$ 0	$ 179,108

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Construction in Progress	$ 0	$ 776,704	$ 0	$ 776,704
Total Capital Assets, Not Being Depreciated	0	776,704	0	776,704
Capital Assets, Being Depreciated:				
Vehicles, Machinery and Equipment	800,242	152,375	14,063	938,554
Buildings, Distribution and Collection Systems	33,382,997	5,225,374	0	38,608,371
Totals	34,183,239	5,377,749	14,063	39,546,925
Less Accumulated Depreciation for:				
Vehicles, Machinery and Equipment	542,065	72,346	13,063	601,348
Buildings, Distribution and Collection Systems	14,316,282	1,712,888	0	16,029,170
Totals	14,858,347	1,785,234	13,063	16,630,518
Total Capital Assets, Being Depreciated	19,324,892	3,592,515	1,000	22,916,407
Business-type Activities Capital Assets, Net	$ 19,324,892	$ 4,369,219	$ 1,000	$ 23,693,111

During the year, the Water Fund received capital assets with a cost and accumulated depreciation of $5,189,480 and $1,033,265, respectively, from the dissolution of the Duxbury-Moretown Fire District No. 1.

Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	$ 1,872	Water	$ 423,036
		Sewer	328,933
Total Depreciation Expense - Governmental Activities	$ 1,872	Total Depreciation Expense - Business-type Activities	$ 751,969

F. Interfund Balances and Activity

The composition of interfund balances as of December 31, 2023 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	$ 273,641	$ 0
Community Development Fund	2,544	0
Water Fund	335,023	0
Sewer Fund	0	611,208
	$ 611,208	$ 611,208

The composition of advances to/from other funds as of December 31, 2023 are as follows:

Fund	Advances to Other Funds	Advances from Other Funds
Water Fund	$ 49,488	$ 0
Sewer Fund	0	49,488
	$ 49,488	$ 49,488

The advances to/from other funds will be repaid as follows:

Advance to the Sewer Fund from the Water Fund for Sewer Operations, Interest at 2.5%, Principal Payments of $18,494 Plus Interest Annually	$36,988
Advance to the Sewer Fund from the Water Fund for Sewer Operations, Interest at 2.5%, Principal Payments of $6,250 Plus Interest Annually	12,500
Total Advances to/from Other Funds	$49,488

G. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of $6,530 from the difference between the expected and actual experience, $14,116 from the net difference between the projected and actual investment earnings on pension plan investments, $4,445 from changes in assumptions and $5,709 from changes in the Utility District's proportional share of contributions related to the Utility District's participation in the Vermont Municipal Employee's Retirement System (VMERS). Total deferred outflows of resources in the governmental activities is $30,800.

Deferred outflows of resources in the business-type activities consists of $8,311 from the difference between the expected and actual experience, $17,966 from the net difference between the projected and actual investment earnings on pension plan investments, $5,658 from changes in assumptions and $7,266 from changes in the Utility District's proportional share of contributions related to the Utility District's participation in the Vermont Municipal Employee's Retirement System (VMERS) and $40,879 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the business-type activities is $80,080.

Deferred outflows of resources in the Water Fund consists of $5,402 from the difference between the expected and actual experience, $11,678 from the net difference between the projected and actual investment earnings on pension plan investments, $3,678 from changes in assumptions and $4,723 from changes in the Utility District's proportional share of contributions related to the Utility District's participation in the Vermont Municipal Employee's Retirement System (VMERS) and $25,008 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Water Fund is $50,489.

Deferred outflows of resources in the Sewer Fund consists of $2,909 from the difference between the expected and actual experience, $6,288 from the net difference between the projected and actual investment earnings on pension plan investments, $1,980 from changes in assumptions and $2,543 from changes in the Utility District's proportional share of contributions related to the Utility District's participation in the Vermont Municipal Employee's Retirement System (VMERS) and $15,871 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Sewer Fund is $29,591.

H. Unearned Revenue

Unearned revenue in the business-type activities consists of $616 of user fees received in advance.

Unearned revenue in the Water Fund consists of $601 of user fees received in advance.

Unearned revenue in the Sewer Fund consists of $15 of user fees received in advance.

I. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of $3,552 from changes in the Utility District's proportional share of contributions related to the Utility District's participation in the Vermont Municipal Employee's Retirement System (VMERS).

Deferred inflows of resources in the business-type activities consists of $4,520 from changes in the Utility District's proportional share of contributions related to the Utility District's participation in the Vermont Municipal Employee's Retirement System (VMERS) and $73,671 associated with a lease that will be recognized as revenue over the lease terms. Total deferred inflows of resources in the business-type activities is $78,191.

Deferred inflows of resources in the General Fund consists of $1,197,086 of loans receivable as they would not be available to liquidate current liabilities.

Deferred inflows of resources in the Community Development Fund consists of $72,071 of a loan receivable as it would not be available to liquidate current liabilities.

Deferred inflows of resources in the Water Fund consists $2,938 from changes in the Utility District's proportional share of contributions related to the Utility District's participation in the Vermont Municipal Employee's Retirement System (VMERS) and $73,671 associated with a lease that will be recognized as revenue over the lease terms. Total deferred inflows of resources in the Water Fund is $76,609.

Deferred inflows of resources in the Sewer Fund consists of $1,582 from changes in the Utility District's proportional share of contributions related to the Utility District's participation in the Vermont Municipal Employee's Retirement System (VMERS).

J. Long-term Liabilities

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

General obligation bonds are direct obligations and pledge the full faith and credit of the Utility District. New bonds generally are issued as 10 to 20 year bonds. Refunding bonds are issued for various terms based on the debt service of the debt refunded.

The Utility District had a bond anticipation note to finance capital improvements through a local bank.

The State of Vermont offers a number of low and no-interest revolving loan programs to utilize for predetermined purposes. The Utility District has borrowed money from the State of Vermont Special Environmental Revolving Fund for water and sewer projects.

The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries. The accrual for the Utility District's share of the net pension liability is recorded in the government-wide financial statements and proprietary fund financial statements.

It is the policy of the Utility District to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements and proprietary fund financial statements.

Long-term liabilities outstanding as of December 31, 2023 were as follows:

Business-type Activities:

	Beginning Balance	Additions	Deletions	Ending Balance
Bond Payable, Vermont Municipal Bond Bank, Water System Improvements, Principal Payments Ranging from $55,000 to $60,000 Payable on November 15 Annually, Interest at 4.921% Payable on May 15 and November 15, Due November, 2024. This is the Water Fund Portion of the Bond.	$ 61,986	$ 0	$ 30,993	$ 30,993

	Beginning Balance	Additions	Deletions	Ending Balance
Bond Payable, Vermont Municipal Bond Bank, Water System Improvements, Principal Payments Ranging from $119,283 to $211,613 Payable on November 1 Annually, Interest at 3.93% Payable on May 1 and December 1, Due December 2033	$2,001,509	$ 0	$150,323	$1,851,186
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal Payments of $3,014 Payable on February 1 Annually, 0% Interest, Due and Paid February, 2024	6,027	0	3,014	3,013
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal and Interest Payments of $6,710 Payable on June 1 Annually, Interest at 1%, Administrative Fee at 2%, Due June, 2031	52,262	0	5,144	47,118
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water System Improvements, Principal and Interest Payments of $13,400 Payable on August 1 Annually, Interest at 1%, Administrative Fee at 2%, Due August, 2031	104,337	0	10,270	94,067
Bond Anticipation Note, Union Bank, Water System Improvements, Authorized to $600,000, Interest at 6.85%, Due August, 2023. In March, 2024, the Utility District Refinanced this Note with the Vermont Municipal Bond Bank.	0	516,431	0	516,431

	Beginning Balance	Additions	Deletions	Ending Balance
Bond Payable, Vermont Municipal Bond Bank, Sewer System Improvements, Principal Payments Ranging from $55,000 to $60,000 Payable on November 15 Annually, Interest at 4.921% Payable on May 15 and November 15, Due November, 2024. This is the Sewer Fund Portion of the Bond.	$ 48,014	$ 0	$ 24,007	$ 24,007
Bond Payable, Vermont Municipal Bond Bank, Sewer System Improvements, Principal Payments of $15,000 Payable on November 1, Annually, Interest Ranging from 0.80% to 4.67% Payable on May 1 and November 1, Due November, 2031	135,000	0	15,000	120,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer System Improvements, Principal and Administrative Fee Payments of $36,167 Payable on June 1 Annually, 0% Interest, Administrative Fee at 2%, Due June, 2031	295,204	0	30,263	264,941
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer System Improvements, Principal Payments of $10,287 Payable on May 1 Annually, 0% Interest, Due May, 2032	102,867	0	10,287	92,580
Total Business-type Activities	$2,807,206	$516,431	$279,301	$3,044,336

Changes in long-term liabilities during the period were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Net Pension Liability	$ 42,943	$ 44,006	$ 0	$ 86,949	$ 0
Total Governmental Activities Long-term Liabilities	$ 42,943	$ 44,006	$ 0	$ 86,949	$ 0
Business-type Activities					
General Obligation Bonds Payable	$ 2,807,206	$ 0	$ 279,301	$ 2,527,905	$ 286,276
Notes Payable	0	516,431	0	516,431	516,431
Compensated Absences Payable	31,753	22,545	0	54,298	0
Net Pension Liability	54,655	56,007	0	110,662	0
Total Business-type Activities Long-term Liabilities	$ 2,893,614	$ 594,983	$ 279,301	$ 3,209,296	$ 802,707

Compensated absences and required contributions to the pension plans are paid by the applicable fund where the employee is charged.

The change in the net pension liability is allocated to the function where the employee is charged.

Debt service requirements to maturity are anticipated to be as follows:

Year Ending December 31	Business-type Activities Principal	Interest
2024	$ 802,707	$ 82,623
2025	235,498	66,694
2026	242,998	71,552
2027	250,777	63,137
2028	258,846	54,418
2029-2033	1,253,510	104,272
Total	$ 3,044,336	$ 442,696

K. Fund Balances

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

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

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

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

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

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

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

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

<u>Major Fund</u>

General Fund:	
Nonspendable Prepaid Items	$19,561
Total Nonspendable Fund Balances	$19,561

The fund balances in the following fund is restricted as follows:

<u>Major Fund</u>

Community Development Fund:	
Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	$2,544
Total Restricted Fund Balances	$2,544

The fund balances in the following fund is committed as follows:

Major Fund

General Fund:	
Committed for Repair, Replacement, Acquisition and Enhancement of Capital Assets of the Water Supply and Sewage Disposal Systems by the Voters	$461,024
Total Committed Fund Balances	$461,024

The fund balances in the following fund is assigned as follows:

Major Fund

General Fund:	
Assigned for Community Development Loans	$604,978
Total Assigned Fund Balances	$604,978

L. Restricted and Designated Net Position

The restricted net position of the Utility District as of December 31, 2023 consisted of the following:

Governmental Activities:	
Restricted for Community Development by Grant Agreements	$74,615
Total Governmental Activities	$74,615

The unrestricted deficit in the Sewer Fund of $449,107 will be funded in future years with additional revenues.

IV. OTHER INFORMATION

A. Pension Plan

Defined Benefit Plan

The Vermont Municipal Employees' Retirement System (VMERS)

Plan Description

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

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

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

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

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

As of June 30, 2022, the measurement date selected by the State of Vermont, VMERS was funded at 73.60% and had a plan fiduciary net position of $845,979,471 and a total pension liability of $1,149,351,427 resulting in a net position liability of $303,371,956. As of December 31, 2023, the Utility District's proportionate share of this was 0.0651% resulting in a net pension liability of $197,611. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The Utility District's proportion of the net pension liability was based on a projection of the Utility District's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Utility District's proportion of 0.0651% was a decrease of 0.0012 from its proportion measured as of the prior year.

For the year ended December 31, 2023, the Utility District recognized pension expense of $32,743.

As of December 31, 2023, the Utility District reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 14,841	$ 0
Net difference between projected and actual investment earnings on pension plan investments	32,082	0
Changes in assumptions	10,103	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,975	8,072
Utility District's required employer contributions made subsequent to the measurement date	40,879	0
	$ 110,880	$ 8,072

The required contributions made subsequent to the measurement date consists of contributions made from July 1, 2022 to December 31, 2022 of $11,183 and contributions made from January 1, 2023 to December 31, 2023 of $29,696. Total required contributions made subsequent to the measurement is $40,879.

The deferred outflows of resources resulting from the Utility District's required employer contributions made subsequent to the measurement date in the amount of $40,879 will be recognized as a reduction of the net pension liability in the years ended December 31, 2024 and December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending December 31	
2024	$15,648
2025	17,828
2026	8,754
2027	19,699
Total	$61,929

Summary of System Provisions

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

Creditable Service – Service as a member plus purchased service.

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

Service Retirement Allowance:

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

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

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

Early Retirement Allowance:

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

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

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

Disability Retirement Allowance:

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

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

Death Benefit:

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

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

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

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

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

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

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

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

Significant Actuarial Assumptions and Methods

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

Inflation: 2.30% per year.

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

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

Mortality:

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

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

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

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

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

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

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

Long-term Expected Rate of Return:

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

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

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

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

1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
$296,112	$197,611	$116,591

Additional Information

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

B. Risk Management

The Utility District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Utility District maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Utility District. The Utility District must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days' notice. Fund underwriting and rate setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

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

C. Commitments and Contingencies

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

D. Transfer of Operations

During the year, the Utility District took over operations of the Duxbury-Moretown Fire District No. 1. All of the assets and responsibility for water services were transferred to the Utility District. As a result of the transfer, the Utility District recognized the following assets:

	Carrying Values
Transferred Assets:	
Cash	$ 69,688
Receivables	40,530
Capital Assets	4,156,215
Total Transferred Assets	$4,266,433

E. Subsequent Events

Subsequent to year end, the Utility District entered into a loan agreement with the Vermont Municipal Bond Bank for $750,000, with a term of 20 years, for water system improvements.

EDWARD FARRAR UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
VMERS DEFINED BENEFIT PLAN
DECEMBER 31, 2023

	2023	2022	2021	2020	2019*	2018*	2017	2016	2015	2014
Total Plan Net Pension Liability	$ 303,371,956	$ 147,184,198	$ 252,974,064	$ 173,491,807	$ 140,675,892	$ 140,675,892	$ 121,155,552	$ 128,696,167	$ 77,095,810	$ 9,126,613
Utility District's Proportion of the Net Pension Liability	0.0651%	0.0663%	0.0538%	0.0546%	0.0846%	0.0846%	0.1009%	0.1175%	0.1422%	0.1000%
Utility District's Proportionate Share of the Net Pension Liability	$ 197,611	$ 97,598	$ 136,099	$ 94,650	$ 119,080	$ 119,080	$ 122,267	$ 151,170	$ 109,595	$ 9,124
Utility District's Covered Employee Payroll	$ 260,759	$ 245,717	$ 193,916	$ 186,348	$ 269,578	$ 269,578	$ 324,592	$ 361,291	$ 367,844	$ 414,217
Utility District's Proportionate Share of the Net Pension Liability as a Percentage of Utility District's Covered Employee Payroll	75.7830%	39.7197%	70.1845%	50.7921%	44.1727%	44.1727%	37.6679%	41.8416%	29.7939%	2.2027%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.60%	86.29%	74.52%	80.35%	82.60%	82.60%	83.64%	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions and Methods: None.

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

* The Utility District utilized the June 30, 2018 measurement date for the years ended December 31, 2018 and December 31, 2019.

See Disclaimer in Accompanying Independent Auditor's Report.

EDWARD FARRAR UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
VMERS DEFINED BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution (Actuarially Determined)	$ 29,696	$ 19,580	$ 15,223	$ 12,687	$ 11,014	$ 11,662	$ 16,857	$ 16,468	$ 22,173	$ 21,694
Contributions in Relation to the Actuarially Determined Contributions	29,696	19,580	15,223	12,687	11,014	11,662	16,857	16,468	22,173	21,694
Contribution Excess/(Deficiency)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Utility District's Covered Employee Payroll	$ 448,072	$ 306,405	$ 248,449	$ 215,266	$ 193,545	$ 209,877	$ 306,483	$ 299,419	$ 410,444	$ 414,217
Contributions as a Percentage of Utility District's Covered Employee Payroll	6.628%	6.390%	6.127%	5.894%	5.691%	5.557%	5.500%	5.500%	5.402%	5.237%

Notes to Schedule

Valuation Date: June 30, 2022

See Disclaimer in Accompanying Independent Auditor's Report.

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

Board of Commissioners
Edward Farrar Utility District
28 North Main Street, Suite 1
Waterbury, Vermont 05676

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Edward Farrar Utility District as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Edward Farrar Utility District's basic financial statements and have issued our report thereon dated September 16, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Edward Farrar Utility District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Edward Farrar Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Edward Farrar Utility District'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 Edward Farrar Utility District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

The Edward Farrar Utility District's Response to Finding

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

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 Edward Farrar Utility District'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 Edward Farrar Utility District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sullivan, Powers & Co.

September 16, 2024
Montpelier, Vermont
VT Lic. #92-000180

Deficiencies in Internal Control:

Material Weaknesses:

2023-001 Reconciliation of Balance Sheet Accounts

Criteria:

Internal controls should be in place to provide for the reconciliation of all balance sheet accounts to supporting documentation on an annual basis in order to detect and correct errors in account balances.

Condition:

A number of balance sheet accounts such as receivables, property, plant and equipment, accumulated depreciation, accounts payable, bonds payable, compensated absences payable, net pension liability and deferred outflows and inflows of resources related to the Utility District's participation in VMERS were not reconciled prior to the audit to the actual balances at year end which resulted in various adjustments to revenues and expenses.

Cause:

Unknown.

Effect:

The Utility District's account balances were not completely reconciled which resulted in various adjustments to revenues and expenses.

Recommendation:

We recommend that all balance sheet accounts be reconciled to supporting documentation at least annually in order to detect and correct errors.

Waterbury VERMONT

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September 13, 2024

Jordon Plummer, CPA
Sullivan, Powers & Company
77 Barre Street; PO Box 947
Montpelier, Vermont 05602

Dear Jordon:

Please consider this the Edward Farrar Utility District's response to the findings issued in the audit management letter.

Item 1: Reconciliation of balance sheet accounts.

The Town will conduct a detailed series of year-end reviews to help ensure that balance sheet accounts are appropriately reconciled. We believe that effort was complicated as the Town transitioned some of its budgeting and accounting practices for 2024, therefore our efforts were substantially focused on ensuring those changes were implemented correctly. For 2024 and years forward the Town will undertake and document a review at the end of the 3rd quarter, and again at year-end. We hope to minimize adjustments through this process.

Item 2: Administrative Charges

The Town will conduct a complete review prior to enactment of the 2025 budget. Charges between the Edward Farrar Utility District's water and wastewater funds, and the Town of Waterbury, will be appropriately documented. The methodologies will be presented to the District Commissioners and Selectboard for joint consideration and adoption.

Item 3: Payroll Withholding Accounts

The Town views this as a correctable issue and will conduct a detailed review to identify where the error occurred. At year-end we will conduct annual reviews to ensure the withholdings are appropriately tracked, and any discrepancy is either returned to the employee or remitted to the appropriate entity.

Sincerely Yours,

Thomas Leitz
District Manager