

TOWN OF ROCHESTER, VERMONT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS
JUNE 30, 2024

TOWN OF ROCHESTER, VERMONT

JUNE 30, 2024

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report	1 - 3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	6
Reconciliation of the Balance Sheet - Governmental Funds to the Government-wide Statement of Net Position.....	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	8 - 9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Government-wide Statement of Activities.....	10
Statement of Net Position - Proprietary Fund.....	11
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund.....	12
Statement of Cash Flows - Proprietary Fund.....	13
Statement of Fiduciary Net Position - Fiduciary Funds.....	14
Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	15
Notes to Financial Statements.....	16 - 28
Required Supplementary Information Other than Management's Discussion and Analysis	
Schedule of Revenues and Expenditures - Budget and Actual - General Fund.....	29
Schedule of Proportionate Share of the Net Pension Liability	30
Schedule of Pension Contributions.....	31
Nonmajor Fund Financial Statements	
Balance Sheet – Nonmajor Governmental Fund	32
Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Fund	33
Internal Control and Compliance	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34 - 35

INDEPENDENT AUDITOR'S REPORT

The Select Board
Town of Rochester, Vermont

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Rochester, Vermont as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Rochester, Vermont's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Rochester, Vermont as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Rochester, Vermont and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

The Select Board
Town of Rochester, Vermont

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of the proportionate share of the net pension liability and schedule of pension contributions on pages 29 to 31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Rochester, Vermont's basic financial statements. The individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Select Board
Town of Rochester, Vermont

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2024, on our consideration of the Town of Rochester, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Rochester, Vermont's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Rochester, Vermont's internal control over financial reporting and compliance.

Pace & Hawley, LLC

Berlin, Vermont
December 13, 2024

TOWN OF ROCHESTER, VERMONT
Statement of Net Position
June 30, 2024

	Governmental Activities	Business-type Activities	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 724,471	\$ 153,225	\$ 877,696
Investments	630,387	-	630,387
Accounts receivable, net	-	42,428	42,428
Due from other governments	48,121	-	48,121
Delinquent property taxes and related interest receivable, net	127,400	-	127,400
Prepaid expenses	410	-	410
Other assets	-	111	111
Internal balances	11,647	(11,647)	-
Total current assets	1,542,436	184,117	1,726,553
Noncurrent assets:			
Capital assets	16,977,203	3,099,069	20,076,272
(Accumulated depreciation)	(4,909,928)	(1,416,854)	(6,326,782)
Total noncurrent assets	12,067,275	1,682,215	13,749,490
Total assets	13,609,711	1,866,332	15,476,043
Deferred outflows of resources			
Pension related - VMERS	60,044	-	60,044
Liabilities			
Current liabilities:			
Accounts payable	52,540	-	52,540
Other current liabilities	17,072	-	17,072
Grant funds received in advance	158,387	-	158,387
Note payable line of credit	533,262	-	533,262
Notes and bonds payable, current portion	98,479	-	98,479
Total current liabilities	859,740	-	859,740
Noncurrent liabilities:			
Notes and bonds payable, less current portion	853,328	-	853,328
Net pension liability - VMERS	184,334	-	184,334
Total noncurrent liabilities	1,037,662	-	1,037,662
Total liabilities	1,897,402	-	1,897,402
Deferred inflows of resources			
Property taxes received in advance	11,824	-	11,824
Pension related - VMERS	1,563	-	1,563
Total	13,387	-	13,387
Net position			
Net investment in capital assets	11,115,468	1,682,215	12,797,683
Restricted	647,432	31,378	678,810
Unrestricted	(3,934)	152,739	148,805
Total net position	\$ 11,758,966	\$ 1,866,332	\$ 13,625,298

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

TOWN OF ROCHESTER, VERMONT
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities							
General government	\$ 413,328	\$ 32,619	\$ 193,892	\$ -	\$ (186,817)	\$ -	\$ (186,817)
Highways and streets	1,071,426	-	204,524	770,769	(96,133)	-	(96,133)
Solid waste	35,925	-	-	-	(35,925)	-	(35,925)
Public safety	159,782	-	8,623	-	(151,159)	-	(151,159)
Library	78,941	283	36,526	-	(42,132)	-	(42,132)
Recreation	26,236	13,390	1,412	25,000	13,566	-	13,566
Community services	22,840	-	-	-	(22,840)	-	(22,840)
Interest	48,587	-	-	-	(48,587)	-	(48,587)
Total governmental activities	<u>1,857,065</u>	<u>46,292</u>	<u>444,977</u>	<u>795,769</u>	<u>(570,027)</u>	<u>-</u>	<u>(570,027)</u>
Business-type activities							
Wastewater operations	56,860	76,530	-	-	-	19,670	19,670
Water operations	38,787	54,836	-	-	-	16,049	16,049
Depreciation	74,461	-	-	-	-	(74,461)	(74,461)
Total business-type activities	<u>170,108</u>	<u>131,366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,742)</u>	<u>(38,742)</u>
	\$ <u>2,027,173</u>	\$ <u>177,658</u>	\$ <u>444,977</u>	\$ <u>795,769</u>	<u>(570,027)</u>	<u>(38,742)</u>	<u>(608,769)</u>
		General revenues					
		Property taxes and related interest			1,069,770	-	1,069,770
		Investment income			81,699	1,802	83,501
		Miscellaneous			16,984	-	16,984
		Total general revenues			<u>1,168,453</u>	<u>1,802</u>	<u>1,170,255</u>
		Change in net position			598,426	(36,940)	561,486
		Net position, beginning of year			<u>11,160,540</u>	<u>1,903,272</u>	<u>13,063,812</u>
		Net position, end of year			\$ <u>11,758,966</u>	\$ <u>1,866,332</u>	\$ <u>13,625,298</u>

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

TOWN OF ROCHESTER, VERMONT
Balance Sheet - Governmental Funds
June 30, 2024

	General Fund	Reserve Fund	Grants Fund	Library Fund	Cemetery Fund	Nonmajor Governmental Fund	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 144,457	\$ 293,927	\$ 163,116	\$ 72,197	\$ -	\$ 50,774	\$ 724,471
Investments	9,059	-	-	332,596	288,732	-	630,387
Due from other governments	345	-	47,776	-	-	-	48,121
Delinquent property taxes and related interest receivable, net	127,400	-	-	-	-	-	127,400
Prepaid expenditures	155	-	-	255	-	-	410
Due from other funds	363,201	-	-	-	-	-	363,201
Total assets	\$ 644,617	\$ 293,927	\$ 210,892	\$ 405,048	\$ 288,732	\$ 50,774	\$ 1,893,990
Liabilities, deferred inflows of resources and fund balances							
Liabilities:							
Accounts payable	\$ 46,925	\$ -	\$ 5,018	\$ 597	\$ -	\$ -	\$ 52,540
Other current liabilities	17,072	-	-	-	-	-	17,072
Grants received in advance	-	-	158,387	-	-	-	158,387
Note payable line of credit	533,262	-	-	-	-	-	533,262
Due to other funds	-	-	344,693	6,861	-	-	351,554
Total liabilities	597,259	-	508,098	7,458	-	-	1,112,815
Deferred inflows of resources:							
Property taxes received in advance	11,824	-	-	-	-	-	11,824
Unavailable property taxes	69,001	-	-	-	-	-	69,001
Total deferred inflows of resources	80,825	-	-	-	-	-	80,825
Fund balances (deficits):							
Nonspendable	155	-	-	255	-	-	410
Restricted	-	121,562	-	186,364	288,732	50,774	647,432
Committed	-	172,365	-	-	-	-	172,365
Assigned	-	-	-	210,971	-	-	210,971
Unassigned	(33,622)	-	(297,206)	-	-	-	(330,828)
Total fund balances	(33,467)	293,927	(297,206)	397,590	288,732	50,774	700,350
Total liabilities, deferred inflows of resources and fund balances	\$ 644,617	\$ 293,927	\$ 210,892	\$ 405,048	\$ 288,732	\$ 50,774	\$ 1,893,990

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

TOWN OF ROCHESTER, VERMONT
Reconciliation of the Balance Sheet - Governmental Funds
to the Government-wide Statement of Net Position
June 30, 2024

Total fund balances - governmental funds	\$	700,350
<p>Amounts reported for governmental activities in the government-wide statement of net position are different because:</p>		
<p>Capital assets used in governmental funds are not current financial resources, and therefore, are not reported in the governmental funds balance sheet:</p>		
Capital assets		16,977,203
Accumulated depreciation		(4,909,928)
<p>Unavailable property taxes are recorded as a deferred inflow of resources in the governmental funds financial statement because property taxes which are not collected within 60 days of year-end are not available financial resources.</p>		
		69,001
<p>Deferred outflows of resources, deferred inflows of resources and the net pension liability related to the Town's proportionate share of the VMERS pension plan are not reported in the governmental funds balance sheet.</p>		
		(125,853)
<p>Long-term liabilities, including notes and bonds payable are not due and payable in the current year and therefore, are not reported in the governmental funds balance sheet.</p>		
		<u>(951,807)</u>
Net position - governmental activities	\$	<u>11,758,966</u>

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

TOWN OF ROCHESTER, VERMONT
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2024
(Page 1 of 2)

	General Fund	Reserve Fund	Grants Fund	Library Fund	Cemetery Fund	Nonmajor Governmental Fund	Total Governmental Funds
Revenues							
Property taxes	\$ 1,064,478	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,064,478
Property taxes - interest	27,820	-	-	-	-	-	27,820
Intergovernmental	233,191	8,092	880,068	3,940	-	-	1,125,291
Licenses, permits & fines	16,551	-	-	37	-	-	16,588
Charges for services	17,348	2,159	-	246	500	-	20,253
Contributions	2,015	34,550	-	35,585	-	52,757	124,907
Investment income	6,096	4,048	2,667	45,274	23,558	56	81,699
Miscellaneous	14,144	-	-	1,471	-	1,368	16,983
Total revenues	<u>1,381,643</u>	<u>48,849</u>	<u>882,735</u>	<u>86,553</u>	<u>24,058</u>	<u>54,181</u>	<u>2,478,019</u>
Expenditures							
Current:							
General government	367,342	15,768	21,980	-	2,135	-	407,225
Public safety	87,712	572	1,500	-	-	27,072	116,856
Highway and streets	650,021	-	77,766	-	-	-	727,787
Library	-	-	-	63,293	-	-	63,293
Recreation	21,765	281	-	-	-	-	22,046
Solid Waste	35,925	-	-	-	-	-	35,925
Appropriations	22,840	-	-	-	-	-	22,840
Capital outlay	-	-	1,126,484	-	-	-	1,126,484
Debt service:							
Principal	149,436	-	-	-	-	-	149,436
Interest	48,569	-	-	18	-	-	48,587
Total expenditures	<u>1,383,610</u>	<u>16,621</u>	<u>1,227,730</u>	<u>63,311</u>	<u>2,135</u>	<u>27,072</u>	<u>2,720,479</u>
Excess of revenues or (expenditures)	<u>(1,967)</u>	<u>32,228</u>	<u>(344,995)</u>	<u>23,242</u>	<u>21,923</u>	<u>27,109</u>	<u>(242,460)</u>

(Continued)

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

TOWN OF ROCHESTER, VERMONT
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2024
(Page 2 of 2)

	<u>General Fund</u>	<u>Reserve Fund</u>	<u>Grants Fund</u>	<u>Library Fund</u>	<u>Cemetery Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Total Governmental Funds</u>
<i>(Continued)</i>							
Other financing sources (uses)							
Transfers in (out)	<u>(84,302)</u>	<u>42,551</u>	<u>(3,184)</u>	<u>49,935</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(86,269)	74,779	(348,179)	73,177	16,923	27,109	(242,460)
Fund balances (deficits), beginning of year	<u>52,802</u> \$	<u>219,148</u> \$	<u>50,973</u> \$	<u>324,413</u> \$	<u>271,809</u> \$	<u>23,665</u>	<u>942,810</u>
Fund balances (deficits), end of year	\$ <u><u>(33,467)</u></u>	\$ <u><u>293,927</u></u>	\$ <u><u>(297,206)</u></u>	\$ <u><u>397,590</u></u>	\$ <u><u>288,732</u></u>	\$ <u><u>50,774</u></u>	\$ <u><u>700,350</u></u>

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

TOWN OF ROCHESTER, VERMONT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds to the
Government-wide Statement of Activities
For the Year Ended June 30, 2024

Net change in fund balances - governmental funds \$ (242,460)

Amounts reported for governmental activities in the government-wide statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives:

Expenditures for capital assets	1,126,484
Current year depreciation	(393,296)

The Town's contribution to VMERS is recorded as an expenditure in the governmental funds. However, in the statement of activities pension expense is actuarially determined. (19,210)

Proceeds from long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position:

Principal payments on long-term debt	149,436
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Revenues in the statement of activities that do not provide current financial resources (property taxes not collected within 60 days of fiscal year end) are not reported as revenues in the governmental funds statements:

Increase (decrease) in unavailable property taxes	<u>(22,528)</u>
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Change in net position - governmental activities \$ 598,426

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

TOWN OF ROCHESTER, VERMONT
Statement of Net Position - Proprietary Fund
June 30, 2024

	Utility Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 153,225
Accounts receivable, net	42,428
Other assets	111
Total current assets	195,764
Noncurrent assets:	
Capital assets	3,099,069
(Accumulated depreciation)	(1,416,854)
Total noncurrent assets	1,682,215
Total assets	1,877,979
Liabilities	
Current liabilities:	
Due to other funds	11,647
Net position	
Net investment in capital assets	1,682,215
Restricted for water operations	18,320
Restricted for wastewater operations	13,058
Unrestricted	152,739
Total net position	\$ 1,866,332

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

TOWN OF ROCHESTER, VERMONT
Statement of Revenues, Expenses and Changes
in Fund Net Position - Proprietary Fund
For the Year Ended June 30, 2024

		Utility Fund
Operating revenues		
Charges for services	\$	130,245
Penalties and interest		1,121
Investment income		1,802
Total operating revenues		133,168
 Operating expenses		
Operation and maintenance		95,647
Depreciation		74,461
Total operating expenses		170,108
 Change in net position		(36,940)
 Net position, beginning of year		1,903,272
 Net position, end of year	\$	1,866,332

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

TOWN OF ROCHESTER, VERMONT
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2024

	<u>Utility Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 134,642
Cash paid to employees	(37,061)
Cash paid to suppliers and for professional services	(58,586)
Other operating revenues	<u>1,802</u>
Net cash provided by operating activities	<u>40,797</u>
 Cash flows from noncapital financing activities	
Increase (decrease) in amounts due to/from General Fund	<u>733</u>
Net increase in cash and cash equivalents	41,530
Cash and cash equivalents, beginning of year	<u>111,695</u>
Cash and cash equivalents, end of year	\$ <u><u>153,225</u></u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ (36,940)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	74,461
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	<u>3,276</u>
Net cash provided by operating activities	\$ <u><u>40,797</u></u>

Supplemental Disclosure of Cash Flow Information:
None

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

TOWN OF ROCHESTER, VERMONT
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2024

	<u>Private Purpose Trust Funds</u>	<u>Custodial Fund</u>
Assets		
Cash and cash equivalents	\$ -	\$ 4,827
Investments	<u>2,056,196</u>	<u>-</u>
Total assets	<u>2,056,196</u>	<u>4,827</u>
 Liabilities and net position		
Liabilities	<u>-</u>	<u>-</u>
 Net position:		
Restricted for:		
Townsend Hutchinson Trust	1,658,957	-
Kirkpatrick Trust	253,597	-
Leland Trust	139,553	-
Guernsey Trust	4,089	-
Individuals	<u>-</u>	<u>4,827</u>
Total net position	\$ <u>2,056,196</u>	\$ <u>4,827</u>

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

TOWN OF ROCHESTER, VERMONT
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2024

	<u>Private Purpose Trust Funds</u>	<u>Custodial Fund</u>
Additions		
Statewide education taxes collected for other governments	\$ -	\$ 2,341,624
Investment income	<u>184,764</u>	<u>15</u>
Total additions	<u>184,764</u>	<u>2,341,639</u>
Deductions		
Statewide education taxes paid to other governments	-	2,341,624
Distributions	<u>13,000</u>	<u>-</u>
Total deductions	<u>13,000</u>	<u>2,341,624</u>
Change in net position	171,764	15
Net position, beginning of year	<u>1,884,432</u>	<u>\$ 4,812</u>
Net position, end of year	<u>\$ 2,056,196</u>	<u>\$ 4,827</u>

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

TOWN OF ROCHESTER, VERMONT
Notes to Financial Statements
June 30, 2024

1. Summary of significant accounting policies

The Town of Rochester, Vermont (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town operates under a Select Board form of government and provides the following services: public safety, highways and streets, solid waste, culture and recreation, public improvements, planning and zoning, and general and administrative services.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the Town have been prepared in conformity with generally accepted accounting principles as applied to governmental entities. The following is a summary of the Town's more significant accounting policies:

A. Reporting entity - The Town is a primary government under reporting criteria established by the GASB. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units and evaluated them against the criteria established by the GASB. Based on these criteria, there are no other entities that are considered to be component units of the Town that should be included in these financial statements.

B. Basis of presentation -

Fund accounting: The accounts of the Town are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Government-wide statements: The statement of net position and the statement of activities present financial information about the Town's governmental and business-type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

Fund financial statements: Fund financial statements are presented according to each fund category; governmental, proprietary, and fiduciary. Separate financial statements are provided for each of these categories. Major governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund - The General Fund is used to account for the primary activity of the Town. Property tax revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Reserve Fund - The Reserve Fund is a special revenue fund used to account for funds restricted or committed to capital equipment, reappraisal, record preservation and other specific functions. Specific revenue sources include state reappraisal funds, recording fees, and property taxes committed for specific activities.

Grants Fund - The Grants Fund is used to account for activity related to specified grants and similar activity.

Cemetery Fund - The Cemetery Fund is used to account for activity related to perpetual care of the Town's cemeteries.

Library Fund - The Library Fund is used to account for the activity of the Rochester Municipal Library.

TOWN OF ROCHESTER, VERMONT
Notes to Financial Statements
June 30, 2024

1. Summary of significant accounting policies (continued)

The Town reports the following major proprietary fund:

Utility Fund - The Utility Fund is used to account for the Town's water and wastewater facility operations.

The Town also reports fiduciary activities for the following various trust relationships: Townsend/Hutchinson, Kirkpatrick, Leland, Guernsey, and custodial funds to report statewide education property taxes collected on behalf of the State of Vermont and paid to other governments.

- C. Measurement focus and basis of accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus refers to what items are reported on the financial statements. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this model, revenues are recognized when both measurable and available for use. Expenditures are recorded when the liability has occurred if measurable. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the fiscal year and other revenues to be available if they are collected within 6 months of the end of the fiscal year. Expenditures related to principal and interest on general long-term debt that has not matured, compensated absences, and claims and judgments are recorded only when payment is due.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Additions are recorded when they occur and deductions when a liability has occurred, regardless of the related cash flows.

- D. Governmental fund equity - In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable - Resources which cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted - Resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

TOWN OF ROCHESTER, VERMONT
Notes to Financial Statements
June 30, 2024

1. Summary of significant accounting policies (continued)

Committed - Resources which are subject to limitations the government imposes upon itself at its highest level of decision-making authority, and that remain binding unless removed in the same manner. For the purposes of defining the committed fund balance category, the Town considers the taxpayers, through voted Town Articles, its highest level of decision-making authority.

Assigned - Resources neither restricted nor committed for which a government has a stated intended use as established by the Select Board or a body or official to which the Select Board has delegated the authority to assign amounts for specific purposes.

Unassigned - Resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include any negative residual balance resulting from expenditures exceeding amounts restricted, committed or assigned for a specific purpose.

For the classification of governmental fund balances, the Town does not have a formal policy regarding which classification should be reduced first when more than one classification is available. However, the Town has generally considered an expenditure to be made from the most restrictive first when more than one classification is available unless specifically determined.

For the classification of net position, the Town does not have a formal policy regarding which classification should be reduced first when more than one classification is available. However, the Town has generally considered an expense to be made from the most restrictive first when more than one classification is available.

- E. Budgetary accounting - The operating budget of the General Fund is prepared by the Town on the modified accrual basis of accounting. The budget is approved at Town Meeting and the Select Board sets the tax rate based on the grand list and approved budget.
- F. Estimates - The preparation of the financial statements require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows of resources, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, or expenses during the reported period. Actual results could differ from those estimates.
- G. Cash and cash equivalents - Cash and cash equivalents consists of cash and short-term investments with an original maturity of three months or less.
- H. Investments - Investments are recorded at fair value based on quoted market prices. Unrealized gains and losses in the value of investments are included in revenue.
- I. Receivables - The Town has not recorded an allowance for doubtful accounts. Management estimates that all receivables are collectible.
- J. Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide statements and in the proprietary fund financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Town's policy is to capitalize assets with a useful life of more than one year and a cost in excess of \$20,000 for land improvements, infrastructure, buildings and related improvements and in excess of \$2,000 for software and equipment. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Donated capital assets are recorded at acquisition value at the date of donation.

TOWN OF ROCHESTER, VERMONT
Notes to Financial Statements
June 30, 2024

1. Summary of significant accounting policies (continued)

Capital assets of the Town are depreciated using the straight-line method over the following useful lives:

Building and improvements	20 - 50 years
Equipment, machinery and vehicles	5 - 30 years
Infrastructure	30 - 50 years

- K. Property taxes - Property taxes attach as an enforceable lien on property owned as of April 1st. Property taxes for the fiscal year ended June 30, 2024, were payable in four installments due August 15, 2023, November 15, 2023, February 15, 2024, and May 15, 2024.
- L. Interfund balances and transfers - Interfund receivables and payables represent transactions incurred within the fund for other funds. These accounts are expected to be eliminated in the normal course of operations. Interfund transfers represent flows of cash or goods from one fund to another fund without a requirement for repayment.
- M. Deferred outflows/inflows of resources – In addition to assets and liabilities, deferred outflows of resources and deferred inflows of resources, if applicable, are reported as separate sections in the statements of net position and the balance sheets. A deferred outflow of resources is a consumption of net assets by the Town that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the Town that is applicable to a future reporting period. The Town has recorded, in the General Fund, unavailable property taxes which have not been collected within 60 days following year-end, and therefore, are not considered available for current year operations.

2. Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, and injuries to employees. The Town maintains coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc., covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded its coverage in any of the past three years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and rate setting policies have been estimated after conclusion with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Funder were to be exhausted, members would be responsible for the Fund's liabilities. The Town is also a member of the Vermont League of Cities and Towns Employment Resource and Benefits Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employment benefits for Vermont municipalities and is owned by the participating members. The agreement does not permit the Trust to make additional assessments to its members.

3. Cash and cash equivalents

The Town maintains cash balances which may, at times throughout the year, exceed amounts covered by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2024, the Town's bank balance was \$1,118,414; the corresponding carrying amount of the Town's cash was \$882,523 which included \$4,827 of cash held in a trustee or custodial capacity and reported as fiduciary activities. Of the Town's total bank balance, \$404,812 was covered by the FDIC, \$713,602 was collateralized through participation in a public unit deposit and backed by a letter of credit from the Federal Home Loan Bank of Boston and \$0 was uninsured and uncollateralized.

TOWN OF ROCHESTER, VERMONT
Notes to Financial Statements
June 30, 2024

4. Investments

As of June 30, 2024, the Town reported total investments of \$2,686,583 which included \$2,056,196 held in a trustee capacity and reported as fiduciary activities. The Town's investment policy establishes the investment objectives, eligible investments, reporting requirements, and safekeeping and custodial procedures necessary for the proper management and investment of those funds under the management and control of the Trustees of Public Funds, however it does not specifically address each separate risk identified below.

The classification and fair value of investments held as of June 30, 2024, were as follows:

<u>Investment</u>		<u>Level 1</u>		<u>Level 2</u>		<u>Totals</u>
Money market funds	\$	193,321	\$	-	\$	193,321
U.S. Government obligations and agencies		479,585		-		479,585
Corporate bonds		-		398,931		398,931
Mutual funds & ETFs - fixed income		157,226		-		157,226
Mutual funds & ETFs - equity		610,544		-		610,544
Mutual funds & ETFs - international equity		103,299		-		103,299
Mutual funds & ETFs - real assets		29,819		-		29,819
Corporate stock		713,858		-		713,858
	\$	<u>2,287,652</u>	\$	<u>398,931</u>	\$	<u>2,686,583</u>

The Town classifies its investments into Level 1, which refers to investments traded in an active market; Level 2, which refers to investments not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to investments not traded in an active market and for which no significant observable market inputs are available. Generally, Level 3 investments are valued based upon information provided by fund managers, including audited financial statements of the investment fund. The levels relate to valuation only and do not necessarily indicate a measure of risk.

Interest rate risk - Changes in market interest rate will affect the fair value of an interest-earning investment over time. The Town does not have a policy regarding interest rate risk. Maturities of interest-earning investments as of June 30, 2024, were as follows:

	<u>Fair Value</u>	<u>Investment Maturity</u>			
		<u>Less than One Year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>	<u>Thereafter</u>
Bonds - U.S. Government and related agencies	\$ 479,585	\$ 116,913	\$ 216,034	\$ 136,784	\$ 9,854
Bonds - Corporate	398,931	49,779	232,147	117,005	-
	\$ <u>878,516</u>	\$ <u>166,692</u>	\$ <u>448,181</u>	\$ <u>253,789</u>	\$ <u>9,854</u>

Credit risk - The Town's investment in corporate bonds are subject to credit risk. Credit risk is the risk that the bond issuer will not fulfill its obligation. The ratings of the Town's investment in corporate bonds were unavailable as of June 30, 2024.

Custodial credit risk - The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Town of Rochester, Vermont will not be able to recover the value of its investment that are in the possession of an outside party.

Concentration of credit risk - The concentration of credit risk is the risk of loss that may be caused by the Town of Rochester, Vermont's investment in a single issuer.

Foreign currency risk - The Town's investments in international equity mutual funds and exchange traded funds (ETFs) are subject to foreign currency risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

TOWN OF ROCHESTER, VERMONT
Notes to Financial Statements
June 30, 2024

5. Capital assets

Changes in business-type activities capital assets consisted of the following:

	Balance July 1, <u>2023</u>	<u>Increase</u>	<u>Decrease</u>	Balance June 30, <u>2024</u>
Capital assets, not depreciated:				
Land	\$ 63,200	\$ -	\$ -	\$ 63,200
Capital assets, depreciated:				
Buildings & improvements	85,000	-	-	85,000
Equipment, machinery and vehicles	175,677	-	-	175,677
Infrastructure	<u>2,775,192</u>	<u>-</u>	<u>-</u>	<u>2,775,192</u>
	<u>3,035,869</u>	<u>-</u>	<u>-</u>	<u>3,035,869</u>
Less accumulated depreciation for:				
Buildings & improvements	85,000	-	-	85,000
Equipment, machinery and vehicles	104,237	5,784	-	110,021
Infrastructure	<u>1,153,156</u>	<u>68,677</u>	<u>-</u>	<u>1,221,833</u>
	<u>1,342,393</u>	<u>74,461</u>	<u>-</u>	<u>1,416,854</u>
Total capital assets depreciated, net	<u>1,693,476</u>	<u>(74,461)</u>	<u>-</u>	<u>1,619,015</u>
Capital assets, net, business-type activities	\$ <u>1,756,676</u>	\$ <u>(74,461)</u>	\$ <u>-</u>	\$ <u>1,682,215</u>

Changes in governmental activities capital assets consisted of the following:

	Balance July 1, <u>2023</u>	<u>Increase</u>	<u>Decrease</u>	Balance June 30, <u>2024</u>
Capital assets, not depreciated:				
Land	\$ 308,361	\$ -	\$ -	\$ 308,361
Construction in process	<u>55,320</u>	<u>-</u>	<u>55,320</u>	<u>-</u>
	<u>363,681</u>	<u>-</u>	<u>55,320</u>	<u>308,361</u>
Capital assets, depreciated:				
Buildings & improvements	1,310,957	-	-	1,310,957
Equipment, machinery and vehicles	2,022,000	-	-	2,022,000
Infrastructure	<u>12,154,081</u>	<u>1,181,804</u>	<u>-</u>	<u>13,335,885</u>
	<u>15,487,038</u>	<u>1,181,804</u>	<u>-</u>	<u>16,668,842</u>
Less accumulated depreciation for:				
Buildings & improvements	489,574	21,534	-	511,108
Equipment, machinery and vehicles	1,164,352	102,249	-	1,266,601
Infrastructure	<u>2,862,706</u>	<u>269,513</u>	<u>-</u>	<u>3,132,219</u>
	<u>4,516,632</u>	<u>393,296</u>	<u>-</u>	<u>4,909,928</u>
Total capital assets depreciated, net	<u>10,970,406</u>	<u>788,508</u>	<u>-</u>	<u>11,758,914</u>
Capital assets, net, governmental activities	\$ <u>11,334,087</u>	\$ <u>788,508</u>	\$ <u>55,320</u>	\$ <u>12,067,275</u>

Depreciation expense in the governmental activities totaling \$393,296 was allocated to the following functions: general government \$340, public safety \$42,926, highways and streets \$331,537, library \$14,303 and recreation \$4,190.

TOWN OF ROCHESTER, VERMONT
Notes to Financial Statements
June 30, 2024

6. Short-term debt

The Town utilizes promissory notes to coordinate its cash flow needs. The schedule below details the changes in short-term borrowings during the year ended June 30, 2024. The amounts issued for governmental activities are accounted for in the General Fund.

	Balance July 1, <u>2023</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2024</u>
Governmental activities:				
Notes payable 4.5%, issued June 12, 2023	\$ -	\$ 1,100,000	\$ 1,100,000	\$ -
Notes payable 6.5%, issued June 10, 2024	<u>-</u>	<u>533,262</u>	<u>-</u>	<u>533,262</u>
	<u>\$ -</u>	<u>\$ 1,633,262</u>	<u>\$ 1,100,000</u>	<u>\$ 533,262</u>

The 6.5% note payable line of credit issued June 10, 2024, has a credit limit of \$884,435. As of June 30, 2024, the Town of Rochester, Vermont had borrowed \$533,262 against this note, with \$351,173 remaining as unused but available.

7. Long-term liabilities

Long-term liabilities consisted of the following as of June 30, 2024:

Governmental activities:

General obligation bond payable, Vermont Municipal Bond Bank issued for water and waste-water system improvements, annual principal payments and semiannual interest payments, variable interest rates from 2.0% to 5.0%, through November 2034	\$ 355,968
General obligation bond payable, Vermont Municipal Bond Bank, issued for capital improvements to municipal library, annual principal payments of \$8,750, and semiannual interest payments, variable interest rates from 0.75% to 3.99%, through November 2034	96,250
Sewer system bond payable, sewer system improvements, Semiannual principal and interest payments of \$2,041, interest rate of 2.75%, through September 2042	58,826
General obligation bond, sewer system improvements, annual principal and administration fee of \$15,598, no interest, through September 2038	200,426
Note payable, fire station, monthly principal and interest payments of \$1,473, interest rate of 2.60% through April 2033	140,590
Note payable, highway truck, annual principal and interest payments of \$21,769 interest rate of 2.75%, through November 2026	60,794
Note payable, fire truck, annual principal and interest payments of \$14,042 interest rate of 2.75%, through February 2027	38,953
Net pension liability - VMERS	<u>184,334</u>
	<u>\$ 1,136,141</u>

TOWN OF ROCHESTER, VERMONT
Notes to Financial Statements
June 30, 2024

7. Long-term liabilities (continued)

Changes in long-term liabilities for the year ended June 30, 2024, were as follows:

	Balance July 1, <u>2023</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>2024</u>	Due Within <u>One Year</u>
Governmental activities:					
General obligation bonds	\$ 761,453	\$ -	\$ 49,983	\$ 711,470	\$ 51,260
Notes from direct borrowing	339,790	-	99,453	240,337	47,219
Net pension liability - VMERS	<u>176,754</u>	<u>7,580</u>	<u>-</u>	<u>184,334</u>	<u>-</u>
	<u>\$ 1,277,997</u>	<u>\$ 7,580</u>	<u>\$ 149,436</u>	<u>\$ 1,136,141</u>	<u>\$ 98,479</u>

Certain outstanding notes from direct borrowings related to governmental activities contain a provision that in the event of default, outstanding amounts become immediately due. Certain notes payable are collateralized with Town equipment. As of June 30, 2024, the net book value of the collateralized equipment is \$190,007.

Annual maturities of the bonds and notes payable as of June 30, 2024, were as follows:

Governmental Activities:	<u>General Obligation Bonds</u>		<u>Notes from Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30,				
2025	\$ 51,260	\$ 17,447	\$ 47,219	\$ 6,273
2026	52,599	16,035	48,510	4,982
2027	53,982	14,575	47,824	3,660
2028	55,411	13,063	15,377	2,303
2029	56,887	11,500	15,782	1,898
2030-2034	308,367	32,191	65,625	3,334
2035-2039	119,476	3,733	-	-
2040-2043	<u>13,488</u>	<u>799</u>	<u>-</u>	<u>-</u>
	<u>\$ 711,470</u>	<u>\$ 109,343</u>	<u>\$ 240,337</u>	<u>\$ 22,450</u>

TOWN OF ROCHESTER, VERMONT
Notes to Financial Statements
June 30, 2024

8. Pension plan – Vermont Municipal Employees’ Retirement System

Plan description – The Vermont Municipal Employees’ Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the Vermont State Treasurer and its Board of Trustees. The plan was established effective July 1, 1975. The State statutory provisions, found in Title 24, V.S.A. Chapter 125, govern eligibility for benefits, service requirements, contribution requirements and benefit provisions. 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. All assets are held in a single trust and are available to pay retirement benefits to all members. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont’s Annual Comprehensive Financial Report (ACFR). The ACFR can be viewed on the State of Vermont’s Department of Finance and Management’s website.

Benefits – Full-time employees of participating municipalities are covered under VMERS. Municipalities elect coverage under Groups A, B, C or D provisions. VMERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on average final compensation, years of creditable service, age upon retirement, and on the benefit structure of the Group. Vesting occurs upon the attainment of five years of creditable service.

Contributions – Municipal employees participating in the plan were required to contribute 3.750%, 6.125%, 11.250%, and 12.600% of gross wages for Groups A, B, C and D, respectively, for the year ended June 30, 2024. Municipal employers were required to contribute 5.250%, 6.750%, 8.500%, and 11.100% of gross wages for Groups A, B, C and D, respectively, for the year ended June 30, 2024.

Employees of the Town are covered under Group B. Town employees contributed \$17,586 to VMERS for the year ended June 30, 2024. The Town contributed \$19,381 to VMERS for the year ended June 30, 2024.

The State of Vermont has provided the following information to all employers participating in VMERS; net pension liability, each Town’s proportionate share of the net pension liability, expected rate of return on investments and discount rates. The information specific to the Town is based on its proportionate share of VMERS relative to all participating employers. Actuarial reports and schedules of employer allocations can be obtained by visiting the office of the Vermont State Treasurer at the following internet address: www.vermonttreasurer.gov.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – As of June 30, 2024, the Town reported a liability of \$184,334 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by rolling forward the total pension liability as of June 30, 2022 to June 30, 2023. The Town’s proportion of the net pension liability was based on the Town’s proportionate share of employer contributions to the total contributions to VMERS for the fiscal year ended June 30, 2023. As of the June 30, 2023, measurement date, the Town’s proportion was 0.05755%, which was a decrease of 0.00071% from its proportion measured as of June 30, 2022.

TOWN OF ROCHESTER, VERMONT
Notes to Financial Statements
June 30, 2024

8. Pension plan – Vermont Municipal Employees’ Retirement System (continued)

For the year ended June 30, 2024, the Town recognized pension expense of \$38,591, related to VMERS. As of June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to VMERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 11,560	\$ -
Changes in assumptions	6,008	-
Difference between projected and actual earnings on pension plan investments	20,972	-
Changes in proportional share of contributions	2,123	1,563
Town contributions subsequent to the measurement date	19,381	-
	<u>\$ 60,044</u>	<u>\$ 1,563</u>

\$19,381 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 ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized in pension expense over a period of 5 years.

Actuarial assumptions – The net pension liability, measured as of June 30, 2023, was based on a June 30, 2022, actuarial valuation using the following actuarial assumptions: investment rate of return 7.00%, salary increases: 4.07% to 6.21%, inflation 2.30%, cost of living adjustments 1.10% to 3.00%. The mortality tables used and additional actuarial assumptions are presented in the actuarial valuation which is available on the State of Vermont Treasurer’s website.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates 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 the June 30, 2023, measurement date, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global equities	44.00%	5.35%
Private equity	10.00%	7.50%
Emerging markets debt	2.00%	5.00%
Private and alternative credit	10.00%	5.50%
Non-core real estate	4.00%	5.50%
Core fixed income	19.00%	1.50%
Core real estate	4.00%	3.25%
U.S. TIPS	2.00%	1.50%
Infrastructure/farmland	5.00%	4.25%
	100.00%	

TOWN OF ROCHESTER, VERMONT
Notes to Financial Statements
June 30, 2024

8. Pension plan – Vermont Municipal Employees’ Retirement System (continued)

Discount rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions would continue to be made in accordance with the current funding policy at the rates set by the Board of Trustees.

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

	1 % Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1 % Increase <u>(8.00%)</u>
Town's proportionate share of the net pension liability	\$ <u>277,444</u>	\$ <u>184,334</u>	\$ <u>107,792</u>

9. Interfund balances

Interfund receivables and payables as of June 30, 2024, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental activities		
General Fund	\$ 363,201	\$ -
Grants Fund	-	343,693
Library Fund	-	6,861
	<u>363,201</u>	<u>350,554</u>
Business-type Activities		
Utility Fund	-	11,647
	<u>\$ 363,201</u>	<u>\$ 362,201</u>

The interfund payable from the Grants Fund, Library Fund and Utility Fund to the General Fund, represent amounts paid by the General Fund that have not yet been reimbursed by the respective fund.

10. Interfund transfers

Interfund transfers for the year ended June 30, 2024, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 84,302
Reserve Fund	42,551	-
Grants Fund	-	3,184
Library Fund	49,935	-
Cemetery Fund	-	5,000
	<u>\$ 92,486</u>	<u>\$ 92,486</u>

The transfers out of the General Fund to the Library Fund and Reserve Fund were for the annual budgeted appropriations to those respective funds. The transfer from the Cemetery Fund to the General Fund was a budgeted allocation to pay for cemetery maintenance costs recorded as expenditures in the General Fund.

TOWN OF ROCHESTER, VERMONT
Notes to Financial Statements
June 30, 2024

11. Governmental fund equity

As of June 30, 2024, governmental fund balances consisted of the following:

	General Fund	Reserve Fund	Grants Fund	Cemetery Fund	Library Fund	Nonmajor Governmental Fund	Total Governmental Funds
Nonspendable:							
Prepaid expenditures	\$ 155	\$ -	\$ -	\$ -	\$ 255	\$ -	\$ 410
Restricted for:							
Reappraisal	-	113,207	-	-	-	-	113,207
Revolving loan	-	8,355	-	-	-	-	8,355
Library	-	-	-	-	186,364	-	186,364
Fire department	-	-	-	-	-	50,774	50,774
Cemetery maintenance	-	-	-	288,732	-	-	288,732
	<u>-</u>	<u>121,562</u>	<u>-</u>	<u>288,732</u>	<u>186,364</u>	<u>50,774</u>	<u>647,432</u>
Committed to:							
Cemetery	-	12,839	-	-	-	-	12,839
Cemetery lot sale	-	16,453	-	-	-	-	16,453
Emergency management	-	1,557	-	-	-	-	1,557
Fire building	-	2,304	-	-	-	-	2,304
Fire equipment	-	5,831	-	-	-	-	5,831
Grans project	-	12,130	-	-	-	-	12,130
Highway equipment	-	13,542	-	-	-	-	13,542
Planning & zoning	-	3,155	-	-	-	-	3,155
Rapid response	-	2,981	-	-	-	-	2,981
Town Office Building	-	14,328	-	-	-	-	14,328
Tennis	-	6,151	-	-	-	-	6,151
Youth sports	-	6,654	-	-	-	-	6,654
Record preservation	-	16,479	-	-	-	-	16,479
Skatespace	-	51,647	-	-	-	-	51,647
TriTown baseball	-	6,314	-	-	-	-	6,314
	<u>-</u>	<u>172,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,365</u>
Assigned to:							
Library	-	-	-	-	210,971	-	210,971
Unassigned	<u>(33,622)</u>	<u>-</u>	<u>(297,206)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(330,828)</u>
Total fund balances	\$ <u>(33,467)</u>	\$ <u>293,927</u>	\$ <u>(297,206)</u>	\$ <u>288,732</u>	\$ <u>397,590</u>	\$ <u>50,774</u>	\$ <u>700,350</u>

TOWN OF ROCHESTER, VERMONT
Notes to Financial Statements
June 30, 2024

12. Governmental activities restricted net position

As of June 30, 2024, governmental activities restricted net position consisted of the following:

	<u>Restricted Net Position</u>
Reappraisal	\$ 113,207
Revolving loan	8,355
Library	186,364
Fire department	50,774
Cemetery maintenance	<u>288,732</u>
	<u>\$ 647,432</u>

13. Subsequent events

On August 8, 2024, the Town of Rochester, Vermont issued, through the Vermont Municipal Bond Bank, a \$359,243 general obligation bond to fund capital projects at an interest rate of 4.282%. The maturity date of the bond is November 11, 2053.

TOWN OF ROCHESTER, VERMONT
Schedule of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 1,037,162	\$ 1,037,162	\$ 1,064,478	\$ 27,316
Property taxes - interest	15,000	15,000	27,820	12,820
Intergovernmental	238,469	238,469	233,191	(5,278)
Licenses, permits & fines	10,681	10,681	16,551	5,870
Charges for services	16,775	16,775	17,348	573
Contributions	500	500	2,015	1,515
Investment income	1,500	1,500	6,096	4,596
Miscellaneous	11,800	11,800	14,144	2,344
Total revenues	<u>1,331,887</u>	<u>1,331,887</u>	<u>1,381,643</u>	<u>49,756</u>
Expenditures				
Finance	94,076	94,076	85,917	8,159
Capital purchase	54,845	54,845	112,166	(57,321)
Salaries	88,108	88,108	89,799	(1,691)
General office	60,084	60,084	51,393	8,691
Buildings and grounds	35,895	35,895	36,944	(1,049)
Solid waste	14,590	14,590	14,590	-
General employee	39,820	39,820	48,008	(8,188)
Dues and fees	13,284	13,284	10,556	2,728
General Town	39,978	39,978	35,267	4,711
Emergency services	85,876	85,876	92,752	(6,876)
Park	6,402	6,402	6,165	237
Recreation	13,002	13,002	12,540	462
Highway	679,078	679,078	649,532	29,546
Constable	30,500	30,500	29,988	512
Fire department	55,580	55,580	56,853	(1,273)
Listers	4,540	4,540	6,010	(1,470)
Planning and zoning	1,046	1,046	465	581
Appropriations	22,840	22,840	22,840	-
Fast trash & recycling	21,420	21,420	21,335	85
Grant expenditures	-	-	490	(490)
Total expenditures	<u>1,360,964</u>	<u>1,360,964</u>	<u>1,383,610</u>	<u>(22,646)</u>
Excess of revenues or (expenditures)	<u>(29,077)</u>	<u>(29,077)</u>	<u>(1,967)</u>	<u>27,110</u>
Other financing sources (uses)				
Transfers in (out)	<u>(65,935)</u>	<u>(65,935)</u>	<u>(84,302)</u>	<u>(18,367)</u>
Net change in fund balances	<u>\$ (95,012)</u>	<u>\$ (95,012)</u>	<u>\$ (86,269)</u>	<u>\$ 8,743</u>

TOWN OF ROCHESTER, VERMONT
Schedule of Proportionate Share of the Net Pension Liability
June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
VMERS										
Town's proportion of the net pension liability	0.05755%	0.05826%	0.05657%	0.05619%	0.05771%	0.05440%	0.05897%	0.04854%	0.05260%	0.05120%
Town's proportionate share of the net pension liability	\$ 184,334	\$ 176,754	\$ 83,269	\$ 142,145	\$ 100,125	\$ 76,584	\$ 71,442	\$ 62,466	\$ 40,536	\$ 4,674
Town's covered payroll	\$ 252,373	\$ 233,232	\$ 209,644	\$ 202,532	\$ 197,128	\$ 173,373	\$ 175,087	\$ 134,124	\$ 136,738	\$ 128,899
Town's proportionate share of the net pension liability as a percentage of its covered payroll	73.04%	75.78%	39.72%	70.18%	50.79%	44.17%	40.80%	46.57%	29.65%	3.63%
Plan fiduciary net position as a percentage of the total pension liability	74.01%	73.60%	86.29%	74.52%	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

Notes to schedule:

Data presented as of the measurement date. Historical information prior to implementation of GASB 68 is not required.

The plan provisions used in the measurement of the net pension liability are the same as those used in the actuarial valuation as of June 30, 2022, but are updated to reflect rate changes in the following assumptions and rates: salary increases, mortality, active retirement, termination and disability. The details of the actual assumptions can be located on the State of Vermont Treasurer's website.

TOWN OF ROCHESTER, VERMONT
Schedule of Pension Contributions
For the year ended June 30,

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
VMERS										
Contractually required contributions	\$ 19,381	\$ 16,404	\$ 14,577	\$ 12,578	\$ 11,645	\$ 11,088	\$ 9,536	\$ 9,630	\$ 7,377	\$ 7,350
Contributions in relation to the contractually required contribution	<u>(19,381)</u>	<u>(16,404)</u>	<u>(14,577)</u>	<u>(12,578)</u>	<u>(11,645)</u>	<u>(11,088)</u>	<u>(9,536)</u>	<u>(9,630)</u>	<u>(7,377)</u>	<u>(7,350)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Town's covered payroll	\$ <u>287,122</u>	\$ <u>252,373</u>	\$ <u>233,232</u>	\$ <u>209,644</u>	\$ <u>202,532</u>	\$ <u>197,128</u>	\$ <u>173,373</u>	\$ <u>175,087</u>	\$ <u>134,124</u>	\$ <u>136,738</u>
Contributions as a percentage of covered payroll	6.750%	6.500%	6.250%	6.000%	5.750%	5.625%	5.500%	5.500%	5.500%	5.375%

Notes to schedule:

Historical information prior to implementation of GASB 68 is not required.

TOWN OF ROCHESTER, VERMONT
Balance Sheet - Nonmajor Governmental Fund
June 30, 2024

	Fire Department Fund
Assets	
Cash and cash equivalents	\$ <u>50,774</u>
Liabilities and fund balances	
Liabilities:	\$ <u> -</u>
Fund balances:	
Restricted	<u>50,774</u>
 Total liabilities and fund balances	 \$ <u><u>50,774</u></u>

See Independent Auditor's Report.

TOWN OF ROCHESTER, VERMONT
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Governmental Fund
For the Year Ended June 30, 2024

		Fire Department Fund
Revenues		
Investment income	\$	56
Contributions		52,757
Miscellaneous		1,368
Total revenues		54,181
Expenditures		
Current:		
Public safety		27,072
Net change in fund balances		27,109
Fund balances, beginning of year		23,665
Fund balances, end of year	\$	50,774

See Independent Auditor's Report.

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

The Select Board
Town of Rochester, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Rochester, Vermont, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Rochester, Vermont's basic financial statements and have issued our report thereon dated December 13, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

The Select Board
Town of Rochester, Vermont

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 report is not suitable for any other purpose.

Pace & Hawley, LLC

Berlin, Vermont
December 13, 2024