

TOWN OF FAIRLEE, VERMONT
FINANCIAL STATEMENTS
DECEMBER 31, 2024
AND
INDEPENDENT AUDITOR'S REPORTS

TOWN OF FAIRLEE, VERMONT

DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

The Selectboard
Town of Fairlee, Vermont

Report on the Audit of the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fairlee, Vermont (the Town) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Town's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Fairlee, Vermont as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 Fairlee, 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.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances.

Management is also responsible 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'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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material 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'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's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Federal Awards and schedules 1 and 2 are fairly stated, in all material respects, in relation to the 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 May 9, 2025, on our consideration of the Town's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on 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 the effectiveness of the Town'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's internal control over financial reporting and compliance.

Montpelier, Vermont
May 9, 2025

Margaret Bennett ⁴
Charlotta-Nina, P.L.

**TOWN OF FAIRLEE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024**

The following is a discussion and analysis of the Town of Fairlee's (the Town) financial performance including an overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2024. Readers should consider this information in conjunction with the financial statements which are located after this analysis.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Town's financial statements consist of five sections: 1) Independent Auditor's Report, 2) Management's Discussion and Analysis, 3) Financial Statements, 4) Supplementary Schedules and 5) Compliance Reports.

- **Independent Auditor's Report** - This is a description by the auditors of the scope of their work and their official opinion of the financial statements of the Town for the 2024 fiscal year.
- **Management's Discussion and Analysis** - An introduction to the financial statements that is intended to be an easily read analysis of the Town's financial activities based on currently known facts, decisions, or conditions.
- **Financial Statements** - This section of the report includes government-wide financial statements, fund financial statements, and notes to the financial statements.
- **Supplementary Schedules** - This section of the report includes the schedule of expenditures of federal awards and schedules 1 and 2, which are not required by accounting principles generally accepted in the United States of America (U.S. GAAP) but are presented as supplementary information. These schedules contain the combining information for individual nonmajor governmental funds.
- **Compliance Reports** - This section includes the auditor's report on the Town's internal controls over financial reporting and on compliance and other matters. Internal controls deal with the Town's processes and procedures that ensure our financial statements are accurate and that Town assets are being safeguarded in a reasonable fashion.

Government-wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of all Town finances. The statements provide information about the Town's financial position, which helps readers determine whether the Town's financial position has improved or deteriorated during the fiscal year. These statements include all non-fiduciary financial activity on the modified cash basis of accounting.

- **Statement of Net Position** - This statement presents information on all of the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may indicate whether the financial position of the Town is improving or deteriorating.
- **Statement of Activities** - This statement presents information showing how the Town's net position changed during the most recent fiscal year.

The government-wide financial statements have separate columns for governmental activities and business-type activities. The Town's activities are classified as follows:

- **Governmental Activities** - Activities reported here include general government, highway, public safety, and culture and recreation. Property taxes and federal, state, and local revenues finance these activities.

- **Business-type Activities** - Activities reported here include the water system.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the Town's funds are categorized as governmental, proprietary, or fiduciary. These statements are presented on the modified cash basis of accounting.

- **Governmental Funds** - The basic services provided by the Town are reported in the governmental funds. These statements provide a detailed view of the functions reported as governmental activities in the government-wide financial statements.

The Town reports 17 individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund and Capital Fund, which are considered major funds. Data from the other 15 governmental funds are aggregated into a single column on the fund statements. Individual fund data for these nonmajor governmental funds is provided in the supplementary schedules section.

- **Proprietary Funds** - Proprietary funds report activities that operate more like those of private-sector business. Proprietary funds are reported as business-type activities on the government-wide financial statements. The Town uses proprietary funds to account for its Water System.

Reconciliation of Government-wide Financial Statements to Governmental Fund Financial Statements

Since the financial statements are prepared on the modified cash basis of accounting, there are no differences between amounts reported on the government-wide financial statements and the fund financial statements.

Government-wide Financial Analysis

The Statement of Net Position shows total assets, which are all current assets, of the Town as of December 31, 2024, to be \$2,816,573. Of this total, \$2,287,894 represents assets of the governmental activities, and \$528,679 represents assets of the business-type activities.

As of December 31, 2024, the Town did not report any deferred outflows of resources.

Total liabilities, comprised of taxes due to(from) the State and School Districts, and liabilities related to cash transactions, as of December 31, 2024, were \$835,774. Of this total \$835,292 represents liabilities of the governmental activities, and \$482 represents liabilities of the business activities.

The governmental activities also reported \$22,941 in deferred inflows of resources, related to property tax payments and state highway aid received by the Town in 2024 that relate to future years as of December 31, 2024.

The Statement of Net Position reported a total net position of \$1,957,858 as of December 31, 2024, comprised of \$1,429,661 in governmental activities, and \$528,197 in business-type activities.

The Statement of Activities reports total operating expenses for 2024 of \$2,887,715. Certain revenues (labeled Program Revenues) offset expenses as they relate to specific programs, such as State and Federal grants or fees charged for specific services. General revenues, mainly property taxes, totaled \$1,641,916.

Revenues exceeded expenses, increasing net position by \$118,330 for governmental activities, and \$2,588 for business-type activities.

Financial Analysis of the Town's Funds

Governmental Funds:

At December 31, 2024, the Town's General Fund reported an ending fund balance of \$586,643, a decrease of \$39,190 from the prior year ending fund balance of \$625,833.

At December 31, 2024, the Town's Capital Fund reported an ending fund balance of \$600,504, an increase of \$139,105 over the prior year ending fund balance of \$461,399.

At December 31, 2024, the Other Governmental Funds reported a combined ending fund balance of \$242,514, an increase of \$18,415 over the prior year combined ending fund balance of \$224,099. Individual fund data for these nonmajor governmental funds is provided in the supplementary schedules section.

The Statement of Revenue and Expenditures - Budget and Actual - General Fund - Modified Cash Basis shows the Town's revenue collected was \$1,884,367 and reported expenditures paid of \$1,587,652 for a net increase in fund balance of \$296,715. Other financing sources (uses) decreased the General Fund's fund balance by \$335,905 for a total net decrease in the General Fund fund balance of \$39,190. Management has reviewed the variances reported between budgeted and actual amounts as detailed on this statement.

Proprietary Fund:

At December 31, 2024, the Water System Fund reported an ending net position of \$528,197, an increase of \$2,588 over the prior year ending fund balance of \$525,609.

Capital Assets and Debt Administration

As of December 31, 2024, the Town had ownership of capital assets including land, buildings, machinery, and equipment. The historical cost of these assets has been excluded from the Town's financial statements and notes as the Town's modified cash basis of accounting, described in Note 1, has not been modified to include the historical cost of these assets nor the related depreciation expense on these assets.

As of December 31, 2024, the Town had an obligation to repay debt of \$3,478,973, consisting of borrowings for dam improvements, Town Hall renovations, Lake Morey treatment, and water system improvements. These obligations have been excluded from the Town's financial statements and disclosed for informational purposes only in the Town's notes to the financial statements since the Town's modified cash basis of accounting, described in Note 1, has not been modified to include long-term debt balances.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all of its citizens, taxpayers, customers, and creditors. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the Town of Fairlee, P.O. Box 95, Fairlee, Vermont 05045.

TOWN OF FAIRLEE, VERMONT
GOVERNMENT-WIDE STATEMENT OF NET POSITION
MODIFIED CASH BASIS
DECEMBER 31, 2024

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
ASSETS:			
Current assets -			
Cash and cash equivalents	\$ 2,783,560	\$ -	\$ 2,783,560
Investments	33,013	-	33,013
Due (to) from other activities	<u>(528,679)</u>	<u>528,679</u>	<u>-</u>
Total current assets	<u>2,287,894</u>	<u>528,679</u>	<u>2,816,573</u>
Total assets	<u>2,287,894</u>	<u>528,679</u>	<u>2,816,573</u>
LIABILITIES:			
Current liabilities -			
Due to State of Vermont	(3,942)	-	(3,942)
Due to School Districts	711,019	-	711,019
Held for others	367	-	367
Utility credits	-	482	482
Due to fiduciary funds	<u>127,848</u>	<u>-</u>	<u>127,848</u>
Total current liabilities	<u>835,292</u>	<u>482</u>	<u>835,774</u>
Total liabilities	<u>835,292</u>	<u>482</u>	<u>835,774</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - 2025 highway aid	22,862	-	22,862
Unavailable revenue - 2025 property taxes	<u>79</u>	<u>-</u>	<u>79</u>
Total deferred inflows of resources	<u>22,941</u>	<u>-</u>	<u>22,941</u>
NET POSITION:			
Restricted	258,514	-	258,514
Unrestricted	<u>1,171,147</u>	<u>528,197</u>	<u>1,699,344</u>
Total net position	\$ <u>1,429,661</u>	\$ <u>528,197</u>	\$ <u>1,957,858</u>

The notes to financial statements are an integral part of this statement.

TOWN OF FAIRLEE, VERMONT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

FUNCTIONS/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	<u>Expenses</u>	<u>Grants and Contributions</u>	<u>Charges for Services</u>	<u>Other</u>	Governmental	Business-type	Totals
					<u>Activities</u>	<u>Activities</u>	
Governmental activities -							
General government	\$ 1,862,374	\$ 1,006,054	\$ 32,638	\$ 2,120	\$ (821,562)	\$ -	\$ (821,562)
Highway department	292,827	86,648	130	295	(205,754)	-	(205,754)
Public safety	283,390	-	25,080	195	(258,115)	-	(258,115)
Culture and recreation	162,160	9,260	11,412	-	(141,488)	-	(141,488)
Debt service	<u>75,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(75,777)</u>	<u>-</u>	<u>(75,777)</u>
Total governmental activities	<u>2,676,528</u>	<u>1,101,962</u>	<u>69,260</u>	<u>2,610</u>	<u>(1,502,696)</u>	<u>-</u>	<u>(1,502,696)</u>
Business-type activities -							
Water system	143,473	-	192,885	-	-	49,412	49,412
Debt service	<u>67,714</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(67,714)</u>	<u>(67,714)</u>
Total business-type activities	<u>211,187</u>	<u>-</u>	<u>192,885</u>	<u>-</u>	<u>-</u>	<u>(18,302)</u>	<u>(18,302)</u>
	<u>\$ 2,887,715</u>	<u>\$ 1,101,962</u>	<u>\$ 262,145</u>	<u>\$ 2,610</u>	<u>(1,502,696)</u>	<u>(18,302)</u>	<u>(1,520,998)</u>
GENERAL REVENUES - PROPERTY TAXES					1,578,022	-	1,578,022
- INVESTMENT INCOME (LOSS)					49,797	14,097	63,894
TRANSFERS IN (OUT)					<u>(6,793)</u>	<u>6,793</u>	<u>-</u>
					<u>1,621,026</u>	<u>20,890</u>	<u>1,641,916</u>
CHANGE IN NET POSITION					118,330	2,588	120,918
NET POSITION, January 1, 2024					<u>1,311,331</u>	<u>525,609</u>	<u>1,836,940</u>
NET POSITION, December 31, 2024					<u>\$ 1,429,661</u>	<u>\$ 528,197</u>	<u>\$ 1,957,858</u>

The notes to financial statements are an integral part of this statement.

TOWN OF FAIRLEE, VERMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
DECEMBER 31, 2024

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,783,560	\$ -	\$ -	\$ 2,783,560
Investments	-	-	33,013	33,013
Due from other funds	<u>-</u>	<u>600,504</u>	<u>209,501</u>	<u>810,005</u>
Total assets	\$ <u>2,783,560</u>	\$ <u>600,504</u>	\$ <u>242,514</u>	\$ <u>3,626,578</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY				
LIABILITIES:				
Due to (from) State of Vermont	\$ (3,942)	\$ -	\$ -	\$ (3,942)
Due to School Districts	711,019	-	-	711,019
Held for others	367	-	-	367
Due to other funds	<u>1,466,532</u>	<u>-</u>	<u>-</u>	<u>1,466,532</u>
Total liabilities	<u>2,173,976</u>	<u>-</u>	<u>-</u>	<u>2,173,976</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue -				
2025 highway aid	22,862	-	-	22,862
2025 property taxes	79	-	-	79
Total deferred inflows of resources	<u>22,941</u>	<u>-</u>	<u>-</u>	<u>22,941</u>
FUND EQUITY:				
Fund balances -				
Restricted	16,000	-	242,514	258,514
Committed	-	600,504	-	600,504
Assigned	185,300	-	-	185,300
Unassigned	<u>385,343</u>	<u>-</u>	<u>-</u>	<u>385,343</u>
Total fund balances	<u>586,643</u>	<u>600,504</u>	<u>242,514</u>	<u>1,429,661</u>
Total liabilities, deferred inflows of resources and fund equity	\$ <u>2,783,560</u>	\$ <u>600,504</u>	\$ <u>242,514</u>	\$ <u>3,626,578</u>

There are no reconciling items between the Government-wide Statement of Net Position and the Balance Sheet - Governmental Funds

The notes to financial statements are an integral part of this statement.

TOWN OF FAIRLEE, VERMONT
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	General <u>Fund</u>	Capital <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
REVENUE COLLECTED:				
Property taxes	\$ 1,578,022	\$ -	\$ -	\$ 1,578,022
Intergovernmental	193,863	80,712	6,546	281,121
Donations	500	-	5,275	5,775
Investment income (loss)	28,561	12,692	8,544	49,797
Charges for services	31,503	-	9,802	41,305
Building rentals	31,635	-	-	31,635
Miscellaneous	20,283	-	465	20,748
Total revenue collected	<u>1,884,367</u>	<u>93,404</u>	<u>30,632</u>	<u>2,008,403</u>
EXPENDITURES PAID:				
General government	855,520	1,000,882	5,972	1,862,374
Highway	292,827	-	-	292,827
Public safety	283,390	-	-	283,390
Culture and recreation	155,915	-	6,245	162,160
Debt service	-	75,777	-	75,777
Total expenditures paid	<u>1,587,652</u>	<u>1,076,659</u>	<u>12,217</u>	<u>2,676,528</u>
EXCESS OF REVENUE COLLECTED OR (EXPENDITURES PAID)	296,715	(983,255)	18,415	(668,125)
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	793,248	-	793,248
Operating transfers in (out)	(335,905)	329,112	-	(6,793)
Total other financing sources (uses)	<u>(335,905)</u>	<u>1,122,360</u>	<u>-</u>	<u>786,455</u>
NET CHANGE IN FUND BALANCES	(39,190)	139,105	18,415	118,330
FUND BALANCES January 1, 2024	<u>625,833</u>	<u>461,399</u>	<u>224,099</u>	<u>1,311,331</u>
FUND BALANCES December 31, 2024	\$ <u>586,643</u>	\$ <u>600,504</u>	\$ <u>242,514</u>	\$ <u>1,429,661</u>

There are no reconciling items between the Government-wide Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

The notes to financial statements are an integral part of this statement.

TOWN OF FAIRLEE, VERMONT
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Over <u>(Under)</u>
REVENUE COLLECTED:			
Property taxes and related revenues	\$ 1,552,690	\$ 1,578,022	\$ 25,332
Intergovernmental	264,218	193,863	(70,355)
Charges for services	25,670	31,503	5,833
Investment income (loss)	3,000	28,561	25,561
Building rentals	35,960	31,635	(4,325)
Donations	6,000	500	(5,500)
Miscellaneous	15,780	20,283	4,503
Anticipated use of fund balance	84,416	-	(84,416)
Total revenue collected	<u>1,987,734</u>	<u>1,884,367</u>	<u>(103,367)</u>
EXPENDITURES PAID:			
Administration	402,341	412,220	9,879
Highway	330,527	292,827	(37,700)
Town Hall	85,987	78,483	(7,504)
Emergency building	84,002	81,771	(2,231)
Zoning office	98,278	51,624	(46,654)
Fire Department	80,552	70,504	(10,048)
Listers	61,652	57,628	(4,024)
Milfoil	50,284	47,554	(2,730)
Police	123,409	131,115	7,706
Railroad station	5,480	5,200	(280)
Recreational Council	26,434	20,773	(5,661)
Library	113,771	112,328	(1,443)
Information technology	74,880	73,877	(1,003)
Cemetery	17,286	17,614	328
Trash and recycling	33,213	38,710	5,497
Community Organizations	27,751	26,400	(1,351)
Tri-Town Commission	1,821	1,351	(470)
Other	76,700	67,673	(9,027)
Total expenditures paid	<u>1,694,368</u>	<u>1,587,652</u>	<u>(106,716)</u>
EXCESS OF REVENUE COLLECTED OR (EXPENDITURES PAID)	<u>293,366</u>	<u>296,715</u>	<u>3,349</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in (out)	<u>(293,366)</u>	<u>(335,905)</u>	<u>42,539</u>
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>(39,190)</u>	\$ <u>(39,190)</u>

The notes to financial statements are an integral part of this statement.

TOWN OF FAIRLEE, VERMONT
STATEMENT OF NET POSITION - PROPRIETARY FUND
MODIFIED CASH BASIS
DECEMBER 31, 2024

	<u>Water System Fund</u>
ASSETS:	
Current assets -	
Due from other funds	\$ <u>528,679</u>
 LIABILITIES:	
Current liabilities -	
Utility credits	<u>482</u>
 NET POSITION:	
Unrestricted	\$ <u>528,197</u>

The notes to financial statements are an integral part of this statement.

TOWN OF FAIRLEE, VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGE
IN NET POSITION - PROPRIETARY FUND
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Water System Fund</u>
OPERATING REVENUES:	
Charges for services	\$ <u>192,885</u>
OPERATING EXPENSES:	
Wages	32,997
Payroll taxes	1,903
Dues and subscriptions	305
Insurance	5,217
State of Vermont	703
Repairs and maintenance	64,572
Office supplies	5,253
Utilities	15,967
Miscellaneous	<u>2,652</u>
Total operating expenses	<u>129,569</u>
Operating income (loss)	63,316
NONOPERATING REVENUES (EXPENSES):	
Investment income	14,097
Capital outlay	(13,904)
Debt service	<u>(67,714)</u>
Total nonoperating revenues (expenses)	<u>(67,521)</u>
INCOME (LOSS) BEFORE TRANSFERS	(4,205)
Operating transfers in (out)	<u>6,793</u>
CHANGE IN NET POSITION	2,588
NET POSITION, January 1, 2024	<u>525,609</u>
NET POSITION, December 31, 2024	\$ <u>528,197</u>

The notes to financial statements are an integral part of this statement.

TOWN OF FAIRLEE, VERMONT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Water System Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 191,883
Cash payments for goods and services	<u>(129,569)</u>
Net cash provided (used) by operating activities	<u>62,314</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Debt service	(67,714)
Transfers in (out)	6,793
Purchases for capital outlay	<u>(13,904)</u>
Net cash provided (used) by capital and related financing	<u>(74,825)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Net change in due to other funds	<u>(1,586)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>14,097</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS, January 1, 2024	<u>-</u>
CASH AND CASH EQUIVALENTS, December 31, 2024	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 63,316
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -	
Change in the following assets/liabilities:	
Utility credits	<u>(1,002)</u>
Net cash provided (used) by operating activities	<u>\$ 62,314</u>

The notes to financial statements are an integral part of this statement.

TOWN OF FAIRLEE, VERMONT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
MODIFIED CASH BASIS
DECEMBER 31, 2024

	<u>Scholarship Fund</u>	<u>Miller Bequest Fund</u>
ASSETS:		
Due from Town	\$ <u>93,539</u>	\$ <u>34,309</u>
LIABILITIES		
	<u>-</u>	<u>-</u>
NET POSITION:		
Held in trust for specific purposes	\$ <u>93,539</u>	\$ <u>34,309</u>

The notes to financial statements are an integral part of this statement.

TOWN OF FAIRLEE, VERMONT
STATEMENT OF CHANGES IN NET POSITION -
FIDUCIARY FUNDS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Scholarship Fund</u>	<u>Miller Bequest Fund</u>
ADDITIONS:		
Interest	\$ 2,374	\$ 846
Donations	<u>50</u>	<u>-</u>
	<u>2,424</u>	<u>846</u>
DEDUCTIONS:		
Scholarships	<u>14,000</u>	<u>577</u>
CHANGE IN NET POSITION	(11,576)	269
NET POSITION, January 1, 2024	<u>105,115</u>	<u>34,040</u>
NET POSITION, December 31, 2024	\$ <u>93,539</u>	\$ <u>34,309</u>

The notes to financial statements are an integral part of this statement.

TOWN OF FAIRLEE, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. Summary of significant accounting policies:

The Town of Fairlee, Vermont (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town is governed by a Selectboard and provides various services as authorized by the State of Vermont or Town voters. The following is a summary of the more significant accounting policies used by the Town.

- A. Reporting entity - The Town is a primary unit of government under reporting criteria established by the Governmental Accounting Standards Board (GASB). Those criteria include a separately elected governing body, separate legal standing, and fiscal independence from other state and local governmental entities.

The financial statements of the Town have been prepared on a modified cash basis of accounting, as described in note 1.D. below, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing *Governmental Accounting and Financial Reporting Standards* which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.

- B. Government-wide and fund financial statements - The financial statements include both government-wide and fund financial statements. The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. 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.

In the government-wide Statement of Net Position, the financial position of the Town is consolidated. The government-wide Statement of Activities reflects both the gross and net costs by category. Direct expenses that are clearly identifiable with the category are offset by program revenues of the category. Program revenues include charges for services provided by a particular function or program and grants that are restricted to meeting the operational or capital requirements of the particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds, if any, are summarized in a single column.

- C. Basis of presentation - The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund balances or net position, revenues, and expenditures or expenses, as appropriate.

**TOWN OF FAIRLEE, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

1. Summary of significant accounting policies (continued):

C. Basis of presentation (continued) -

The Town reports the following major governmental funds:

General Fund - 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.

Capital Fund - This fund accounts for the acquisition or construction of capital items as well as other long-term projects that are funded with both outside sources and transfers from the General Fund.

The Town reports the following major proprietary funds:

Water System Fund - This fund's operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the waste water system. All revenues and expenses not funding ongoing operations are reported as nonoperating revenues and expenses.

The Town also reports fiduciary funds which are used to account for assets held in a trustee capacity (trust funds) or as a custodian (custodial funds). The Town's fiduciary funds are the Scholarship Fund and the Miller Bequest Fund.

- D. Basis of accounting - The accounts of the Town are maintained, and the accompanying financial statements have been prepared, on the modified cash basis of accounting. Under the cash basis of accounting, revenue and the related assets are recognized when received rather than when earned and expenditures are recognized when paid rather than when the obligation is incurred. Modifications to cash basis accounting include recognition of assets and liabilities arising from cash transactions and property taxes collected that are due to the State of Vermont and local School Districts.

Accordingly, the accompanying financial statements are not intended to present the complete financial position and results of operations in conformity with U.S. GAAP.

- E. Budgets and budgetary accounting - The Town approves a budget for the General Fund at an annual Town Meeting. The tax rate is determined by the Selectboard based on the education and municipal grand lists and the approved operating budget. The accounting method used for budget presentation is the same method used for the financial presentation of operations under U.S. GAAP. Formal budgetary integration is employed as a management control during the year for the General Fund. The Town does not legally adopt budgets for other governmental funds. All budgeted amounts lapse at year end.
- F. Property taxes - Property taxes attach as an enforceable lien on property owned as of April 1st. Listers establish a grand list of all property and the Selectboard sets the tax rate required to raise the tax revenue authorized by Town voters. Property taxes for the year ended December 31, 2024, were payable in full on October 01, 2024.

TOWN OF FAIRLEE, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. Summary of significant accounting policies (continued):

- G. Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows of resources, as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.
- H. 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; injuries to employees and others; environmental liability; and natural disasters. The Town manages these risks through public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.
- I. Cash, cash equivalents and investments - The Town considers all cash on hand to be cash and cash equivalents. Investments and unrealized gains and losses are reflected in the individual fund and government-wide financial statements. Investments of the Town are reported at fair value using quoted prices in active markets for identical assets. This is considered a level 1 input valuation technique under the framework established by U.S. GAAP for measuring fair value. The Town does not own investments valued with level 2 or level 3 inputs, which would use quoted prices for similar assets, or in inactive markets, or other methods for estimating fair value.
- J. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources and deferred inflows of resources are reported as separate sections in the applicable statement of net position or balance sheet. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period.
- K. Fund equity - In the fund financial statements, governmental funds may report five categories of fund balances: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance includes amounts associated with inventory, prepaid expenditures, long-term loans or notes receivable, and trust fund principal to be held in perpetuity.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes determined by the Town's highest level of decision making authority, the voters, as a result of articles passed at Annual or Special Town Meetings.

Assigned fund balance includes amounts that are intended to be used by the Town for specific purposes as authorized by the Selectboard.

Unassigned fund balance is the residual classification for the government's General Fund and includes all spendable amounts not contained in another classification. Governmental fund deficits are also classified as unassigned.

**TOWN OF FAIRLEE, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

1. Summary of significant accounting policies (continued):

K. Fund equity (continued) -

The Town does not have a formal policy for order of expenditures, but does apply expenditures against restricted, committed or assigned funds by specific identification.

2. Deposits and investments:

Custodial credit risk - deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2024, the Town's depository accounts were fully insured or collateralized.

Fair value and classification - Deposits and investments are stated at fair value as described in note 1. I. The classification of investments as of December 31, 2024, is as follows:

Common stock	\$ <u>33,013</u>
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3. Interfund receivable and payable balances:

Interfund receivable and payable balances, due to the pooling of cash for cash receipts and cash disbursements, as of December 31, 2024, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds -		
General Fund	\$ -	\$ 1,466,532
Capital Fund	600,504	-
Other Governmental Funds	<u>209,501</u>	<u>-</u>
	<u>810,005</u>	<u>1,466,532</u>
Proprietary funds -		
Water System Fund	<u>528,679</u>	<u>-</u>
Fiduciary funds	<u>127,848</u>	<u>-</u>
	\$ <u>1,466,532</u>	\$ <u>1,466,532</u>

**TOWN OF FAIRLEE, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

4. Interfund transfers:

Interfund transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Interfund transfers for the year ended December 31, 2024, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds -		
General Fund	\$ -	\$ 335,905
Capital Fund	<u>329,112</u>	<u>-</u>
	<u>329,112</u>	<u>335,905</u>
 Proprietary funds -		
Water System Fund	<u>6,793</u>	<u>-</u>
	<u>\$ 335,905</u>	<u>\$ 335,905</u>

5. Debt:

Long-term - Outstanding long-term debt as of December 31, 2024, is as follows:

The outstanding long-term debt balances at December 31, 2024, are not recorded in the Town's government-wide financial statements due to the Town's modified cash basis of accounting.

Governmental activities -

Notes from direct borrowings:

Note payable, Community Bank, N.A., unsecured for Dam improvements. Annual payments of \$14,450, with interest at 2.75%. Due July 2035.	\$ 158,950
Note payable, Union Bank, unsecured for Town Hall renovations. Monthly payments of \$4,741, with interest at 3%. Due December 2037.	612,349
Note payable, State of Vermont Revolving Loan Fund, RF1-358, anticipated to be fully forgiven at loan closeout.	<u>793,248</u>
	<u>\$ 1,564,547</u>

Business-type activities -

General obligation bonds:

Bond payable, USDA, unsecured for Water System improvements. Semi-annual payments of \$33,857, with interest at 1.5%. Due September 2060.	\$ 1,878,033
--	--------------

Notes from direct borrowings:

Note payable, State of Vermont Revolving Loan Fund, WPL-319, anticipated to be fully forgiven at loan closeout.	13,593
Note payable, State of Vermont Revolving Loan Fund, RF1-306, anticipated to be fully forgiven at loan closeout.	<u>22,800</u>
	<u>\$ 1,914,426</u>

**TOWN OF FAIRLEE, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

5. Debt (continued):

Long-term (continued) -

Long-term debt activity for the year ended December 31, 2024, was as follows:

	Balance January 1, <u>2024</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2024</u>	Due Within <u>One Year</u>
Governmental activities -					
Notes from direct borrowings:					
Dam improvements	\$ 173,400	\$ -	\$ 14,450	\$ 158,950	\$ 14,450
Town Hall renovations	650,030	-	37,681	612,349	39,107
RF1-358 Lake treatment	-	<u>793,248</u>	-	<u>793,248</u>	-
	<u>\$ 823,430</u>	<u>\$ 793,248</u>	<u>\$ 52,131</u>	<u>\$ 1,564,547</u>	<u>\$ 53,557</u>
Business-type activities -					
General obligation bonds:					
USDA	\$ 1,917,136	\$ -	\$ 39,103	\$ 1,878,033	\$ 39,692
Notes from direct borrowings:					
WPL-319	13,593	-	-	13,593	-
RF1-306	<u>22,800</u>	-	-	<u>22,800</u>	-
	<u>\$ 1,953,529</u>	<u>\$ -</u>	<u>\$ 39,103</u>	<u>\$ 1,914,426</u>	<u>\$ 39,692</u>

Debt service requirements to maturity are as follows:

Years ending December 31,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 53,557	\$ 22,207
2026	847,995	20,620
2027	55,972	18,997
2028	57,235	17,345
2029	58,536	15,638
2030-2034	313,631	51,285
2035-2037	<u>177,621</u>	<u>8,042</u>
	<u>\$ 1,564,547</u>	<u>\$ 154,134</u>

**TOWN OF FAIRLEE, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

5. Debt (continued):

Long-term (continued) -

Years ending December 31,	<u>Business-type Activities</u>			
	<u>General Obligation Bonds</u>		<u>Notes from Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 39,692	\$ 28,022	\$ -	\$ -
2026	40,289	27,425	36,393	-
2027	40,896	26,818	-	-
2028	41,512	26,202	-	-
2029	42,137	25,577	-	-
2030-2034	220,393	118,177	-	-
2035-2039	237,492	101,078	-	-
2040-2044	255,917	82,653	-	-
2045-2049	275,772	62,798	-	-
2050-2054	297,167	41,403	-	-
2055-2059	320,221	18,348	-	-
2060	66,545	748	-	-
	<u>\$ 1,878,033</u>	<u>\$ 559,249</u>	<u>\$ 36,393</u>	<u>\$ -</u>

6. Subsequent events:

The Town has evaluated subsequent events through May 9, 2025, the date on which the financial statements were available to be issued.

TOWN OF FAIRLEE, VERMONT
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
DECEMBER 31, 2024

Schedule 1
Page 1 of 2

	<u>Cemetery Commission Fund</u>	<u>Recreation Council Fund</u>	<u>Historical Society Fund</u>	<u>Lange Forest Fund</u>	<u>Timber Trust Fund</u>	<u>Gravel Pit Fund</u>	<u>Fireman's Stock Fund</u>	<u>Reappraisal Reserve Fund</u>
ASSETS								
Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,013	\$ -
Due from other funds	<u>24,932</u>	<u>18,850</u>	<u>12,660</u>	<u>19,158</u>	<u>17,867</u>	<u>23,969</u>	<u>4,742</u>	<u>6,711</u>
Total assets	<u>\$ 24,932</u>	<u>\$ 18,850</u>	<u>\$ 12,660</u>	<u>\$ 19,158</u>	<u>\$ 17,867</u>	<u>\$ 23,969</u>	<u>\$ 37,755</u>	<u>\$ 6,711</u>
LIABILITIES AND FUND EQUITY								
LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND EQUITY:								
Fund balances -								
Restricted	<u>24,932</u>	<u>18,850</u>	<u>12,660</u>	<u>19,158</u>	<u>17,867</u>	<u>23,969</u>	<u>37,755</u>	<u>6,711</u>
Total liabilities and fund equity	<u>\$ 24,932</u>	<u>\$ 18,850</u>	<u>\$ 12,660</u>	<u>\$ 19,158</u>	<u>\$ 17,867</u>	<u>\$ 23,969</u>	<u>\$ 37,755</u>	<u>\$ 6,711</u>

TOWN OF FAIRLEE, VERMONT
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
DECEMBER 31, 2024

Schedule 1
Page 2 of 2

	Restoration Reserve <u>Fund</u>	Listers' Training Reserve <u>Fund</u>	Railroad Station <u>Fund</u>	Memorial Contributions <u>Fund</u>	Help@ FairleeVT <u>Fund</u>	Perkins Library <u>Fund</u>	Rosalie Ordway Trust <u>Fund</u>	<u>Totals</u>
ASSETS								
Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,013
Due from other funds	<u>20,437</u>	<u>1,833</u>	<u>17,353</u>	<u>-</u>	<u>1,478</u>	<u>36,909</u>	<u>2,602</u>	<u>209,501</u>
Total assets	\$ <u>20,437</u>	\$ <u>1,833</u>	\$ <u>17,353</u>	\$ <u>-</u>	\$ <u>1,478</u>	\$ <u>36,909</u>	\$ <u>2,602</u>	\$ <u>242,514</u>
LIABILITIES AND FUND EQUITY								
LIABILITIES								
	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
FUND EQUITY:								
Fund balances -								
Restricted	<u>20,437</u>	<u>1,833</u>	<u>17,353</u>	<u>-</u>	<u>1,478</u>	<u>36,909</u>	<u>2,602</u>	<u>242,514</u>
Total liabilities and fund equity	\$ <u>20,437</u>	\$ <u>1,833</u>	\$ <u>17,353</u>	\$ <u>-</u>	\$ <u>1,478</u>	\$ <u>36,909</u>	\$ <u>2,602</u>	\$ <u>242,514</u>

TOWN OF FAIRLEE, VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

Schedule 2
Page 1 of 2

	<u>Cemetery Commission Fund</u>	<u>Recreation Council Fund</u>	<u>Historical Society Fund</u>	<u>Lange Forest Fund</u>	<u>Timber Trust Fund</u>	<u>Gravel Pit Fund</u>	<u>Fireman's Stock Fund</u>	<u>Reappraisal Reserve Fund</u>
REVENUES COLLECTED:								
Intergovernmental -								
State	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,546
Contributions	-	4	1,621	-	-	-	-	-
Investment income (loss)	606	416	326	471	492	589	4,037	165
Charges for services	500	3,916	401	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues collected	<u>1,106</u>	<u>4,336</u>	<u>2,348</u>	<u>471</u>	<u>492</u>	<u>589</u>	<u>4,037</u>	<u>6,711</u>
EXPENDITURES PAID:								
General government	-	-	-	-	2,398	-	-	-
Culture and recreation	-	<u>1,244</u>	<u>1,914</u>	-	-	-	-	-
Total expenditures paid	<u>-</u>	<u>1,244</u>	<u>1,914</u>	<u>-</u>	<u>2,398</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN								
FUND BALANCES	1,106	3,092	434	471	(1,906)	589	4,037	6,711
FUND BALANCES, January 1, 2024	<u>23,826</u>	<u>15,758</u>	<u>12,226</u>	<u>18,687</u>	<u>19,773</u>	<u>23,380</u>	<u>33,718</u>	<u>-</u>
FUND BALANCES, December 31, 2024	\$ <u>24,932</u>	\$ <u>18,850</u>	\$ <u>12,660</u>	\$ <u>19,158</u>	\$ <u>17,867</u>	\$ <u>23,969</u>	\$ <u>37,755</u>	\$ <u>6,711</u>

TOWN OF FAIRLEE, VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

Schedule 2
Page 2 of 2

	<u>Restoration</u> <u>Reserve</u> <u>Fund</u>	<u>Listers'</u> <u>Training</u> <u>Reserve</u> <u>Fund</u>	<u>Railroad</u> <u>Station</u> <u>Fund</u>	<u>Memorial</u> <u>Contributions</u> <u>Fund</u>	<u>Help@</u> <u>FairleeVT</u> <u>Fund</u>	<u>Perkins</u> <u>Library</u> <u>Fund</u>	<u>Rosalie</u> <u>Ordway</u> <u>Trust</u> <u>Fund</u>	<u>Totals</u>
REVENUES COLLECTED:								
Intergovernmental -								
State	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,546
Contributions	-	-	-	-	-	3,650	-	5,275
Investment income (loss)	-	-	415	-	65	898	64	8,544
Charges for services	4,985	-	-	-	-	-	-	9,802
Miscellaneous	-	-	465	-	-	-	-	465
Total revenues collected	<u>4,985</u>	<u>-</u>	<u>880</u>	<u>-</u>	<u>65</u>	<u>4,548</u>	<u>64</u>	<u>30,632</u>
EXPENDITURES PAID:								
General government	1,538	-	-	-	2,036	-	-	5,972
Culture and recreation	-	-	-	39	-	3,048	-	6,245
Total expenditures paid	<u>1,538</u>	<u>-</u>	<u>-</u>	<u>39</u>	<u>2,036</u>	<u>3,048</u>	<u>-</u>	<u>12,217</u>
NET CHANGE IN								
FUND BALANCES	3,447	-	880	(39)	(1,971)	1,500	64	18,415
FUND BALANCES,								
January 1, 2024	<u>16,990</u>	<u>1,833</u>	<u>16,473</u>	<u>39</u>	<u>3,449</u>	<u>35,409</u>	<u>2,538</u>	<u>224,099</u>
FUND BALANCES,								
December 31, 2024	\$ <u>20,437</u>	\$ <u>1,833</u>	\$ <u>17,353</u>	\$ <u>-</u>	\$ <u>1,478</u>	\$ <u>36,909</u>	\$ <u>2,602</u>	\$ <u>242,514</u>

**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 Selectboard
Town of Fairlee, 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 modified cash basis financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Fairlee, Vermont (the Town) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Town's financial statements, and have issued our report thereon dated May 9, 2025.

Report on Internal Control Over Financial Reporting

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

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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Montpelier, Vermont
May 9, 2025

Melgett Jennett 4
Shosh-Nisa, P.L.

Mudgett
Jennett &
Krogh-Wisner, P.C.
Certified Public Accountants #435

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY UNIFORM GUIDANCE**

The Selectboard
Town of Fairlee, Vermont

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Fairlee, Vermont's (the Town) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended December 31, 2024. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Town of Fairlee, Vermont complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over

compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

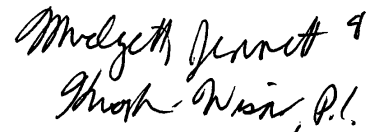
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Town of Fairlee, Vermont as of and for the year ended December 31, 2024, and have issued our report thereon dated May 9, 2025, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Montpelier, Vermont
May 9, 2025



Madzeth Bennett
Char. Acct. P.I.

TOWN OF FAIRLEE, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Transportation:				
Passed through the Vermont				
Agency of Transportation -				
Highway Planning and Construction	20.205	CA0779	\$ -	\$ 26,010
U.S. Department of the Treasury:				
Passed through the Vermont				
Administration Agency -				
Coronavirus State and Local Fiscal Recovery Funds	21.027	CA0710	-	2,805
U.S. Institute of Museum and Library Services:				
Passed through the Vermont				
Department of Libraries				
Grants to States	45.310	01330.2024.COURIER.037.25	-	684
U.S. Environmental Protection Agency:				
Passed through the Vermont State				
Revolving Fund -				
Clean Water State Revolving Fund	66.458	Loan RF1-358	-	810,280
Clean Water State Revolving Fund	66.458	Loan RF1-306	-	2,185
			-	812,465
Drinking Water State Revolving Fund	66.468	WPL-319	-	5,614
Total U.S. Environmental Protection Agency			-	818,079
Total expenditures of federal awards			\$ -	\$ 847,578

TOWN OF FAIRLEE, VERMONT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2024

1. Basis of presentation:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Town under programs of the federal government for the year ended December 31, 2024. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the Town.

2. Summary of significant accounting policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Town has elected not to use the 10 percent de minimis indirect cost rate as allowed in the Uniform Guidance.

**TOWN OF FAIRLEE, VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2024**

A. Summary of Auditor's Results:

Financial Statements -

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None reported*

Noncompliance material to financial statements noted? *No*

Federal Awards -

Internal control over major programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None reported*

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? *No*

Identification of major program:

- *U.S. Department of the Treasury
CFDA 66.458 - Clean Water State Revolving Fund*

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

Auditee qualified as low-risk auditee? *No*

B. Audit Findings - Financial Statements:

There were no audit findings identified for the year ended December 31, 2024.

C. Audit Findings - Federal Awards:

There were no audit findings identified for the year ended December 31, 2024.

**STATUS OF PRIOR AUDIT FINDINGS
AS OF DECEMBER 31, 2024**

There are no prior audit findings applicable to this auditee.