

Audited Financial Statements
and Other Financial Information

Town of Shrewsbury, Vermont

December 31, 2021



Proven Expertise & Integrity

TOWN OF SHREWSBURY, VERMONT

CONTENTS

DECEMBER 31, 2021

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 11
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	12
STATEMENT B - STATEMENT OF ACTIVITIES	13 - 14
FUND FINANCIAL STATEMENTS	
STATEMENT C - BALANCE SHEET - GOVERNMENTAL FUNDS	15
STATEMENT D - RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	16
STATEMENT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	17
STATEMENT F - RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	18
NOTES TO FINANCIAL STATEMENTS	19 - 44
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	45
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND	46

SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	47
SCHEDULE 3 - SCHEDULE OF CONTRIBUTIONS	48
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	49 - 50
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	51
SCHEDULE C - COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS	52
SCHEDULE D - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS	53
SPECIAL REVENUE FUNDS DESCRIPTION	54
SCHEDULE E - COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS	55
SCHEDULE F - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS	56
CAPITAL PROJECTS FUNDS DESCRIPTION	57
SCHEDULE G - COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS	58
SCHEDULE H - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS	59
PERMANENT FUNDS DESCRIPTION	60
SCHEDULE I - COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS	61
SCHEDULE J - COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR PERMANENT FUNDS	62

FEDERAL COMPLIANCE

INDEPENDENT AUDITORS' 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*

63 - 64



INDEPENDENT AUDITORS' REPORT

Selectboard
Town of Shrewsbury
Shrewsbury, Vermont

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Shrewsbury, Vermont as of December 31, 2021 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 4 through 11 and 46 through 50 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Shrewsbury, Vermont's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records

used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2023, on our consideration of the Town of Shrewsbury, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 Shrewsbury, Vermont's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000967
March 23, 2023

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2021

(UNAUDITED)

The following management's discussion and analysis of Town of Shrewsbury, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended December 31, 2021. Please read it in conjunction with the Town's financial statements.

Financial Statement Overview

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

The above-mentioned financial statements have one column for the Town's activity. The type of activity presented for the Town of Shrewsbury is:

- *Governmental activities* - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal and state grants). All of the Town's basic services are reported in governmental activities, which include general government, listers, roads, town equipment, town garage, transfer station, warned items, education and other.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Shrewsbury, like other local governments uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. All of the funds of the Town of Shrewsbury are considered governmental funds.

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

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

The Town of Shrewsbury presents three columns in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and

changes in fund balances. The Town's major governmental funds are the general fund and the ARPA fund. All other funds are shown as nonmajor and are combined in the "Other Governmental Funds" column on these statements.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and the Fund Financial Statements. The Notes to Financial Statements can be found following the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

Required Supplementary Information

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

Other Supplementary Information

Other supplementary information follows the required supplementary information. These combining and other schedules provide information in regards to nonmajor funds.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the Town's governmental activities. The Town's total net position for governmental activities increased by \$391,597 from \$4,848,851 to \$5,240,448.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased for governmental activities to a balance of \$682,120 at the end of this year.

Table 1
Town of Shrewsbury, Vermont
Net Position
December 31,

	2021	2020 (Restated)
Assets:		
Current Assets	\$ 1,085,785	\$ 589,584
Noncurrent Assets - Capital Assets	4,499,766	4,622,682
Total Assets	<u>5,585,551</u>	<u>5,212,266</u>
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	39,325	25,181
Total Deferred Outflows of Resources	<u>39,325</u>	<u>25,181</u>
Liabilities:		
Current Liabilities	140,447	61,886
Noncurrent Liabilities	239,817	324,411
Total Liabilities	<u>380,264</u>	<u>386,297</u>
Deferred Inflows of Resources:		
Deferred Inflows Related to Pensions	4,164	2,299
Total Deferred Inflows of Resources	<u>4,164</u>	<u>2,299</u>
Net Position:		
Net Investment in Capital Assets	4,408,965	4,347,123
Restricted	149,363	-
Unrestricted	682,120	501,728
Total Net Position	<u>\$ 5,240,448</u>	<u>\$ 4,848,851</u>

Revenues and Expenses

Revenues for the Town's governmental activities increased by 20.44% with the largest increase in taxes and grants and contributions not restricted to specific programs. Expenses decreased by 4.27%, with the largest decreases in town equipment and worn items.

Table 2
Town of Shrewsbury, Vermont
Changes in Net Position
For the Years Ended December 31,

	<u>2021</u>	<u>2020</u>
Revenues		
<i>Program Revenues:</i>		
Charges for services	\$ 20,546	\$ 26,907
Operating grants and contributions	153,600	172,426
<i>General Revenues:</i>		
Taxes	2,965,302	2,604,979
Grants and contributions not restricted to specific programs	363,768	115,005
Miscellaneous	18,342	4,528
Total Revenues	<u>3,521,558</u>	<u>2,923,845</u>
Expenses		
General government	113,527	105,469
Listers	28,675	23,475
Roads	605,074	532,581
Town equipment	38,909	195,756
Town garage	21,161	20,176
Transfer station	62,924	51,411
Warned items	67,968	161,042
Education	2,113,878	2,135,305
Other	77,845	44,522
Total Expenses	<u>3,129,961</u>	<u>3,269,737</u>
Change in Net Position	391,597	(345,892)
Net Position - July 1, Restated	<u>4,848,851</u>	<u>5,194,743</u>
Net Position - June 30	<u><u>\$ 5,240,448</u></u>	<u><u>\$ 4,848,851</u></u>

Financial Analysis of the Town's Fund Statements

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

Table 3
Town of Shrewsbury, Vermont
Fund Balances - Governmental Funds
December 31,

	<u>2021</u>	<u>2020 (Restated)</u>	<u>Increase/ (Decrease)</u>
General Fund:			
Nonspendable	\$ 7,463	\$ -	\$ 7,463
Unassigned	252,916	2,872	250,044
Total General Fund	<u>\$ 260,379</u>	<u>\$ 2,872</u>	<u>\$ 257,507</u>
ARPA Fund:			
Restricted	\$ 146,922	\$ -	\$ 146,922
Total ARPA Fund	<u>\$ 146,922</u>	<u>\$ -</u>	<u>\$ 146,922</u>
Nonmajor Funds:			
Special Revenue Funds:			
Restricted	\$ 1,123	\$ -	\$ 1,123
Assigned	114,076	101,509	12,567
Capital Projects Funds:			
Committed	486,251	442,000	44,251
Permanent Funds:			
Restricted	1,318	1,317	1
Total Nonmajor Funds	<u>\$ 602,768</u>	<u>\$ 544,826</u>	<u>\$ 57,942</u>

The changes to total fund balances for the general fund, the ARPA fund and the nonmajor funds occurred due to the regular activity of operations.

Budgetary Highlights

There was no difference between the original and final budget for the general fund.

The general fund actual revenues exceeded the budget by \$124,525. Most revenue categories were receipted in excess of budgeted amounts with the exception of intergovernmental and interest income.

The general fund actual expenditures were below budgeted amounts in total by \$290,951. All expenditures categories were within or below budgeted amounts.

Capital Asset and Debt Administration

Capital Assets

As of December 31, 2021, the net book value of capital assets recorded by the Town decreased by \$122,916 from the prior year. This decrease is the result of capital additions of \$205,646 less depreciation expense of \$328,562.

Table 4
Town of Shrewsbury, Vermont
Capital Assets (Net of Depreciation)
December 31,

	<u>2021</u>	<u>2020</u>
Land	\$ 293,361	\$ 298,738
Buildings, building and land improvements	432,881	411,725
Equipment and vehicles	408,610	457,316
Infrastructure	<u>3,364,914</u>	<u>3,454,903</u>
Total	<u>\$ 4,499,766</u>	<u>\$ 4,622,682</u>

Debt

At December 31, 2021, the Town had \$210,801 in long term debt versus \$275,559 in the prior year. Refer to Note 5 of Notes to Financial Statements for more detailed information.

Currently Known Facts, Decisions or Conditions

The outbreak of COVID-19 has been declared a pandemic and led to a national state of emergency in the United States. Refer to Note 1 of Notes to Financial Statements for more detailed information.

At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Town. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Town.

Economic Factors and Next Year's Budgets and Rates

The Town is working toward maintaining a sufficient unassigned fund balance to sustain government operations for a period of approximately three months. However, the Town maintains reserve accounts for future operational, capital and program needs.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at 9823 Cold River Road, Shrewsbury, Vermont 05738.

TOWN OF SHREWSBURY, VERMONT

STATEMENT A

STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,036,410
Accounts receivable (net of allowance for uncollectibles):	
Delinquent taxes receivable	38,792
Other	3,120
Prepaid items	7,463
Total current assets	<u>1,085,785</u>
Noncurrent assets:	
Capital assets:	
Land and other assets not being depreciated	293,361
Buildings and equipment, net of accumulated depreciation	4,206,405
Total noncurrent assets	<u>4,499,766</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflows related to pensions	39,325
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>39,325</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 5,624,876</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 65,756
Accrued expenses	9,960
Current portion of long-term obligations	64,731
Total current liabilities	<u>140,447</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations:	
Bond payable	100,000
Note from direct borrowings payable	46,070
Net pension liability	93,747
Total noncurrent liabilities	<u>239,817</u>
TOTAL LIABILITIES	<u>380,264</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	4,164
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,164</u>
NET POSITION	
Net investment in capital assets	4,408,965
Restricted	149,363
Unrestricted	682,120
TOTAL NET POSITION	<u>5,240,448</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,624,876</u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT B

TOWN OF SHREWSBURY, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 113,527	\$ 20,546	\$ 153,600	\$ -	\$ 60,619
Listers	28,675	-	-	-	(28,675)
Roads	605,074	-	-	-	(605,074)
Town equipment	38,909	-	-	-	(38,909)
Town garage	21,161	-	-	-	(21,161)
Transfer station	62,924	-	-	-	(62,924)
Warned items	67,968	-	-	-	(67,968)
Education	2,113,878	-	-	-	(2,113,878)
Other	77,845	-	-	-	(77,845)
Total government	<u>\$ 3,129,961</u>	<u>\$ 20,546</u>	<u>\$ 153,600</u>	<u>\$ -</u>	<u>(2,955,815)</u>

STATEMENT B (CONTINUED)

TOWN OF SHREWSBURY, VERMONT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>(2,955,815)</u>
General revenues:	
Taxes:	
Property taxes, levied for general purposes	2,965,302
Grants and contributions not restricted to specific programs	363,768
Miscellaneous	<u>18,342</u>
Total general revenues	<u>3,347,412</u>
Change in net position	391,597
NET POSITION - JANUARY 1, RESTATED	<u>4,848,851</u>
NET POSITION - DECEMBER 31	<u><u>\$ 5,240,448</u></u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT C

TOWN OF SHREWSBURY, VERMONT

BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General Fund	ARPA	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 286,720	\$ 146,922	\$ 602,768	\$ 1,036,410
Accounts receivable (net of allowance for uncollectibles):				
Delinquent taxes receivable	38,792	-	-	38,792
Other	3,120	-	-	3,120
Prepaid items	7,463	-	-	7,463
TOTAL ASSETS	<u>\$ 336,095</u>	<u>\$ 146,922</u>	<u>\$ 602,768</u>	<u>\$ 1,085,785</u>
LIABILITIES				
Accounts payable	\$ 65,756	\$ -	\$ -	\$ 65,756
Accrued expenses	9,960	-	-	9,960
TOTAL LIABILITIES	<u>75,716</u>	<u>-</u>	<u>-</u>	<u>75,716</u>
FUND BALANCES				
Nonspendable	7,463	-	-	7,463
Restricted	-	146,922	2,441	149,363
Committed	-	-	486,251	486,251
Assigned	-	-	114,076	114,076
Unassigned	252,916	-	-	252,916
TOTAL FUND BALANCES	<u>260,379</u>	<u>146,922</u>	<u>602,768</u>	<u>1,010,069</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 336,095</u>	<u>\$ 146,922</u>	<u>\$ 602,768</u>	<u>\$ 1,085,785</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF SHREWSBURY, VERMONT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Total Governmental Funds
Total Fund Balances	\$ 1,010,069
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	4,499,766
Deferred outflows of resources related to pensions are not financial resources and therefore are not reported in the funds	39,325
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds:	
Bond payable	(120,000)
Note from direct borrowings payable	(90,801)
Net pension liability	(93,747)
Deferred inflows of resources related to pensions are not financial resources and therefore are not reported in the funds	(4,164)
Net position of governmental activities	<u>\$ 5,240,448</u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT E

TOWN OF SHREWSBURY, VERMONT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 2,965,302	\$ -	\$ -	\$ 2,965,302
Intergovernmental	363,768	146,922	6,678	517,368
Charges for services	20,546	-	-	20,546
Interest income	244	-	531	775
Miscellaneous	5,570	-	11,997	17,567
TOTAL REVENUES	<u>3,355,430</u>	<u>146,922</u>	<u>19,206</u>	<u>3,521,558</u>
EXPENDITURES				
Current:				
General government	91,570	-	580	92,150
Listers	28,675	-	-	28,675
Roads	552,775	-	-	552,775
Town equipment	38,909	-	-	38,909
Town garage	24,641	-	-	24,641
Transfer station	62,346	-	-	62,346
Warned items	67,968	-	-	67,968
Education	2,113,878	-	-	2,113,878
Other	27,161	-	50,684	77,845
TOTAL EXPENDITURES	<u>3,007,923</u>	<u>-</u>	<u>51,264</u>	<u>3,059,187</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>347,507</u>	<u>146,922</u>	<u>(32,058)</u>	<u>462,371</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	90,000	90,000
Transfers (out)	(90,000)	-	-	(90,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(90,000)</u>	<u>-</u>	<u>90,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	257,507	146,922	57,942	462,371
FUND BALANCES - JANUARY 1, RESTATED	<u>2,872</u>	<u>-</u>	<u>544,826</u>	<u>547,698</u>
FUND BALANCES - DECEMBER 31	<u>\$ 260,379</u>	<u>\$ 146,922</u>	<u>\$ 602,768</u>	<u>\$ 1,010,069</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF SHREWSBURY, VERMONT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Net change in fund balances - total governmental funds (Statement E)	<u>\$ 462,371</u>
Amounts reported for governmental activities in the Statement of Activities (Statement B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to be allocated to those expenditures over the life of the assets:	
Capital asset acquisitions	205,646
Depreciation expense	<u>(328,562)</u>
	<u>(122,916)</u>
Deferred outflows of resources are a consumption of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>14,144</u>
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position	<u>64,758</u>
Deferred inflows of resources are an acquisition of net position by the government that are applicable to a future reporting period and therefore are not reported in the funds	<u>(1,865)</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Net pension liability	<u>(24,895)</u>
Change in net position of governmental activities (Statement B)	<u><u>\$ 391,597</u></u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Shrewsbury was incorporated under the laws of the State of Vermont. The Town is governed by a selectboard and provides the following services: general government, listers, roads, town equipment, town garage, transfer station, warned items, education and other.

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

The Town's combined financial statements do not include all accounts and all operations of the Town. We have determined that the Town has component units, such as the town school Town, as described in GASB Statement No. 14 and amended by GASB Statements No. 39 and No. 61.

COVID-19 Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and led to a national state of emergency in the United States. The State of Vermont, along with other state and local governments, declared states of emergency and issued multiple public health emergency orders that severely restrict movement and limit businesses and activities to essential functions. These actions and effects of COVID-19 have disrupted economic activity at all levels and impacted the processes and procedures for almost all businesses, including municipal and quasi-municipal entities.

In response to the health crisis created by COVID-19 since early March, the Governor of Vermont issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a "stay at home" directive for most citizens, restricting nonessential travel and limiting movement of all persons in Vermont to those necessary to obtain or provide essential services or activities. See Executive Order 01-20 and its addendums. The state of emergency expired on June 15, 2021.

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact on Finances

The Town does not currently anticipate any additional FY 2021 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security ("CARES") Act, American Rescue Plan Act ("ARPA") funding and applicable Federal and/or State programs.

Expected Federal/State Support

The Town may have to take action to meet certain requirements to receive any additional Federal or State funding for budgetary or economic relief related to the challenges presented by COVID-19. However, the Town expects that if those actions are necessary, that the Town would qualify and satisfy the various conditions required to receive applicable Federal or State funds.

Conclusion

The ongoing effects of COVID-19, including the financial impact to the Town and its inhabitants, may change significantly as events and circumstances evolve locally, nationally and worldwide. At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Town. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Town.

Implementation of New Accounting Standards

During the year ended December 31, 2021, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 89 "Accounting for Interest Cost Incurred Before the End of a Construction Period". This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

capital asset reported in a business-type activity or enterprise fund. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 91 "Conduit Debt Obligations". The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations and improving required note disclosures. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 93 "Replacement of Interbank Offered Rates (paragraphs 4-11a)." The primary objectives of paragraphs 4-11a concern hedging derivative instruments (specifically exceptions to termination of hedge accounting, modifications to hedged items, probability of expected transactions and appropriate benchmark interest rates). The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, relevance, consistency and comparability of reported information. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 97 "Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" - an amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management has determined the impact of this Statement is not material to the financial statements.

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

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

Both the government-wide and fund financial statements categorize primary activities as governmental.

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

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

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

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

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

Measurement Focus - Basic Financial Statements and Fund Financial Statements

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

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

1. Governmental Funds:

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

Major Funds

- a. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. The ARPA Fund is used to account for financial resources from the proceeds of the American Rescue Plan Act.

Nonmajor Funds

- c. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- d. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment.
- e. Permanent Funds are used to account for assets held by the Town that are legally restricted and unless otherwise specified, only earnings and not principal, may be used for purposes that benefit the Town or its citizenry. The Town's policy for authorizing and spending investment income follows State statutes.

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

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

1. Accrual

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

2. Modified Accrual

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

Budget

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

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

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

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

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

It is the Town's policy to value investments at fair value. None of the Town's investments are reported at amortized cost. The Town Treasurer is authorized by State Statutes to invest all excess funds in the following:

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

The Town of Shrewsbury, Vermont has a formal investment policy and also follows the State of Vermont Statutes.

Receivables

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible amounts is estimated to be \$0 as of December 31, 2021. Accounts receivable netted with allowances for uncollectible accounts were \$0 for the year ended December 31, 2021.

Prepaid Items

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

Interfund Receivables and Payables

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

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

activities are reported in the governmental-wide financial statements as “internal balances”.

Transactions Between Funds

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

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

Infrastructure assets include roads, bridges, underground pipe (other than related to independently owned utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. The Town has not retroactively recorded infrastructure.

Estimated useful lives are as follows:

Buildings and improvements	20 - 50 years
Infrastructure	50 - 100 years
Machinery and equipment	3 - 50 years
Vehicles	3 - 25 years

Long-term Obligations

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

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in government-wide statements. The long-term

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

obligations consist of a bond payable, a note from direct borrowings payable and net pension liability.

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

Pensions

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

Net Position

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

Fund Balance

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

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Deferred Outflows and Inflows of Resources

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

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of financial position and or balance sheet will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pensions qualify for reporting in this category as well. This item is reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenue Recognition - Property Taxes - Modified Accrual Basis

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

Program Revenues

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

Encumbrance Accounting

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

Use of Estimates

During the preparation of the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

State statutes require that all investments made by the Town consider the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines,

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Town funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Town will not be able to recover its deposits. The Town does have a policy covering custodial credit risk for deposits. The Town maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Vermont Revised Statutes.

At December 31, 2021, the Town's cash and cash equivalents balances amounting to \$1,036,410 were comprised of deposits of \$1,037,790. Bank deposits and cash equivalents are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Town's cash and cash equivalents balance. Of these deposits, \$251,000 was fully insured by federal depository insurance and consequently was not exposed to custodial credit risk, \$786,790 was collateralized with securities held by the financial institution in the Town's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 76,000
Repurchase accounts	961,790
	<u>\$ 1,037,790</u>

Investments:

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Town does have a policy for custodial credit risk for investments. The Town seeks to minimize custodial credit risk by doing business with authorized institutions, depositories and brokers/dealers.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does have a formal investment policy that mitigates interest rate risk by limiting investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

The Town had no investments at December 31, 2021.

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit risk - Statutes for the State of Vermont authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Vermont, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Town does have an investment policy on credit risk. The Town mitigates this risk by limiting investments to authorized types of securities, using qualified financial institutions authorized by the Treasurer/Selectboard and diversifying the investment portfolio to meet the Town's current and future cash flow needs. Generally, the Town invests excess funds in cash management accounts and various insured certificates of deposit.

NOTE 3 - INTERFUND TRANSFERS

Interfund transfers at December 31, 2021 consisted of the following:

	Transfers From	Transfers To
General fund	\$ 90,000	\$ -
Nonmajor special revenue funds	-	1,000
Nonmajor capital projects funds	-	89,000
	<u>\$ 90,000</u>	<u>\$ 90,000</u>

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

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2021:

	Balance 1/1/21	Additions	Disposals	Balance 12/31/21
Non-depreciated assets:				
Land	\$ 271,223	\$ 22,138	\$ -	\$ 293,361
	<u>271,223</u>	<u>22,138</u>	<u>-</u>	<u>293,361</u>
Depreciated assets:				
Buildings and improvements	439,240	15,758	-	454,998
Equipment and vehicles	457,316	47,447	-	504,763
Infrastructure	3,454,903	120,303	-	3,575,206
	<u>4,351,459</u>	<u>183,508</u>	<u>-</u>	<u>4,534,967</u>
Less accumulated depreciation:	-	(328,562)	-	(328,562)
Net depreciated assets	<u>4,351,459</u>	<u>(145,054)</u>	<u>-</u>	<u>4,206,405</u>
Net capital assets	<u>\$ 4,622,682</u>	<u>\$ (122,916)</u>	<u>\$ -</u>	<u>\$ 4,499,766</u>
Current year depreciation:				
General government				\$ 8,761
Roads				306,945
Town garage				12,278
Transfer station				<u>578</u>
Total depreciation expense				<u>\$ 328,562</u>

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - LONG-TERM DEBT

The following is a summary of the changes in long-term debt for the year ended December 31, 2021:

	Balance 1/1/21 (Restated)	Additions	Deletions	Balance 12/31/21	Current Portion
Bond payable	\$ 140,000	\$ -	\$ (20,000)	\$ 120,000	\$ 20,000
Note from direct borrowings payable	135,559	-	(44,758)	90,801	44,731
Totals	<u>\$ 275,559</u>	<u>\$ -</u>	<u>\$ (64,758)</u>	<u>\$ 210,801</u>	<u>\$ 64,731</u>

The following is a summary of the outstanding bond and note from direct borrowings payable:

\$410,000, 2007 General Obligation Bond for Garage improvements, due in annual principal payments of \$20,000 through December, 2027. Interest due bi-annually at a fixed interest rate of 3.86% - 4.665% per annum. \$ 120,000

On November 16, 2020, the Town entered into a three-year lease agreement with Deere Credit for the lease of a wheel loader. The total amount of the lease is \$135,559 with a fixed interest rate of 2.99% per annum, to be paid in annual installments of \$47,447 with the final payment due July 16, 2023. \$ 90,801

The following is a summary of outstanding bond and note from direct borrowings payable principal and interest requirements for the fiscal years ending December 31, 2021:

	Bond payable		Note from direct borrowings payable		Total
	Principal	Interest	Principal	Interest	Debt Service
2022	\$ 20,000	\$ 5,536	\$ 44,731	\$ 2,715	\$ 72,982
2023	20,000	4,626	46,070	1,378	72,074
2024	20,000	3,708	-	-	23,708
2025	20,000	2,788	-	-	22,788
2026	20,000	1,862	-	-	21,862
2027	20,000	934	-	-	20,934
	<u>\$ 120,000</u>	<u>\$ 19,454</u>	<u>\$ 90,801</u>	<u>\$ 4,093</u>	<u>\$ 234,348</u>

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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

NOTE 6 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of changes in other long-term obligations for the year ended December 31, 2021:

	Balance 1/1/21 (Restated)	Additions	Deletions	Balance 12/31/21	Current Portion
Net pension liability	\$ 68,852	\$ 26,760	\$ (1,865)	\$ 93,747	\$ -

Please see Note 12 for detailed information on each of the other long-term obligations.

NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS

The following is the calculation of the net investment in capital assets for the Town at December 31, 2021:

Invested in capital assets	\$ 4,828,328
Accumulated depreciation	(328,562)
Outstanding capital related debt	(210,801)
	<u>\$ 4,288,965</u>

NOTE 8 - RESTRICTED NET POSITION AND FUND BALANCES

At December 31, 2021, the Town had the following restricted net position and fund balances:

ARPA fund	\$ 146,922
Nonmajor permanent funds (Schedule G)	1,318
	<u>\$ 149,363</u>

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9 - NONSPENDABLE FUND BALANCE

At December 31, 2021, the Town had the following nonspendable fund balance:

General fund:	
Prepaid items	<u>\$ 7,463</u>

NOTE 10 - COMMITTED FUND BALANCES

At December 31, 2021, the Town had the following committed fund balances:

Nonmajor capital projects funds (Schedule E)	<u>486,251</u>
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NOTE 11 - ASSIGNED FUND BALANCES

At December 31, 2021, the Town had the following assigned fund balances:

Nonmajor special revenue funds (Schedule C)	<u>\$ 114,076</u>
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NOTE 12 - DEFINED BENEFIT PENSION PLAN

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Plan Description

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

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

year ended June 30, 2019 (the most recent data available), the retirement system consisted of 14,755 participating members.

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

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont's Annual Comprehensive Financial Report. The Annual Report may be viewed on the State's Department of Finance and Management website at: [Annual Comprehensive Financial Report | Department of Finance and Management \(vermont.gov\)](#).

Benefits Provided

The pension plan is divided into four membership groups:

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

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

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

VMERS	Group A	Group B	Group C	Group D
Normal service retirement eligibility	Age 65 with 5 years of service or age 55 with 35 years of service	Age 62 with 5 years of service or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit formula – normal service Retirement (no reduction)	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service; 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service; 1.4% x Group A service x AFC; 1.7% x Group B x AFC; 2.5% x Group C service x AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service
Early Retirement Reduction	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction

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

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

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

Title 24 VSA Chapter 125 of Vermont Statutes grants the authority to the Retirement Board to annually review the amount of municipalities' contributions as recommended by the actuary of the retirement system in order to achieve and preserve the financial integrity of the fund and to certify the rates of contributions payable by employers. The Board of Trustees also certifies the rates of contribution payable by employees. Contribution rates for each group as of July 1, 2020 are as follows:

VMERS	Group A	Group B	Group C	Group D
Employee Contributions	3.000% of gross salary	5.375% of gross salary	10.500% of gross salary	11.850% of gross salary
Employer Contributions	4.500% of gross salary	6.000% of gross salary	7.750% of gross salary	10.350% of gross salary

Employee contributions are withheld pre-income tax by the Town and are remitted to the State of Vermont. Such withholdings for the year ended June 30, 2021 totaled \$5,435. The Town contributed \$8,154 for the year ended December 31, 2021. The Town's total payroll for the year ended December 31, 2021 for all employees covered under this plan was \$181,206.

Pension Liabilities

At June 30, 2021, the Town reported a liability of \$93,747 for its proportionate share of the net pension liabilities for each plan. The net pension liabilities were measured as of June 30, 2020 and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of June 30, 2019. The Town's proportion of the net pension liabilities were based on a projection of the Town's long-term share of contributions to each pension plan relative to the projected contributions of all participating towns, actuarially determined.

At June 30, 2020, the Town's proportion was 0.037058% for VMERS, which was a decrease of 0.00263% from its proportion measured as of June 30, 2019 for VMERS.

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

For the year ended December 31, 2021, the Town recognized pension expense of \$12,616 for the VMERS plan. At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	VMERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,443	\$ 278
Changes of assumptions	12,568	-
Net difference between projected and actual earnings on pension plan investments	8,966	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,194	3,886
Contributions subsequent to the measurement date	8,154	-
Total	<u>\$ 39,325</u>	<u>\$ 4,164</u>

\$8,154 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	VMERS
Plan year ended June 30:	
2021	\$ 7,359
2022	7,969
2023	7,111
2024	4,569
2025	-
Thereafter	-

Significant Actuarial Assumptions and Methods

The total pension liability for the June 30, 2020 measurement date was determined by rolling forward the total pension liability as of June 30, 2019 to June 30, 2020. The total pension liability was calculated using the following actuarial assumptions:

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

Inflation: 2.30%

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Deaths After Retirement: Mortality rates for pre-retirement, healthy retirees and disabled retirees in the VMERS plan for Groups A, B, C and D were based variations of RP-2006 Tables with generational projection using Scale SSA-2017 as follows:

Pre-retirement - Groups A, B and C, 98% of RP-2006 tables, blended with a 60% Blue Collar Employee and 40% Healthy Employee and Group D with 100 % of RP-2006 Blue Collar Employee

Healthy Retiree - Groups A, B and C, 98% of RP-2006 tables, blended with a 60% Blue Collar Annuitant and 40% Healthy Annuitant and Group D with a Blue Collar Annuitant Table

Disabled Retiree - All Groups with a RP-2006 Disabled Mortality Table

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

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

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

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

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

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.10% per annum for Group A members and 1.20% per annum for Groups B, C and D members (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group A, B and D who receive a disability retirement benefit and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2020 and January 1, 2021 COLAs are 0.80% and 0.40%, respectively, for all groups.

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Cost Method: The Entry Age Actuarial Cost Method is used. Entry age is the age at date of employment, or, if date is unknown, current age minus years of service. Normal Cost and Accrued Actuarial 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.

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

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

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
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 Bonds	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%

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

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

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

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

	1% Decrease	Discount Rate	1% Increase
<u>VMERS:</u>			
Discount rate	6.00%	7.00%	8.00%
Town's proportionate share of the net pension liability	\$ 143,226	\$ 93,747	\$ 53,036

Pension Plan Fiduciary Net Position

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

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 13 - CONTINGENCIES

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

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

NOTE 14 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

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

To provide insurance coverage, PACIF has established a self-funded insurance trust. It provides extensive coverage for losses to member municipalities for property damage, auto accidents, injured employees, public official liability and employment practices liability, members gain additional benefits from PACIF's unique public safety and risk management programs as well as dedicated in-house claims adjusters. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and PACIF is unable to meet its required obligations, the Program will be terminated with each member assessed their proportionate share of the deficit.

TOWN OF SHREWSBURY, VERMONT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 14 - RISK MANAGEMENT (CONTINUED)

To provide insurance coverage, VLCTHT has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield (BCBS). A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Benefits available include dental insurance, flexible spending accounts, life insurance, disability insurance and long-term care insurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

To provide unemployment coverage, VLCTUT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims and provides excess reinsurance protection. Contributions are based on payroll expense and the previous two-year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VLCTUT is unable to meet its required obligations, the Program will be terminated with each member assessed their proportionate share of the deficit.

NOTE 15 - COMPARATIVE DATA/RECLASSIFICATIONS

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

NOTE 16 - RESTATEMENTS

The Town determined that certain transactions had been recorded incorrectly or omitted in fiscal year 2020. Therefore, a restatement to the governmental activities net position and general fund balance for fiscal year 2021 was required. The general fund beginning balance was restated by a decrease of \$221,774 to correct balance sheet accounts. The beginning net position for governmental activities was decreased by \$188,215 to account for a note from direct borrowings payable and net pension liabilities. The net restatement to the governmental activities net position was a decrease of \$409,989 from \$5,258,840 to \$4,848,851.

Required Supplementary Information

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

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

TOWN OF SHREWSBURY, VERMONT

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive (Negative)</u>
Budgetary Fund Balance, January 1, Restated	\$ 2,872	\$ 2,872	\$ 2,872	\$ -
Resources (Inflows):				
Property taxes	2,804,992	2,804,992	2,965,302	160,310
Intergovernmental	406,738	406,738	363,768	(42,970)
Permits and licenses	17,975	17,975	20,546	2,571
Interest income	1,000	1,000	244	(756)
Other revenue	200	200	5,570	5,370
Amounts Available for Appropriation	<u>3,233,777</u>	<u>3,233,777</u>	<u>3,358,302</u>	<u>124,525</u>
Charges to Appropriations (Outflows):				
General government	116,881	116,881	91,570	25,311
Listers	36,686	36,686	28,675	8,011
Roads	640,293	640,293	552,775	87,518
Town equipment	141,747	141,747	38,909	102,838
Town garage	38,800	38,800	24,641	14,159
Transfer station	68,364	68,364	62,346	6,018
Warned items	67,968	67,968	67,968	-
Education	2,113,878	2,113,878	2,113,878	-
Other	74,257	74,257	27,161	47,096
Transfers to other funds	90,000	90,000	90,000	-
Total Charges to Appropriations	<u>3,388,874</u>	<u>3,388,874</u>	<u>3,097,923</u>	<u>290,951</u>
Budgetary Fund Balance, December 31	<u>\$ (155,097)</u>	<u>\$ (155,097)</u>	<u>\$ 260,379</u>	<u>\$ 415,476</u>
Utilization of unassigned fund balance	<u>\$ 157,969</u>	<u>\$ 157,969</u>	<u>\$ -</u>	<u>\$ (157,969)</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF SHREWSBURY, VERMONT

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

	2021	2020	2019	2018	2017	2016	2015
<u>VMERS:</u>							
Proportion of the net pension liability	0.04%	0.04%	0.04%	0.04%	0.04%	0.05%	0.05%
Proportionate share of the net pension liability	\$ 93,747	\$ 68,852	\$ 52,995	\$ 48,761	\$ 54,413	\$ 34,952	\$ 4,502
Covered payroll	\$ 180,706	\$ 184,848	\$ 164,975	\$ 164,325	\$ 16,650	\$ 158,425	\$ -
Proportionate share of the net pension liability as a percentage of its covered payroll	51.88%	37.25%	32.12%	29.67%	326.80%	22.06%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	74.52%	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

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

See accompanying independent auditors' report and notes to financial statements.

TOWN OF SHREWSBURY, VERMONT

SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS*

	2021	2020	2019	2018	2017	2016	2015
<u>VMERS:</u>							
Contractually required contribution	\$ 8,154	\$ 7,680	\$ 7,625	\$ 6,599	\$ 6,573	\$ 6,426	\$ 6,337
Contributions in relation to the contractually required contribution	<u>(8,154)</u>	<u>(7,680)</u>	<u>(7,625)</u>	<u>(6,599)</u>	<u>(6,573)</u>	<u>(6,426)</u>	<u>(6,337)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 181,206	\$ 180,706	\$ 184,848	\$ 164,975	\$ 164,325	\$ 16,650	\$ 158,425
Contributions as a percentage of covered payroll	4.50%	4.25%	4.13%	4.00%	4.00%	38.59%	4.00%

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

See accompanying independent auditors' report and notes to financial statements.

TOWN OF SHREWSBURY, VERMONT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021

Changes of Assumptions

VMERS Pension Plan:

- The investment return assumption was lowered from 7.50% to 7.00%.
- The inflation assumption was lowered from 2.50% to 2.30%.
- The COLA assumption was lowered from 1.15% to 1.10% for Group A members and from 1.30% to 1.20% for Groups B, C and D members.
- The mortality assumptions were updated as follows with generational projection using scale MP-2019:
 - Pre-Retirement – Groups A/B/C - 40% PubG-2010 General Employee below-median and 60% of PubG-2010 General Employee, Group D - PubG-2010 General Employee above-median
 - Healthy Post Retirement – Retirees – Groups A/B/C - 104% of 40% PubG-2010 General Healthy Retiree below-median and 60% of PubG-2010 General Healthy Retiree
 - Healthy Post-Retirement – Beneficiaries – Groups A/B/C - 70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor. Group D – Pub-2010 Contingent Survivor.
 - Disabled Retirees – All Groups – PubNS-2010 Non-Safety Disabled Retiree Mortality Table.
- The salary scale assumption was revised for varying service based rates from 0-10 years of service, then a single rate of 2.20% for all subsequent years, plus revised inflation of 2.30%.
- The active retirement rates were updated as follows:
 - Group A - Decreased the rates throughout all ages.
 - Group B – For females, slightly decreased the rates at younger ages and then increase the rates at later ages. For males, slightly decreased the rates at most ages.

TOWN OF SHREWSBURY, VERMONT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

- Group C – Simplified the assumption to a unisex table that more accurately aligns with the actual experience for both males and females.
 - Group D – For members with less than 20 years of service, increased the rates for ages 55-59.
- The inactive retirement assumption was updated to add a rate of 10% from early retirement age for each year until normal retirement age, then 100% at normal retirement age.
- The liability load of accumulated contributions for Inactive Members was removed. Liabilities for Inactive Members are now based on 100% of the accumulated contributions. Inactive Members who are vested immediately become Deferred Members and the liabilities for all Deferred Members are based on the accrued benefit.
- The termination rates were simplified for females to one set of slightly reduced rates for all females.

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

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

- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
- Combining Balance Sheet - Nonmajor Special Revenue Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
- Combining Balance Sheet - Nonmajor Capital Projects Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
- Combining Balance Sheet - Nonmajor Permanent Funds
- Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Permanent Funds

TOWN OF SHREWSBURY, VERMONT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 115,199	\$ 486,251	\$ 1,318	\$ 602,768
TOTAL ASSETS	<u>\$ 115,199</u>	<u>\$ 486,251</u>	<u>\$ 1,318</u>	<u>\$ 602,768</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	1,123	-	1,318	2,441
Committed	-	486,251	-	486,251
Assigned	114,076	-	-	114,076
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>115,199</u>	<u>486,251</u>	<u>1,318</u>	<u>602,768</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 115,199</u>	<u>\$ 486,251</u>	<u>\$ 1,318</u>	<u>\$ 602,768</u>

TOWN OF SHREWSBURY, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 6,678	\$ -	\$ -	\$ 6,678
Interest income	95	435	1	531
Other income	6,497	5,500	-	11,997
TOTAL REVENUES	<u>13,270</u>	<u>5,935</u>	<u>1</u>	<u>19,206</u>
EXPENDITURES				
General government	580	-	-	580
Other	-	50,684	-	50,684
TOTAL EXPENDITURES	<u>580</u>	<u>50,684</u>	<u>-</u>	<u>51,264</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,690</u>	<u>(44,749)</u>	<u>1</u>	<u>(32,058)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000	89,000	-	90,000
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,000</u>	<u>89,000</u>	<u>-</u>	<u>90,000</u>
NET CHANGE IN FUND BALANCES	13,690	44,251	1	57,942
FUND BALANCES - JANUARY 1	<u>101,509</u>	<u>442,000</u>	<u>1,317</u>	<u>544,826</u>
FUND BALANCES - DECEMBER 31	<u>\$ 115,199</u>	<u>\$ 486,251</u>	<u>\$ 1,318</u>	<u>\$ 602,768</u>

Special Revenue Funds

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

TOWN OF SHREWSBURY, VERMONT

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2021

	Conservation Committee	Restoration Reserve	Act 60	Energy Grant	Total
ASSETS					
Cash and cash equivalents	\$ 2,376	\$ 31,584	\$ 80,116	\$ 1,123	\$ 115,199
TOTAL ASSETS	<u>\$ 2,376</u>	<u>\$ 31,584</u>	<u>\$ 80,116</u>	<u>\$ 1,123</u>	<u>\$ 115,199</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	1,123	1,123
Committed	-	-	-	-	-
Assigned	2,376	31,584	80,116	-	114,076
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>2,376</u>	<u>31,584</u>	<u>80,116</u>	<u>1,123</u>	<u>115,199</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,376</u>	<u>\$ 31,584</u>	<u>\$ 80,116</u>	<u>\$ 1,123</u>	<u>\$ 115,199</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF SHREWSBURY, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Conservation Committee	Restoration Reserve	Act 60	Energy Grant	Total
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 6,678	\$ -	\$ 6,678
Interest income	2	26	66	1	95
Other income	1,636	4,861	-	-	6,497
TOTAL REVENUES	<u>1,638</u>	<u>4,887</u>	<u>6,744</u>	<u>1</u>	<u>13,270</u>
EXPENDITURES					
Other	<u>580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580</u>
TOTAL EXPENDITURES	<u>580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,058</u>	<u>4,887</u>	<u>6,744</u>	<u>1</u>	<u>12,690</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	1,000	-	-	1,000
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
NET CHANGE IN FUND BALANCES	1,058	5,887	6,744	1	13,690
FUND BALANCES - JANUARY 1	<u>1,318</u>	<u>25,697</u>	<u>73,372</u>	<u>1,122</u>	<u>101,509</u>
FUND BALANCES - DECEMBER 31	<u>\$ 2,376</u>	<u>\$ 31,584</u>	<u>\$ 80,116</u>	<u>\$ 1,123</u>	<u>\$ 115,199</u>

See accompanying independent auditors' report and notes to financial statements.

Capital Projects Funds

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

SCHEDULE E

TOWN OF SHREWSBURY, VERMONT

COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2021

	Town Office	Town Office Equipment	Road Equipment Reserve	Smith Brook Culvert	Brown Bridge	Garage Reserve	SVFD Equipment Reserve	Total
ASSETS								
Cash and cash equivalents	\$ 18,355	\$ 8,472	\$ 100,932	\$ 4,403	\$ 3,062	\$ 21,366	\$ 329,661	\$ 486,251
TOTAL ASSETS	<u>\$ 18,355</u>	<u>\$ 8,472</u>	<u>\$ 100,932</u>	<u>\$ 4,403</u>	<u>\$ 3,062</u>	<u>\$ 21,366</u>	<u>\$ 329,661</u>	<u>\$ 486,251</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-
Committed	18,355	8,472	100,932	4,403	3,062	21,366	329,661	486,251
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>18,355</u>	<u>8,472</u>	<u>100,932</u>	<u>4,403</u>	<u>3,062</u>	<u>21,366</u>	<u>329,661</u>	<u>486,251</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 18,355</u>	<u>\$ 8,472</u>	<u>\$ 100,932</u>	<u>\$ 4,403</u>	<u>\$ 3,062</u>	<u>\$ 21,366</u>	<u>\$ 329,661</u>	<u>\$ 486,251</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF SHREWSBURY, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Town Office	Town Office Equipment	Road Equipment Reserve	Smith Brook Culvert	Brown Bridge	Garage Reserve	SVFD Equipment Reserve	Total
REVENUES								
Interest income	\$ 15	\$ 6	\$ 121	\$ 4	\$ 2	\$ 18	\$ 269	\$ 435
Other	-	-	5,500	-	-	-	-	5,500
TOTAL REVENUES	15	6	5,621	4	2	18	269	5,935
EXPENDITURES								
Other	3,237	-	47,447	-	-	-	-	50,684
EXPENDITURES	3,237	-	47,447	-	-	-	-	50,684
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,222)	6	(41,826)	4	2	18	269	(44,749)
OTHER FINANCING SOURCES (USES)								
Transfers in	1,500	1,000	50,000	-	-	1,500	35,000	89,000
Transfers (out)	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,500	1,000	50,000	-	-	1,500	35,000	89,000
NET CHANGE IN FUND BALANCES	(1,722)	1,006	8,174	4	2	1,518	35,269	44,251
FUND BALANCES - JANUARY 1	20,077	7,466	92,758	4,399	3,060	19,848	294,392	442,000
FUND BALANCES - DECEMBER 31	<u>\$ 18,355</u>	<u>\$ 8,472</u>	<u>\$ 100,932</u>	<u>\$ 4,403</u>	<u>\$ 3,062</u>	<u>\$ 21,366</u>	<u>\$ 329,661</u>	<u>\$ 486,251</u>

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

Permanent Funds

Permanent funds are used to account for assets held by the Town of Shrewsbury, Vermont that are legally restricted and unless otherwise specified, only earnings and not principal, may be used for purposes that benefit the Town or its citizenry. These funds have been established for various purposes including scholarships and the provision and/or maintenance of cemeteries.

TOWN OF SHREWSBURY, VERMONT

COMBINING BALANCE SHEET - NONMAJOR PERMANENT FUNDS
DECEMBER 31, 2021

	<u>Cemetery</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 1,318	\$ 1,318
TOTAL ASSETS	<u>\$ 1,318</u>	<u>\$ 1,318</u>
LIABILITIES		
Due to others funds	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	-
Restricted	1,318	1,318
Committed	-	-
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>1,318</u>	<u>1,318</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,318</u>	<u>\$ 1,318</u>

See accompanying independent auditors' report and notes to financial statements.

TOWN OF SHREWSBURY, VERMONT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Cemetery</u>	<u>Total</u>
REVENUES		
Interest income	<u>\$ 1</u>	<u>\$ 1</u>
TOTAL REVENUES	<u>1</u>	<u>1</u>
EXPENDITURES		
Other	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1	1
FUND BALANCES - JANUARY 1	<u>1,317</u>	<u>1,317</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 1,318</u></u>	<u><u>\$ 1,318</u></u>

See accompanying independent auditors' report and notes to financial statements.



Proven Expertise & Integrity

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

Selectboard
Town of Shrewsbury
Shrewsbury, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Shrewsbury, Vermont as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Town of Shrewsbury, Vermont's basic financial statements and have issued our report thereon dated April 3, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Shrewsbury, 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 Shrewsbury, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Shrewsbury, Vermont's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Shrewsbury, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the Town of Shrewsbury, Vermont in a separate letter dated February 23, 2023.

Purpose of this Report

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

RHR Smith & Company

Buxton, Maine
Vermont Registration No. 092.0000967
April 3, 2023