

TOWN OF NEWPORT, VERMONT

Financial Statements

December 31, 2021

Table of Contents

Independent Auditor's Report	1-2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	3
Statement of Activities.....	4
Governmental Funds:	
Balance Sheet – Governmental Funds.....	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	6
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	7
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	8
Proprietary Funds:	
Statement of Net Position – Proprietary Fund.....	9
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund.....	10
Statement of Cash Flows – Proprietary Fund.....	11
Fiduciary Funds:	
Statement of Fiduciary Net Position.....	12
Statement of Changes in Fiduciary Net Position.....	12
Notes to Financial Statements	13-30
Required Supplementary Information:	
Statement of Revenues and Expenditures – Budget to Actual – General Fund.....	31
Statement of Revenues and Expenditures – Budget to Actual – Highway Fund.....	32
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	33-34

Independent Auditor's Report

To the Select Board
Town of Newport
Newport Center, Vermont

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Newport, Vermont, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise a portion of the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Adverse Opinion on the Financial Statements as a Whole

As discussed in Note 1 to the financial statements, management has not recorded capital assets in the governmental activities, business-type activities, and proprietary funds and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net position, and expense of the governmental activities, business-type activities, and proprietary funds. The amount by which this departure would affect, assets, net position, and expenses of the governmental activities, business-type activities, and proprietary funds has not been determined.

As discussed in Note 1 to the financial statements, management has not recorded the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions in the governmental activities, business-type activities, and proprietary funds and, accordingly, has not recorded the corresponding pension expense.

Accounting principles generally accepted in the United States of America require that those net pension liabilities, deferred outflows of resources, and deferred inflows of resources be recorded, which would increase or decrease the assets, net position, and expense of the governmental activities, business-type activities, and proprietary funds. The amount by which this departure would affect, assets, net position, and expenses of the governmental activities, business-type activities, and proprietary funds has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Financial Statements as a Whole” paragraph, the financial statements referred to above do not present fairly the financial position of the Town of Newport, Vermont, as of December 31, 2021, or the changes in financial position or, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the statement of revenues and expenditures – budget to actual – general fund and statement of revenues and expenditures – budget to actual – highway fund on pages 31-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2022, on our consideration of the Town of Newport, Vermont’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Newport, Vermont’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Newport, Vermont’s internal control over financial reporting and compliance.

Telling & Hillman, P.C.

Telling & Hillman, P.C.
License #092.0131564
Middlebury, Vermont
February 22, 2022

TOWN OF NEWPORT, VERMONT
Statement of Net Position
December 31, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash - unrestricted	\$ 2,140,414	\$ 555	\$ 2,140,969
Cash - restricted	184,638	-	184,638
Accounts receivable - billed	-	9,228	9,228
Accounts receivable - unbilled	-	23,726	23,726
Delinquent taxes receivable	97,226	-	97,226
Delinquent interest and penalties receivable	333	-	333
Due from other governments	36,307	-	36,307
Due from other funds	-	187,220	187,220
Total current assets	<u>2,458,918</u>	<u>220,729</u>	<u>2,679,647</u>
Total assets	\$ <u>2,458,918</u>	\$ <u>220,729</u>	\$ <u>2,679,647</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 79,785	\$ -	\$ 79,785
Due to other funds	249,050	-	249,050
Bonds and notes payable, current	-	7,585	7,585
Total current liabilities	<u>328,835</u>	<u>7,585</u>	<u>336,420</u>
Long term liabilities:			
Bonds payable, less current portion	-	305,892	305,892
Total Liabilities	<u>328,835</u>	<u>313,477</u>	<u>642,312</u>
Deferred inflows of resources			
Unearned revenue - state aid	441,962	-	441,962
Taxes paid in advance	2,726	822	3,548
Total deferred inflows of resources	<u>444,688</u>	<u>822</u>	<u>445,510</u>
Net Position			
Restricted	946,681	-	946,681
Unrestricted	738,714	(93,570)	645,144
Total net position	<u>1,685,395</u>	<u>(93,570)</u>	<u>1,591,825</u>
Total liabilities, deferred inflows of resources, and net position	\$ <u>2,458,918</u>	\$ <u>220,729</u>	\$ <u>2,679,647</u>

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

TOWN OF NEWPORT, VERMONT
Statement of Activities
Year Ended December 31, 2021

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 236,259	\$ 38,671	\$ 8,424	\$ -	\$ (189,164)	\$ -	\$ (189,164)
Cemeteries	32,456	-	-	-	(32,456)	-	(32,456)
Public safety	133,539	1,408	-	-	(132,131)	-	(132,131)
Public works	830,225	-	106,146	247,794	(476,285)	-	(476,285)
Recreation and culture	27,333	-	-	-	(27,333)	-	(27,333)
Total governmental activities	<u>1,259,812</u>	<u>40,079</u>	<u>114,570</u>	<u>247,794</u>	<u>(857,369)</u>	<u>-</u>	<u>(857,369)</u>
Business-type activities							
Water	97,883	140,792	-	-	-	42,909	42,909
Sewer	32,149	38,743	-	-	-	6,594	6,594
Total business-type activities	<u>130,032</u>	<u>179,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,503</u>	<u>49,503</u>
Total primary-government	<u>\$ 1,389,844</u>	<u>\$ 219,614</u>	<u>\$ 114,570</u>	<u>\$ 247,794</u>	<u>(857,369)</u>	<u>49,503</u>	<u>(807,866)</u>
General revenues							
General property taxes					1,065,141	-	1,065,141
Interest					13,786	-	13,786
Miscellaneous					42,633	-	42,633
Total general revenues					<u>1,121,560</u>	<u>-</u>	<u>1,121,560</u>
Change in net position					264,191	49,503	313,694
Net position - beginning of year					<u>1,421,204</u>	<u>(143,073)</u>	<u>1,278,131</u>
Net position - end of year					<u>\$ 1,685,395</u>	<u>\$ (93,570)</u>	<u>\$ 1,591,825</u>

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

TOWN OF NEWPORT, VERMONT
Balance Sheet - Governmental Funds
December 31, 2021

	<u>General</u>	<u>Highway Fund</u>	<u>ARPA Fund</u>	<u>Non-major Equipment Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash - unrestricted	\$ 2,140,414	\$ -	\$ -	\$ -	\$ 2,140,414
Cash - restricted	184,638	-	-	-	184,638
Delinquent taxes receivable	97,226	-	-	-	97,226
Delinquent interest and penalties receivable	333	-	-	-	333
Due from other governments	36,307	-	-	-	36,307
Due from other funds	-	747,492	441,962	300,339	1,489,793
Total assets	<u>\$ 2,458,918</u>	<u>\$ 747,492</u>	<u>441,962</u>	<u>\$ 300,339</u>	<u>\$ 3,948,711</u>
Liabilities					
Accounts payable	\$ 79,785	\$ -	\$ -	\$ -	\$ 79,785
Due to other funds	1,738,843	-	-	-	1,738,843
Total liabilities	<u>1,818,628</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,818,628</u>
Deferred inflows of resources					
Unearned revenue - property taxes	78,473	-	-	-	78,473
Unearned revenue - state aid	-	-	441,962	-	441,962
Taxes paid in advance	2,726	-	-	-	2,726
Total deferred inflows of resources	<u>81,199</u>	<u>-</u>	<u>441,962</u>	<u>-</u>	<u>523,161</u>
Fund balance					
Restricted	199,189	747,492	-	-	946,681
Assigned	-	-	-	300,339	300,339
Unassigned	359,902	-	-	-	359,902
Total fund balance	<u>559,091</u>	<u>747,492</u>	<u>-</u>	<u>300,339</u>	<u>1,606,922</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,458,918</u>	<u>\$ 747,492</u>	<u>\$ 441,962</u>	<u>\$ 300,339</u>	<u>\$ 3,948,711</u>

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

TOWN OF NEWPORT, VERMONT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2021

	<u>Total Governmental Funds</u>	<u>Long-term Assets, Liabilities</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Net Position</u>
Assets				
Cash - unrestricted	\$ 2,140,414	\$ -	\$ -	\$ 2,140,414
Cash - restricted	184,638	-	-	184,638
Delinquent taxes receivable	97,226	-	-	97,226
Delinquent interest and penalties receivable	333	-	-	333
Due from other governments	36,307	-	-	36,307
Due from other funds	<u>1,489,793</u>	<u>-</u>	<u>(1,489,793)</u>	<u>-</u>
Total assets	<u>\$ 3,948,711</u>	<u>\$ -</u>	<u>\$ (1,489,793)</u>	<u>\$ 2,458,918</u>
Liabilities				
Accounts payable	\$ 79,785	\$ -	\$ -	\$ 79,785
Due to other funds	<u>1,738,843</u>	<u>-</u>	<u>(1,489,793)</u>	<u>249,050</u>
Total liabilities	<u>1,818,628</u>	<u>-</u>	<u>(1,489,793)</u>	<u>328,835</u>
Deferred inflows of resources				
Unearned revenue - property taxes	78,473	(78,473)	-	-
Unearned revenue - state aid	441,962	-	-	441,962
Taxes paid in advance	<u>2,726</u>	<u>-</u>	<u>-</u>	<u>2,726</u>
Total deferred inflows or resources	<u>523,161</u>	<u>(78,473)</u>	<u>-</u>	<u>444,688</u>
Fund balance/net position				
Total fund balance/net position	<u>1,606,922</u>	<u>78,473</u>	<u>-</u>	<u>1,685,395</u>
Total liabilities, deferred inflows of resources, and fund balance/net position	<u>\$ 3,948,711</u>	<u>\$ -</u>	<u>\$ (1,489,793)</u>	<u>\$ 2,458,918</u>

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

TOWN OF NEWPORT, VERMONT
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Governmental Funds
Year Ended December 31, 2021

	<u>General</u>	<u>Highway Fund</u>	<u>ARPA Fund</u>	<u>Non-major Equipment Fund</u>	<u>Total Governmental Funds</u>
Revenues					
General property taxes	\$ 468,326	\$ 612,615	\$ -	\$ -	\$ 1,080,941
Intergovernmental revenues	8,424	353,940	-	-	362,364
Interest	13,786	-	-	-	13,786
License/permits	1,231	-	-	-	1,231
Local fines	1,408	-	-	-	1,408
Fees/charges for services	37,440	-	-	-	37,440
Miscellaneous	14,916	4,217	-	23,500	42,633
Total revenues	<u>545,531</u>	<u>970,772</u>	<u>-</u>	<u>23,500</u>	<u>1,539,803</u>
Expenditures					
General government	236,259	-	-	-	236,259
Cemeteries	32,456	-	-	-	32,456
Public safety	133,539	-	-	-	133,539
Public works	11,573	818,652	-	-	830,225
Recreation and culture	27,333	-	-	-	27,333
Total expenditures	<u>441,160</u>	<u>818,652</u>	<u>-</u>	<u>-</u>	<u>1,259,812</u>
Excess of revenues over expenditures	<u>104,371</u>	<u>152,120</u>	<u>-</u>	<u>23,500</u>	<u>279,991</u>
Other financing sources (uses)					
Transfer in	-	-	-	68,158	68,158
Transfer out	-	(68,158)	-	-	(68,158)
Total other financing sources (uses)	<u>-</u>	<u>(68,158)</u>	<u>-</u>	<u>68,158</u>	<u>-</u>
Change in fund balance	104,371	83,962	-	91,658	279,991
Fund balance - beginning of year	<u>454,720</u>	<u>663,530</u>	<u>-</u>	<u>208,681</u>	<u>1,326,931</u>
Fund balance - end of year	<u>\$ 559,091</u>	<u>\$ 747,492</u>	<u>\$ -</u>	<u>\$ 300,339</u>	<u>\$ 1,606,922</u>

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

TOWN OF NEWPORT, VERMONT
Reconciliation of Governmental Funds Revenues, Expenditures, and
Changes in Fund Balance to the Statement of Activities
Year Ended June 30, 2020

	<u>Total Governmental Funds</u>	<u>Long-term Revenues, Expenses</u>	<u>Capital Related Funds</u>	<u>Long-term Debt Transactions</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Activities Totals</u>
Revenues						
General property taxes	\$ 1,080,941	\$ (15,800)	\$ -	\$ -	\$ -	\$ 1,065,141
Intergovernmental revenues	362,364	-	-	-	-	362,364
Interest	13,786	-	-	-	-	13,786
License/permits	1,231	-	-	-	-	1,231
Local fines	1,408	-	-	-	-	1,408
Fees/charges for services	37,440	-	-	-	-	37,440
Miscellaneous	42,633	-	-	-	-	42,633
Total revenues	<u>1,539,803</u>	<u>(15,800)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,524,003</u>
Expenditures/Expenses						
General government	236,259	-	-	-	-	236,259
Cemeteries	32,456	-	-	-	-	32,456
Public safety	133,539	-	-	-	-	133,539
Public works	830,225	-	-	-	-	830,225
Recreation and culture	27,333	-	-	-	-	27,333
Total expenditures/expenses	<u>1,259,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,259,812</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>279,991</u>	<u>(15,800)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>264,191</u>
Other financing sources (uses)						
Transfer in	68,158	-	-	-	(68,158)	-
Transfer out	(68,158)	-	-	-	68,158	-
Total other sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change for the year	<u>\$ 279,991</u>	<u>\$ (15,800)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>264,191</u>

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

TOWN OF NEWPORT, VERMONT
Statements of Net Position
Proprietary Funds
December 31, 2021

Assets	Sewer Fund	Water Fund	Total
Cash	\$ -	\$ 555	\$ 555
Due from other funds	99,334	87,886	187,220
Accounts receivable - billed	2,155	7,073	9,228
Accounts receivable - unbilled	<u>5,488</u>	<u>18,238</u>	<u>23,726</u>
Total assets	\$ <u>106,977</u>	\$ <u>113,752</u>	\$ <u>220,729</u>
Liabilities			
Current liabilities			
Notes and bonds payable - current portion	\$ <u>2,570</u>	\$ <u>5,015</u>	\$ <u>7,585</u>
Total current liabilities	<u>2,570</u>	<u>5,015</u>	<u>7,585</u>
Noncurrent liabilities			
Notes and bonds payable - non-current portion	<u>44,844</u>	<u>261,048</u>	<u>305,892</u>
Total liabilities	<u>47,414</u>	<u>266,063</u>	<u>313,477</u>
Deferred inflows of resources			
Unearned revenue	<u>-</u>	<u>822</u>	<u>822</u>
Net position			
Unrestricted	<u>59,563</u>	<u>(153,133)</u>	<u>(93,570)</u>
Total net position	<u>59,563</u>	<u>(153,133)</u>	<u>(93,570)</u>
Total liabilities and net position	\$ <u>106,977</u>	\$ <u>113,752</u>	\$ <u>220,729</u>

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

TOWN OF NEWPORT, VERMONT
Statements of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2021

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues			
User fees	\$ 38,743	\$ 140,792	\$ 179,535
Total operating revenue	<u>38,743</u>	<u>140,792</u>	<u>179,535</u>
Operating expenses			
Contracted services	4,200	17,889	22,089
Electricity	-	10,039	10,039
Miscellaneous	376	2,129	2,505
Postage	112	187	299
Professional fees	6,438	23,244	29,682
Repairs and maintenance	<u>18,991</u>	<u>38,268</u>	<u>57,259</u>
Total operating expenses	<u>30,117</u>	<u>91,756</u>	<u>121,873</u>
Income from operations	<u>8,626</u>	<u>49,036</u>	<u>57,662</u>
Nonoperating (expenses)			
Interest expense	<u>(2,032)</u>	<u>(6,127)</u>	<u>(8,159)</u>
Change in net position	6,594	42,909	49,503
Net position - beginning of year	<u>52,969</u>	<u>(196,042)</u>	<u>(143,073)</u>
Net position - end of year	<u>\$ 59,563</u>	<u>\$ (153,133)</u>	<u>\$ (93,570)</u>

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

TOWN OF NEWPORT, VERMONT
Statements of Cash Flows
Proprietary Funds
Year Ended December 31, 2021

	Sewer Fund	Water Fund	Total
Cash flows provided by (used in) operating activities:			
Cash received from customers	\$ 33,387	\$ 125,300	\$ 158,687
Cash payments to employees	(4,200)	(17,889)	(22,089)
Cash payments for operating, maintenance, and administration	(25,917)	(73,867)	(99,784)
Net cash provided by operating activities	3,270	33,544	36,814
Cash flows provided by (used in) by financing activities:			
Advances from (to) other funds	1,230	7,263	8,493
Interest expense	(2,032)	(6,127)	(8,159)
Principal paid on long-term debt	(2,468)	(34,680)	(37,148)
Net cash (used in) financing activities	(3,270)	(33,544)	(36,814)
Net increase in cash	-	-	-
Cash - beginning of year	-	555	555
Cash - end of year	\$ -	\$ 555	\$ 555
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 8,626	\$ 49,036	\$ 57,662
Adjustments to reconcile operating income to net cash:			
(Increase) decrease in accounts receivable	(5,356)	(14,949)	(20,305)
Increase (decrease) in unearned revenue	-	(543)	(543)
Net cash provided by operating activities	\$ 3,270	\$ 33,544	\$ 36,814

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

TOWN OF NEWPORT, VERMONT
Statement of Fiduciary Net Position - Cemetery Fund
December 31, 2021

Assets	
Due from other funds	\$ <u>61,830</u>
Total assets	\$ <u><u>61,830</u></u>
Net position	
Restricted	\$ <u>61,830</u>
Total liabilities and net position	\$ <u><u>61,830</u></u>

TOWN OF NEWPORT, VERMONT
Statement of Changes in Fiduciary Net Position - Cemetery Fund
Year Ended December 31, 2021

Additions	
Sale of lots	19,375
Miscellaneous	\$ <u>-</u>
	<u>19,375</u>
Deductions	
Cemetery expenditures	<u>-</u>
Excess of revenues over expenditures	<u>19,375</u>
Net position - beginning of year	<u>42,455</u>
Net position - end of year	\$ <u><u>61,830</u></u>

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

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

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

a) Reporting Entity

This report includes all of the funds of the Town. The 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 burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there are no entities that should be combined with the financial statements of the Town.

b) Basis of Presentation

Government-Wide Statements

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

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

Fund Financial Statements

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for using a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures as appropriate.

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

b) Basis of Presentation (continued)

Governmental Funds

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

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

Highway Funds – These funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Highway Fund is a budgeted fund, and any fund balance is considered as resources available for use.

ARPA Funds – These funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Equipment Funds – This fund is used to account for revenue and expenditures for vehicle and equipment purchases.

Proprietary Funds

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

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

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

The Town reports on the following fiduciary funds:

Fiduciary Fund - Fiduciary activities are those which the Town acts as trustees or agent for resources that belong to others. These activities are not included in the Town-wide financial statements because their resources do not belong to the Town and are not available to be used.

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

c) Measurement Focus and Basis of Accounting (continued)

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

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

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

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

d) Restricted Resources

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

e) Estimates

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

f) Cash and Cash Equivalents

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

g) Delinquent Taxes Receivable

Delinquent taxes receivable represent property taxes in arrears as of December 31, 2021. The Town has the legal right to force sale of the property to recover these taxes. The value of the properties exceeds the amount of delinquent taxes, therefore, no allowance for doubtful accounts has been recognized.

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

h) Accounts Receivable

These balances represent sewer and water fees outstanding at December 31, 2021. The Town has the legal right to force sale of the property to recover sewer and water fees; therefore, no allowance for doubtful accounts has been recognized.

i) Due From Other Governments

This represents the amount due from the State of Vermont for the balance due on education taxes, therefore, no allowance for doubtful accounts has been recorded.

j) Interfund Transactions

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

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the Town's practice to settle these amounts at a net balance based upon the right of legal offset. Refer to Note 6 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenue activity.

k) Capital Assets

General fixed assets have been acquired by the Town for general government purposes and have been recorded as expenditures in the fund making the purchase. These expenditures are required to be capitalized at historical cost. The Town does not maintain a record of general fixed assets.

Fixed assets of the proprietary funds are required to be capitalized at cost and depreciated over their estimated useful lives. The Town does not capitalize assets in the proprietary funds.

l) Pensions

The Town has elected not to report the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense of the Vermont Municipal Employees' Retirement System (VMERS).

m) Long-Term Liabilities

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

n) Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position or balance sheet 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.

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

n) Deferred Inflows of Resources (continued)

The Town has three items that qualify for reporting in this category.

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

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

The third item is related to taxes paid in advance. The Town reports taxes paid in advance on its governmental funds balance sheet as a deferral related to a future period.

o) Net Position/Fund Balance

In the government-wide financial statements, net position is classified in the following categories:

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

Restricted net position – Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws, or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

Fund statements:

In the fund basis statements there are five classifications of fund balance:

Non-spendable – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted fund balance - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The Town has the following restricted fund balance:

Highway	\$	747,492
Reappraisal		184,638
Restoration		14,551
	\$	<u>946,681</u>

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

o) Net Position/Fund Balance (continued)

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

Assigned fund balance - Includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year. At December 31, 2021, the Town's assigned fund balance in the general fund was \$300,339.

Unassigned fund balance - Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the Town and could report a surplus or deficit. In the funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned. At December 31, 2021, the Town's unassigned fund balance was \$359,902.

Net Position/Fund Balance

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

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

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

o) Net Position/Fund Balance (continued)

Order of use of fund balance - The Town's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes determined.

Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignment of fund balance cannot cause a negative unassigned fund balance.

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

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

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

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

Ending fund balance reported on governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 1,606,922
Deferred inflows of resources: Unearned revenue – taxes	<u>(78,473)</u>
Ending net position reported in Statement of Position for governmental activities	\$ <u>1,685,395</u>

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

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

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

i) Long-term revenue and expense differences:

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

ii) Capital related differences:

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

iii) Long-term debt transaction differences:

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

iv) Pension differences:

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

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

Total revenues and other funding sources of governmental funds	\$	1,539,803
Revenue in the statement of activities that do not provide current financial resources (property taxes not collected within 60 days of fiscal year end) are not reported as revenue in the funds. This amount represents a decrease in unearned property taxes.		<u>15,800</u>
Total revenues of governmental activities in the Statement of Activities	\$	<u>1,524,003</u>

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

Note 3. Stewardship, Compliance, and Accountability

Budgetary Information

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

Budget/GAAP Reconciliation

The budgetary data for the general and highway fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to the budgetary data.

The following is a summary of adjustments made to the actual revenues and expenditures to conform to the budgetary basis of accounting:

Highway Fund		
Total expenditures (GAAP basis)	\$	818,652
Add: transfers out		68,158
Total expenditures (budgetary basis)	\$	886,810

Note 4. Cash (and Cash Equivalents)

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

At December 31, 2021, the carrying amount of the Town's deposits was \$2,325,607, and the bank balance was \$2,338,307. The bank balances are covered by Federal Depository Insurance to the limit of \$250,000 for interest bearing accounts and \$250,000 for non-interest bearing accounts per bank.

At December 31, 2021, the Town's deposits exceeded the Federal Depository Insurance coverage by \$2,088,307; however, the Town has an irrevocable stand-by letter of credit with the Federal Home Loan Bank of Boston which covered the excess deposits to \$500,000.

At December 31, 2021, the Town had \$184,638 in restricted cash balance for reappraisal.

Note 5. Indebtedness

During the year ended December 31, 2021, the following changes occurred in the long-term liabilities:

	12/31/20 Balance		Additions		Reductions		12/31/21 Balance
Proprietary funds:							
Bonds and notes payable	\$ 350,625	\$	-	\$	(37,148)	\$	313,477

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

Note 5. Indebtedness (continued)

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

Sewer Fund:

General obligation bonds payable to USDA issued October 20, 2005, to be repaid over thirty years, payments due April 20 and October 20 of each year, total yearly payments of \$2,250, including interest at the rate of 4.125%, with the final payment due on October 20, 2035. \$ 47,414

Water Fund:

General obligation bond payable to USDA issued March 15, 2018, to be repaid over forty years, payments due March 15 and November 15 of each year, total yearly payments of \$10,314, including interest at the rate of 2.00%, with the final payment due March 15, 2058. 266,063

Total bonds and notes		313,477
Less current portion:		(7,585)
		\$ 305,892

Scheduled maturities of notes and bonds payable are as follows as December 31, 2021:

Years ended December 31	Sewer		Water		Total
	Principal	Interest	Principal	Interest	
2022	2,570	1,930	5,015	5,299	14,814
2023	2,677	1,823	5,115	5,199	14,814
2024	2,789	1,711	5,218	5,096	14,814
2025	2,905	1,595	5,323	4,991	14,814
2026	3,027	1,473	5,431	4,883	14,814
2027-2031	17,132	5,368	28,831	22,739	74,070
2032-2036	16,314	1,542	31,847	19,723	69,426
2037-2041	-	-	35,181	16,389	51,570
2042-2046	-	-	38,862	12,709	51,571
2047-2051	-	-	42,928	8,642	51,570
2052-2056	-	-	47,419	4,152	51,571
2057-2061	-	-	14,893	300	15,193
	\$ 47,414	\$ 15,442	\$ 266,063	\$ 110,122	\$ 439,041

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

Note 6. Interfund Balances and Activity

Interfund balances and activity at December 31, 2021 and for the fiscal year then ended, were as follows:

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenses
General	\$ -	\$ 1,738,843	\$ -	\$ -
Highway	747,492	-	-	68,158
Equipment	300,339	-	68,158	-
ARPA	441,962	-	-	-
Sewer	99,334	-	-	-
Water	87,886	-	-	-
Cemetery	61,830	-	-	-
	<u>\$ 1,738,843</u>	<u>\$ 1,738,843</u>	<u>\$ 68,158</u>	<u>\$ 68,158</u>

Note 7. Pensions

Vermont Municipal Employees' Retirement System (VMERS)

Plan description

The Vermont Municipal Employees' Retirement System (VMERS) – a cost-sharing, multiple-employer defined benefit pension plan administered by the State Treasurer and its Board of Trustees.

It is designed for towns and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended December 31, 2020, the retirement plan consisted of 353 participating employers. The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125. The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

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

Summary of system provisions

Membership	Full-time employees of participating municipalities. Municipality elects coverage under Group A, B, C, or D provisions.
Creditable Service	Service as a member plus purchased service.

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

Note 7. Pensions (continued)

Average Final Compensation (AFC)	Group A – average annual compensation during the highest 5 consecutive years. Group B and C – average annual compensation during highest 3 consecutive years. Group D – average annual compensation during highest 2 consecutive years.
Service Retirement Allowance Eligibility	Group A – the earlier of age 65 with 5 years of service or age 55 with 35 years of service. Group B – the earlier of age 62 with 5 years of service or age 55 with 30 years of service. Group C and D – age 55 with 5 years of service.
Amount	Group A – 1.4% of AFC x service. Group B – 1.7% of AFC x service as Group B member plus percentage earned as a group A member x AFC. Group C – 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x AFC. Group D – 2.5% of AFC x service as a Group D member plus percentage earned as a Group A, B, or C member x AFC. Maximum benefit is 60% of AFC for Group A and B and 50% of AFC for Groups C and D. The above amounts include the portion of the allowance provided by member contributions.
Early Retirement Allowance Eligibility	Age 55 with 5 years of service for Group A and B; age 50 with 20 years of service for Group D.
Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age for Group A and B members, and payable without reduction to Group D members.
Vested Retirement Allowance Eligibility	5 years of service.
Amount	Allowance beginning at normal retirement aged based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments” described below.

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

Note 7. Pensions (continued)

Disability Retirement Allowance

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

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

Death Benefits

Death after 5 years of service.

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

Amount

Optional Benefit and Death After Retirement

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

Refund of Contribution

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

Post-Retirement Adjustments

Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in consumer price index but no more than 2% for Group A and 3% for Group B, C, and D.

Retirement Stipend
Member Contributions

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

Group A – 3.00%

Group B – 5.375%

Group C – 10.50%

Group D – 11.85%

Employer Contributions

Group A – 4.2%0

Group B – 6.00%

Group C – 7.75%

Group D – 10.35%

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

Note 7. Pensions (continued)

Significant actuarial assumptions and methods

Investment rate of return:	7.00%, net of pension plan investment expenses, including inflation.
Salary increases:	Varying service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.
Mortality:	
Pre-retirement:	Group A, B, and C – 40% PubG-2010 general employee below-median and 60% of PubG-2010 General Employee, with generational projection using scale MP-2019.
Group D – PubG-2010 general employee above-median, with generational projection using scale MP-2019.	
Healthy post-retirement:	<u>Retiree</u> Group A, B, and C – 104% of 40% PubG-2010 general healthy retiree below-median and 60% of PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019. Group D – PubG-2010 general healthy retirees, with generational projection using scale MP-2019.
	<u>Beneficiaries</u> Group A, B, and C – 70% PubG-2010 contingent survivor below-median and 30% of PubG-2010 contingent survivor, with generational projection using scale MP-2019. Group D – PubG-2010 contingent survivor, with generational projection using scale MP-2019.
Disabled post-retirement:	All groups – PubNS-2010 non-safety disabled mortality table with generational projection using scale MP-2019.
Spouse's age:	Females three years younger than males
Cost-of-living adjustments:	1.10% for Group A members and 1.20% for Groups B, C, and D members. The January 1, 2020 and January 1, 2021 COLAs are 0.80% and 0.40%, respectively, for all groups.
Inflation:	2.30%

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

Note 7. Pensions (continued)

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

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

Long-term expected rate of return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major class included in the pension plan’s target asset allocation at December 31, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected</u>
Global Equity	29.00%	7.07%
US Equity – Large Cap	4.00	6.19
US Equity – Small/Mid Cap	3.00	6.93
Non-US Equity – Large Cap	5.00	7.01
Non-US Equity – Small Cap	2.00	7.66
Emerging Markets Debt	4.00	3.66
Core Bond	20.00	0.39
Private and Alternative Credit	10.00	6.03
US TIPS	3.00	(0.20)
Core Real Estate	5.00	4.06
Non-Core Real Estate	3.00	6.43
Private Equity	10.00	11.27
Infrastructure/Farmland	2.00	5.44
Total	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members) with scheduled increases through July 1, 2021. Further, based upon Board resolution, projected contributions beginning July 1, 2020 and each subsequent July 1, through 2025 include additional total contribution increases of 0.50% per year.

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

Note 7. Pensions (continued)

For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service cost of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of December 31, 2020.

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

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

1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
\$ 274,138	\$ 179,434	\$ 101,512

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

As of June 30, 2020, the measurement date selected by the State of Vermont, VMERS was funded at 74.5% and has a plan fiduciary net position of \$740,052,895 and a total pension liability of \$993,026,959 resulting in a net position pension liability of \$252,974,064. As of December 31, 2021, the Town's proportionate share of this was 0.07093% resulting in a net pension liability of \$179,434. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Town's proportion of 0.07093% was a decrease of .00845 from its proportion measured as of the prior year.

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

Note 7. Pensions (continued)

For the year ended December 31, 2021, the Town recognized pension expense of \$39,264. As of December 31, 2021 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 16,160	\$ 532
Changes of assumptions	24,056	-
Difference between projected and actual investment earnings	17,161	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	2,650	11,465
Town's contributions subsequent to the measurement date	13,242	-
Total	\$ 73,269	\$ 11,997

The \$13,242 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expenses as follows:

Year ended:	
2021	\$ 13,598
2022	13,915
2023	12,693
2024	7,825
Total	\$ 48,031

Employer contribution history for the Town as of December 31, 2021 is as follows:

FY 21	\$ 13,242
FY 20	14,701
FY 19	15,251

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.

TOWN OF NEWPORT, VERMONT

Notes to the Financial Statements

Note 8. Property Taxes

Property taxes attach as an enforceable lien on property as of July 1. Town taxes levied in July are payable on October 25th and become delinquent on October 26th. Property taxes are recognized as revenue in the period for which they levied, which is the fiscal year during which tax payments are due, provided the taxes are received within sixty (60) days after year-end. The remaining receivables are reported as unearned revenue, a deferred inflow of resources.

The tax rates for fiscal year 2021 were:

Town tax rate	\$	0.5118
Education tax rate - residential		1.5127
Education tax rate - nonresidential		1.5202

Note 9. Risk Management

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

Note 10. Contingencies

Federal and State Grants

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

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and impact on individuals served by the Town, both of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Note 11. Subsequent Events

Management has evaluated subsequent events through February 22, 2022, the date that the financial statements were available to be issued.

TOWN OF NEWPORT, VERMONT
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - General Fund
Year Ended December 31, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
General property taxes	\$ 471,259	\$ 468,326	\$ (2,933)
Intergovernmental revenues	-	8,424	8,424
Interest	-	13,786	13,786
License/permits	-	1,231	1,231
Local fines	-	1,408	1,408
Fees/charges for services	-	37,440	37,440
Miscellaneous	-	14,916	14,916
	<u>471,259</u>	<u>545,531</u>	<u>74,272</u>
Expenditures			
Salaries/compensation	55,760	54,676	1,084
Benefits	33,085	36,940	(3,855)
Town meeting and elections	8,400	3,779	4,621
Listers	21,000	12,682	8,318
Operating expenses	78,662	72,536	6,126
Sanitation	12,000	11,199	801
Recreation and parks	5,000	1,708	3,292
Cemeteries	36,000	32,456	3,544
Other Town expenses	34,200	32,715	1,485
Town Clerk's office	11,500	7,682	3,818
Other voted articles	175,652	174,786	866
	<u>471,259</u>	<u>441,159</u>	<u>30,100</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 104,372</u>	<u>\$ 104,372</u>

See the independent auditor's report.

TOWN OF NEWPORT, VERMONT
Statement of Revenues and Expenditures - Budget to Actual
Budgetary Basis - Highway Fund
Year Ended December 31, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
General property taxes	\$ 745,234	\$ 612,615	\$ (132,619)
Intergovernmental revenues	-	353,940	353,940
Miscellaneous	-	4,217	4,217
Total revenues	<u>745,234</u>	<u>970,772</u>	<u>225,538</u>
Expenditures			
Salaries/compensation	170,000	140,225	29,775
Benefits	68,019	55,076	12,943
Fuel	40,000	32,466	7,534
Repairs and maintenance	132,000	120,038	11,962
Contracted services	31,450	23,113	8,337
Materials and supplies	262,000	487,104	(225,104)
Town garage	30,125	20,009	10,116
Other expenses	11,640	8,779	2,861
Total expenditures	<u>745,234</u>	<u>886,810</u>	<u>(141,576)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 83,962</u>	<u>\$ 83,962</u>

See the independent auditor's report.

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

To the Select Board
Town of Newport
Newport Center, Vermont

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business activities, each major fund, and the aggregate remaining fund information of the Town of Newport, Vermont as of and for the year ended December 31, 2021, which collectively comprise Town of Newport, Vermont's basic financial statements and have issued our report thereon dated February 22, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Telling & Hillman, P.C.

Telling & Hillman, P.C.
License #092.0131564
Middlebury, Vermont
February 22, 2022