

TOWN OF CHELSEA, VERMONT  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2021

TOWN OF CHELSEA, VERMONT  
 FOR THE YEAR ENDED DECEMBER 31, 2021  
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# Batchelder Associates, PC

## INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen  
Town of Chelsea  
Chelsea, Vermont

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Chelsea, Vermont, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chelsea, Vermont basic financial statements. The combining fund financial statements and budgetary comparison schedule for the General Fund are presented for purpose of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by "Government Auditing Standards"**

In accordance with "Government Auditing Standards," we have also issued our report dated April 21, 2022 on our consideration of the Town of Chelsea, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal 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 Chelsea, Vermont's internal control over financial reporting and compliance.

*Batchelder Associates, PC*

Batchelder Associates, PC  
License #945  
Barre, Vermont  
April 21, 2022

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

Our discussion and analysis of the Town of Chelsea, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended December 31, 2021. This report should be read in conjunction with the Town's financial statements.

**Financial Highlights**

- The Town's net position increased by \$511,198 as a result of this year's operations. Net position of our business-type activities decreased by \$14,410 and net position of our governmental activities increased by \$505,279.
- In the Town's business-type activities, revenues and transfers were \$176,213 while expenses and transfers were \$191,908. Net position at December 31, 2021 totaled \$701,575.
- The cost of all the Town's programs was \$524,145 this year, with no new programs added.
- The General Fund reported a surplus this year of \$244,529.
- The unassigned fund balance for the General Fund was \$452,845 as of December 31, 2021. This amount represents the amount of funds available for future budgets.
- The Highway Fund reported a deficit this year of \$11,667 which resulted in a fund deficit balance of \$24,276 as of December 31, 2021.
- The Other Governmental Funds reported surplus of \$183,053 which increased the cumulative surplus to \$722,989.

**Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits A and B) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on Exhibit C. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside the government.

*Reporting the Town as a Whole*

The government-wide financial statements are on Exhibit A and B. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All the current year's revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. You can think of the Town's net position – the difference between assets, liabilities, and deferred inflows/outflows – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- Governmental activities – Most of the Town's basic services are reported here, including public safety, highway and streets, sanitation, town hall, community services, cemetery, schools, and general administration. Property taxes and state and federal grants finance most of these activities.
- Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's sewer activities are reported here.

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

*Reporting the Town's Most Significant Funds*

The fund financial statements begin on page 11 and provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by state law and by bond covenants. However, the Town Select board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds – governmental and proprietary – use different accounting approaches.

- Governmental funds – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Exhibits D and E that are included in the financial statements.
- Proprietary funds – When the Town charges customers for the services it provides – whether to outside customers or to other units of the Town – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**The Town as a Whole**

The Town's combined net position increased by \$490,869 from 2021, increasing from a balance of \$2,054,034 to \$2,550,822. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,325,967	\$ 972,020	\$ 440,748	\$ 348,060	\$ 1,766,715	\$ 1,320,080
Capital assets, depreciable	1,442,208	1,423,013	787,301	804,203	2,229,509	2,227,216
<b>Total Assets</b>	<b>2,768,175</b>	<b>2,395,033</b>	<b>1,228,049</b>	<b>1,152,263</b>	<b>3,996,224</b>	<b>3,547,296</b>
Deferred outflows of resources	-	-	-	-	-	-
Long-term liabilities outstanding	889,022	984,496	405,135	430,100	1,294,157	1,414,596
Other liabilities	28,751	39,279	3,140	6,178	31,891	45,457
<b>Total Liabilities</b>	<b>917,773</b>	<b>1,023,775</b>	<b>408,275</b>	<b>436,278</b>	<b>1,326,048</b>	<b>1,460,053</b>
Deferred inflows of resources	1,155	1,090	-	-	1,155	1,090
<b>Net Position</b>						
Invested in capital assets	553,186	406,398	382,166	374,104	935,352	780,502
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	722,989	539,939	-	-	722,989	539,939
Assigned	(29,570)	(12,609)	-	-	(29,570)	(12,609)
Unassigned	602,642	404,321	319,409	341,881	922,051	746,202
<b>Total Net Position</b>	<b>\$ 1,849,247</b>	<b>\$ 1,338,049</b>	<b>\$ 701,575</b>	<b>\$ 715,985</b>	<b>\$ 2,550,822</b>	<b>\$ 2,054,034</b>

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

Table 2  
Change in Net Position

	Governmental Activities		Business-Type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
<b>REVENUES:</b>						
Program revenues						
Charges for services	\$ 101,764	\$ 100,270	\$ 176,213	\$ 176,791	\$ 277,977	\$ 277,061
Intergovernmental	515,757	273,092	-	15,000	515,757	288,092
Capital grants and contributions	-	284,351	-	-	-	284,351
General revenues						
Property taxes	974,794	989,037	-	-	974,794	989,037
Property taxes - interest and penalties	30,580	4,050	-	-	30,580	4,050
Licenses and permits	2,670	3,540	-	-	2,670	3,540
Investment income	2,429	4,556	1,285	3,167	3,714	7,723
Miscellaneous	24,870	21,347	-	-	24,870	21,347
Total revenues	<u>1,652,864</u>	<u>1,680,243</u>	<u>177,498</u>	<u>194,958</u>	<u>1,830,362</u>	<u>1,875,201</u>
<b>EXPENDITURES:</b>						
General government	295,643	441,170	-	-	295,643	441,170
Public safety	58,560	103,617	-	-	58,560	103,617
Highway and streets	654,608	571,550	-	-	654,608	571,550
Public works	-	87,107	176,068	202,267	176,068	289,374
Community services	65,644	103,777	-	-	65,644	103,777
Cemetery	38,702	41,885	-	-	38,702	41,885
Interest	28,509	35,551	15,840	12,983	44,349	48,534
Total expenditures	<u>1,141,666</u>	<u>1,384,657</u>	<u>191,908</u>	<u>215,250</u>	<u>1,333,574</u>	<u>1,599,907</u>
Net Change in Fund Balances	<u>511,198</u>	<u>295,586</u>	<u>(14,410)</u>	<u>(20,292)</u>	<u>496,788</u>	<u>275,294</u>
Fund Balances - December 31, 2020	<u>1,338,049</u>	<u>1,042,463</u>	<u>715,985</u>	<u>736,277</u>	<u>2,054,034</u>	<u>1,778,740</u>
Fund Balances - December 31, 2021	<u>\$ 1,849,247</u>	<u>\$ 1,338,049</u>	<u>\$ 701,574</u>	<u>\$ 715,985</u>	<u>\$ 2,550,822</u>	<u>\$ 2,054,034</u>

**The Town's Funds**

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$1,145,639 which represents an increase of \$409,993 from last year's total of \$735,646. Included in this year's total Change in Fund Balance is an increase of \$243,904 in the Town's General Fund.

Schedule 3 compares Actual to Budget for the General and Highway Fund. The most significant variances of Actual to Budget are as follows:

	Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>			
General Budget	\$ 649,755	\$ 832,281	\$ 182,526
Highway Budget	\$ 632,772	\$ 639,776	\$ 7,004
<b>Expenditures:</b>			
General Budget	\$ 649,755	\$ 587,752	\$ 62,003
Highway Budget	\$ 632,772	\$ 551,443	\$ 81,329



TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**Capital Assets and Debt Administration**

*Capital Assets*

At December 31, 2021, the Town had \$2,229,509 invested in a broad range of capital assets, including vehicle, equipment, buildings and sewer lines, net of accumulated depreciation. (See Table 3). This amount represents a net increase (including additions, disposals, and depreciation) of \$34,412 from last year.

Table 3  
Capital Assets at Year-End  
(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Buildings and improvements	\$ 936,980	\$ 964,521	\$ 289,001	\$ 303,010	\$ 1,225,981	\$ 1,267,531
Infrastructure	-	-	-	-	-	-
Equipment	19,195	-	-	-	-	-
Vehicles	486,033	426,373	498,300	501,193	984,333	927,566
Total Assets	<u>\$ 1,442,208</u>	<u>\$ 1,390,894</u>	<u>\$ 787,301</u>	<u>\$ 804,203</u>	<u>\$ 2,210,314</u>	<u>\$ 2,195,097</u>

*Debt Administration*

At December 31, 2021, the Town had \$1,294,157 in notes outstanding versus \$1,414,596 on December 31, 2020 – a decrease of \$111,299.

Table 4  
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Line of credit, bank	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond and notes payable	889,022	984,496	405,135	430,100	1,294,157	1,414,596
Totals	<u>\$ 889,022</u>	<u>\$ 984,496</u>	<u>\$ 405,135</u>	<u>\$ 430,100</u>	<u>\$ 1,294,157</u>	<u>\$ 1,414,596</u>

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**Economic Factors and Next Year's Budgets and Rates**

The Town's elected and appointed officials consider many factors when setting the fiscal year budget, tax rates, and fees.

When adopting the budget for the 2021 year, the Select board considered operational and capital needs of the Town, and the impact of spending on the tax rate.

The Town budgeted no change in fund balance for the fiscal year ending December 31, 2021.

**Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Manager at Town of Chelsea, P.O. Box 266, Chelsea, Vermont, 05038.

TOWN OF CHELSEA, VERMONT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2021

EXHIBIT A

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash	\$ 821,253	\$ 417,293	\$ 1,238,546
Investments	160,200	-	160,200
Accounts receivable, net	25,440	15,445	40,885
Delinquent taxes receivable, net	208,885	-	208,885
Prepaid expenses	-	-	-
Due to/from other funds	110,189	(110,189)	-
Capital assets:			
Land	-	-	-
Buildings and building improvements	2,742,485	2,344,588	5,087,073
Infrastructure	286,230	-	286,230
Vehicles	1,144,925	-	1,144,925
Equipment	299,520	577,759	877,279
Accumulated depreciation	(3,030,952)	(2,135,046)	(5,165,998)
Total assets	<u>2,768,175</u>	<u>1,109,850</u>	<u>3,878,025</u>
<u>LIABILITIES</u>			
Accounts payable	623	-	623
Accrued expenses	28,128	3,140	31,268
Due to/from other funds	-	-	-
Long-term liabilities outstanding	889,022	405,135	1,294,157
Total liabilities	<u>917,773</u>	<u>408,275</u>	<u>1,326,048</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid property taxes	1,155	-	1,155
Total deferred inflows of resources	<u>1,155</u>	<u>-</u>	<u>1,155</u>
<u>FUND BALANCES</u>			
Invested in capital assets	553,186	382,166	935,352
Nonspendable	-	-	-
Restricted	-	-	-
Committed	722,989	-	722,989
Assigned	(29,570)	-	(29,570)
Unassigned	602,642	319,409	922,051
Total Fund Balance	<u>1,849,247</u>	<u>701,575</u>	<u>2,550,822</u>
Total net position	<u>\$ 2,768,175</u>	<u>\$ 1,109,850</u>	<u>\$ 3,878,025</u>

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

TOWN OF CHELSEA, VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021

EXHIBIT B

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 295,643	\$ 19,328	\$ 389,893	\$ -	\$ 113,578	\$ -	\$ 113,578
Public safety	58,560	-	-	-	(58,560)	-	(58,560)
Highway and streets	654,608	82,436	125,864	-	(446,308)	-	(446,308)
Sanitation	-	-	-	-	-	-	-
Community services	65,644	-	-	-	(65,644)	-	(65,644)
Cemetery	38,702	-	-	-	(38,702)	-	(38,702)
Interest on long-term debt	28,509	-	-	-	(28,509)	-	(28,509)
Total governmental activities	<u>1,141,666</u>	<u>101,764</u>	<u>515,757</u>	<u>-</u>	<u>(524,145)</u>	<u>-</u>	<u>(524,145)</u>
Business-Type activities:							
Water	56,347	62,143	-	-	-	5,796	5,796
Sewer	119,721	114,070	-	-	-	(5,651)	(5,651)
Interest on long-term debt	15,840	-	-	-	-	(15,840)	(15,840)
Total business-type activities	<u>191,908</u>	<u>176,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,695)</u>	<u>(15,695)</u>
Total primary government	<u>\$ 1,333,574</u>	<u>\$ 277,977</u>	<u>\$ 515,757</u>	<u>\$ -</u>	<u>(524,145)</u>	<u>(15,695)</u>	<u>(539,840)</u>
General Revenues:							
Property taxes					974,794	-	974,794
Property taxes - interest and penalties					30,580	-	30,580
Licenses and permits					2,670	-	2,670
Investment income					2,429	1,285	3,714
Miscellaneous					24,870	-	24,870
Total general revenues and transfers					<u>1,035,343</u>	<u>1,285</u>	<u>1,036,628</u>
Change in Net Position					511,198	(14,410)	496,788
Net Position - December 31, 2020					<u>1,338,049</u>	<u>715,985</u>	<u>2,054,034</u>
Net Position - December 31, 2021					<u>\$ 1,849,247</u>	<u>\$ 701,575</u>	<u>\$ 2,550,822</u>

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

TOWN OF CHELSEA, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021

EXHIBIT C

	General Fund	Highway Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 476,421	\$ -	\$ 344,832	\$ 821,253
Investments	-	-	160,200	160,200
Due to/from	-	-	217,957	217,957
Accounts receivable, net				
Delinquent taxes receivable, net	208,885	-	-	208,885
Other receivables	25,440	-	-	25,440
Prepaid expenses	-	-	-	-
<b>Total assets</b>	<b>\$ 710,746</b>	<b>\$ -</b>	<b>\$ 722,989</b>	<b>\$ 1,433,735</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 623	\$ -	\$ -	\$ 623
Due to/from	102,405	5,363	-	107,768
Accrued expenses	9,215	18,913	-	28,128
<b>Total liabilities</b>	<b>112,243</b>	<b>24,276</b>	<b>-</b>	<b>136,519</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid property taxes	1,155	-	-	1,155
Deferred Taxes	144,503	-	-	144,503
<b>Total deferred inflows of resources</b>	<b>145,658</b>	<b>-</b>	<b>-</b>	<b>145,658</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	722,989	722,989
Assigned	-	(24,276)	-	(24,276)
Unassigned	452,845	-	-	452,845
<b>Total fund balances</b>	<b>452,845</b>	<b>(24,276)</b>	<b>722,989</b>	<b>1,151,558</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 710,746</b>	<b>\$ -</b>	<b>\$ 722,989</b>	<b>\$ 1,433,735</b>

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

TOWN OF CHELSEA, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR END DECEMBER 31, 2021

EXHIBIT D

	General Fund	Highway Fund	Non-Major Governmental Funds	Totals
<b>REVENUES:</b>				
Property taxes	\$ 553,361	\$ 478,515	\$ 25,000	\$ 1,056,876
Property taxes - interest and penalties	-	-	-	-
Grant income	50,253	23,440	-	73,693
Intergovernmental	115,549	125,864	200,652	442,065
Charges for services	97,513	-	4,251	101,764
Licenses and fees	2,670	-	-	2,670
Investment income	1,001	-	1,426	2,427
Miscellaneous	11,934	11,957	980	24,871
	<u>832,281</u>	<u>639,776</u>	<u>232,309</u>	<u>1,704,366</u>
Total revenues				
<b>EXPENDITURES:</b>				
General government	265,988	-	2,114	268,102
Public safety	58,560	-	-	58,560
Public works	99,831	489,269	-	589,100
Sanitation	-	-	-	-
Community services	65,644	-	-	65,644
Cemetery	16,400	-	22,302	38,702
Capital outlay:				
General government	-	-	-	-
Public safety	-	-	-	-
Highway and streets	19,520	-	124,843	144,363
Debt service:				
Principal	33,300	62,174	-	95,474
Interest	28,509	-	-	28,509
	<u>587,752</u>	<u>551,443</u>	<u>149,259</u>	<u>1,288,454</u>
Total expenditures				
Excess (Deficiency) of Revenues Over Expenditures	<u>244,529</u>	<u>88,333</u>	<u>83,050</u>	<u>415,912</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	-	-	-	-
Transfers in	-	-	100,000	100,000
Transfers out	-	(100,000)	-	(100,000)
	<u>-</u>	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>
Total other financing sources (uses)				
Net Change in Fund Balances	244,529	(11,667)	183,050	415,912
Fund Balances - December 31, 2020	<u>208,316</u>	<u>(12,609)</u>	<u>539,939</u>	<u>735,646</u>
Fund Balances - December 31, 2021	<u>\$ 452,845</u>	<u>\$ (24,276)</u>	<u>\$ 722,989</u>	<u>\$ 1,151,558</u>

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

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

EXHIBIT E

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

Fund balance - total governmental funds (Exhibit C)		\$ 1,151,558
Government funds report delinquent taxes received after the first sixty (60) days of the next fiscal year as deferred revenue. However, they are reported as revenue in the government-wide financial statements.		144,503
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.		
Cost of assets	4,473,160	
Accumulated depreciation	<u>(3,030,952)</u>	1,442,208
Long-term liabilities, including bonds and loan payables are not due or payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end		<u>(889,022)</u>
 Net position - governmental activities (Exhibit A)		 <u><u>\$ 1,849,247</u></u>

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

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

EXHIBIT F

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

Net change in fund balances - total governmental funds (Exhibit D)	\$ 415,912
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$144,363) are allocated over their estimated useful life and reported as depreciation expense (\$93,049). This is the amount by which capital outlays exceeded depreciation in the current period.	51,314
Property taxes receivable, notes receivable and other receivables are recognized on the accrual basis in the statement of net position, not the modified accrual basis. The decrease in this unearned and unavailable revenue for the year is:	(51,502)
The issuance of long-term debt (\$0) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$95,474) including discounted interest, consumes the current financial resources of governmental funds. This amount is the net effect of these references in the treatment of long-term debt and related items.	<u>95,474</u>
Change in net position of governmental activities (Exhibit B)	<u><u>\$ 511,198</u></u>

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



TOWN OF CHELSEA, VERMONT  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2021

EXHIBIT G

	Water Fund	Water Sinking Fund	Sewer Fund	Sewer Sinking Fund	Totals
<b>ASSETS</b>					
Current assets:					
Cash	\$ 68,898	\$ 189,854	\$ -	\$ 158,541	\$ 417,293
Investments	-	-	-	-	-
Accounts receivable, net	4,890	-	10,555	-	15,445
Due to/from	-	-	8,010	-	8,010
<b>Total current assets</b>	<b>73,788</b>	<b>189,854</b>	<b>18,565</b>	<b>158,541</b>	<b>440,748</b>
Non-current assets:					
Capital assets					
Buildings and building improvements	560,358	-	1,784,230	-	2,344,588
Equipment	562,759	-	15,000	-	577,759
Accumulated depreciation	(339,378)	-	(1,795,668)	-	(2,135,046)
<b>Total non-current assets</b>	<b>783,739</b>	<b>-</b>	<b>3,562</b>	<b>-</b>	<b>787,301</b>
<b>Total assets</b>	<b>\$ 857,527</b>	<b>\$ 189,854</b>	<b>\$ 22,127</b>	<b>\$ 158,541</b>	<b>\$ 1,228,049</b>
<b>LIABILITIES</b>					
Accrued expenses	1,456	-	-	-	1,456
Accrued payroll	1,139	-	-	-	1,139
Bonds/Notes payable	405,135	-	-	-	405,135
Other Current Liabilities	88	-	-	-	88
Due to/from	118,423	233	-	-	118,656
<b>Total liabilities</b>	<b>526,241</b>	<b>233</b>	<b>-</b>	<b>-</b>	<b>526,474</b>
<b>NET POSITION</b>					
Net investment in capital assets	378,604	-	3,562	-	382,166
Restricted for sewer improvements - expendable	-	-	-	-	-
Unrestricted (deficit)	(47,318)	189,621	18,565	158,541	319,409
<b>Total net position</b>	<b>331,286</b>	<b>189,621</b>	<b>22,127</b>	<b>158,541</b>	<b>701,575</b>
<b>Total liabilities and net position</b>	<b>\$ 857,527</b>	<b>\$ 189,854</b>	<b>\$ 22,127</b>	<b>\$ 158,541</b>	<b>\$ 1,228,049</b>

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

TOWN OF CHELSEA, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021

EXHIBIT H

	Water Fund Actual	Water Sinking Fund Actual	Sewer Fund Actual	Sewer Sinking Fund Actual	Totals
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 62,143	\$ -	\$ 114,070	\$ -	\$ 176,214
Interest and penalties	-	-	-	-	-
<b>Total operating revenues</b>	<b>62,143</b>	<b>-</b>	<b>114,070</b>	<b>-</b>	<b>176,214</b>
<b>OPERATING EXPENSES:</b>					
Personnel	22,015	-	79,708	-	101,723
Operations	17,805	-	22,988	-	40,793
Repairs and maintenance	-	-	16,650	-	16,650
Depreciation	16,527	-	375	-	16,902
Miscellaneous	-	-	-	-	-
<b>Total operating expenses</b>	<b>56,347</b>	<b>-</b>	<b>119,721</b>	<b>-</b>	<b>176,068</b>
<b>Total operating income</b>	<b>5,796</b>	<b>-</b>	<b>(5,651)</b>	<b>-</b>	<b>146</b>
<b>NON-OPERATING INCOME EXPENSES:</b>					
Interest expense	(15,840)	-	-	-	(15,840)
Interest income	277	544	-	464	1,285
<b>Total non-operating income</b>	<b>(15,563)</b>	<b>544</b>	<b>-</b>	<b>464</b>	<b>(14,555)</b>
<b>OTHER FINANCING SOURCES:</b>					
Transfers in	-	10,000	-	5,000	15,000
Transfers out	(10,000)	-	(5,000)	-	(15,000)
<b>Total other financing sources</b>	<b>(10,000)</b>	<b>10,000</b>	<b>(5,000)</b>	<b>5,000</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(19,767)</b>	<b>10,544</b>	<b>(10,651)</b>	<b>5,464</b>	<b>(14,409)</b>
<b>Net Position - December 31, 2020</b>	<b>351,053</b>	<b>179,077</b>	<b>32,778</b>	<b>153,077</b>	<b>715,985</b>
<b>Net Position - December 31, 2021</b>	<b>\$ 331,286</b>	<b>\$ 189,621</b>	<b>\$ 22,127</b>	<b>\$ 158,541</b>	<b>\$ 701,575</b>

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

TOWN OF CHELSEA, VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021

EXHIBIT I

	Water Fund Actual	Water Sinking Fund Actual	Sewer Fund Actual	Sewer Sinking Fund Actual	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 61,296	\$ -	\$ 110,708	\$ -	\$ 172,004
Other operating cash receipts	-	-	-	-	-
Cash payments to employees for services	(20,876)	-	(79,708)	-	(100,584)
Cash payments to suppliers for goods and services	(19,350)	-	(42,727)	-	(62,077)
Net cash provided (used) by operating activities	<u>21,070</u>	<u>-</u>	<u>(11,727)</u>	<u>-</u>	<u>9,343</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Due to/from other funds	24,079	-	16,727	-	40,806
Transfers from other funds	(10,000)	10,000	(5,000)	5,000	-
Net cash provided (used) by noncapital financing activities	<u>14,079</u>	<u>10,000</u>	<u>11,727</u>	<u>5,000</u>	<u>40,806</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of capital assets	-	-	-	-	-
Repayment of debt	(24,965)	-	-	-	(24,965)
Net cash provided (used) by capital and related financing activities	<u>(24,965)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,965)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest expense	(15,840)	-	-	-	(15,840)
Interest income	277	545	-	464	1,286
Net cash provided by investing activities	<u>(15,563)</u>	<u>545</u>	<u>-</u>	<u>464</u>	<u>(14,554)</u>
Net Increase in Cash	<u>(5,379)</u>	<u>10,545</u>	<u>-</u>	<u>5,464</u>	<u>10,630</u>
Cash - December 31, 2020	<u>74,277</u>	<u>179,309</u>	<u>-</u>	<u>153,077</u>	<u>406,663</u>
Cash - December 31, 2021	<u>\$ 68,898</u>	<u>\$ 189,854</u>	<u>\$ -</u>	<u>\$ 158,541</u>	<u>\$ 417,293</u>
<b>ADJUSTMENTS TO RECONCILE INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Income (loss) from operations	\$ 5,796	\$ -	\$ (5,651)	\$ -	\$ 145
Depreciation	16,527	-	375	-	16,902
(Increase) decrease in accounts receivable	(847)	-	(3,362)	-	(4,209)
(Increase) decrease in investments	-	-	-	-	-
Increase (decrease) in accounts payable	(406)	-	(3,089)	-	(3,495)
Net cash provided (used) by operating activities	<u>\$ 21,070</u>	<u>\$ -</u>	<u>\$ (11,727)</u>	<u>\$ -</u>	<u>\$ 9,343</u>

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

TOWN OF CHELSEA, VERMONT  
 FIDUCIARY NET POSITION  
 DECEMBER 31, 2021

EXHIBIT J

	Trust Funds	Total
<b>ASSETS</b>		
Cash	\$ 64,228	\$ 64,228
Due to/from	456	456
Investments	67,740	67,740
Total assets	\$ 132,423	\$ 132,423
<b>LIABILITIES</b>		
Due to other funds	\$ 132,423	\$ 132,423
Total liabilities	132,423	132,423
<b>FUND BALANCES</b>		
Restricted	-	-
Total fund balances	-	-
Total liabilities and fund balances	\$ 132,423	\$ 132,423

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

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

The Town of Chelsea, Vermont (the Town), is organized according to Vermont State Law and Town Charter, under the governance of a five-member Selectboard to provide the following services for the Town of Chelsea, Vermont: public health and safety, highways and streets, culture and recreation, public improvements, sanitation, planning and zoning, wastewater treatment and general administration.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

**Reporting Entity**

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

**Basic Financial Statements – Government-Wide Statements**

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's Highway Fund, Reappraisal, Cemetery, Restoration of Records, Town Hall Renovation, Equipment and Resurfacing Fund are classified as governmental funds. The Town's water and sewer fund activities are classified as business-type. The Town also has a fiduciary responsibility or Trust Funds, which include the following accounts: Roberts Poor, Keyser Park, Sons of Union Veterans, Planning Commission, Old Home Day, Harry Goodwin, Board of Trade, and Recreation.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on the full accrual, economic resources basis, which recognizes all assets deferred outflows of resources, liabilities, and deferred inflows of resources. The Town's net position is reported in three parts - net investment in capital assets, restricted net position and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's governmental functions and business-type activities (sewer). The activities are also supported by property taxes, certain intergovernmental revenues, and charges for services. The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, including operating and capital grants. Program revenues must be directly associated with the activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by activity) are normally covered by general revenues (property taxes, intergovernmental revenue, interest income, etc.).

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

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basic Financial Statements – Fund Financial Statements**

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows and outflows, fund equity, revenues, and expenditures/expenses. The various funds are reported by major fund within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental category or enterprise type. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues, or expenses/expenditures of either fund category/type or the governmental and enterprise funds combined) for the determination of major funds. The General Fund, Highway Fund and Town Hall Fund are shown as major funds. All other funds are non-major and are combined in a single column in each of the respective fund financial statements.

The Town reports on the following major governmental funds:

General Fund is the main operating fund of the Town. It is used to account for all financial resources except those accounted for in another fund.

Highway Fund is used to account for financial resources to be used for streets, roads, and sidewalks.

**Proprietary Funds**

The focus of proprietary funds measurement is based upon determination of operating income, changes in net position, financial position, and cash flows. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the major enterprise funds of the Town:

Water and Sewer Fund is used to account for the operations of the water and sewer departments.

**Measurement Focus**

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

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

**Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accrual Basis of Accounting**

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

**Modified Accrual Basis of Accounting**

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

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

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

**Cash and Cash Equivalents**

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents.

**Budgetary Accounting**

The Town approves a budget for the General Fund at an annual Town Meeting and the Selectboard, based on the budget and Grand List, determines the tax rate. Any budgetary changes require voter approval. There were no changes during the year. Formal budgetary accounting is employed as a management control device during the year for the General Fund. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**Capital Assets**

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

Buildings and Building Improvements	10 - 50 years
Equipment, Vehicles and Machinery	5 - 20 years
Utility Plant and Capacity Rights	40 - 50 years
Infrastructure	8 - 20 years

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GASB No. 34 requires the Town to report and depreciate new general infrastructure assets starting July 1, 2003. The Town has elected not to record infrastructure prior to this date. General infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

**Accrued Compensated Absences**

Government-Wide Financial Statements

All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment. There were no uncompensated balances at December 31, 2021.

Fund Financial Statements

Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these amounts until paid. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment. There were no uncompensated balances at December 31, 2021.

Net Position

Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources and liabilities in the statement of net position. Net resources invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on its use by Town legislation or external restrictions by creditors, grantors, laws, or regulations of other governments.

Fund Balances

The Town classifies its fund balances depicting the relative strength of the constraints that might control how specific amounts can be spent:

Nonspendable fund balance includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use such as impact fees).

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the Town voters, in this case. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.

Assigned fund balances are comprised of amounts intended to be used by the government for specific purposes. Intent can be expressed by the Town Selectboard or by an official or body to which the Selectboard delegates the authority.

Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the General Fund.

Nonspendable and Restricted funds are so designated by external funds sources, such as in the case of the nonspendable Cemetery Restoration Fund, and also by the definitions of "nonspendable" contained in GASB Statement No. 54. Fund balances



TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

that are committed and assigned are so designated by action of the voters or the Selectboard, respectively. Special revenue funds are by definition, created only to report a revenue source that is restricted or committed. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the Town's policy is to consider the most constrained fund balances to be expended first.

Excess of Expenditures Over Appropriations

For the year ended December 31, 2021, the Town expended \$62,203 less than appropriated in the General Fund. No increase in revenue or line of credit was necessary.

Investments

Investments are stated at fair value, (quoted market price, or the best available estimate).

Inter-fund Balances

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

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, "deferred outflows of resources," represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town has one type which arises under the accrual basis of accounting that qualifies for reporting in this category. The governmental activities, the business-type activities and the proprietary funds report deferred outflows of resources from one source; deferred outflows related to the Town's participation in the Vermont State Retirement System. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows of resources," represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items which arise under the modified accrual basis of accounting and two types which arise under the accrual basis of accounting that qualify for reporting in this category. The statement of net position reports deferred inflows of resources from two sources; prepaid property taxes and deferred inflows related to the Town's participation in the Vermont State Retirement System. The governmental funds balance sheet reports deferred inflows of resources from two sources: prepaid property taxes, unavailable property taxes. The business-type activities and proprietary funds report deferred inflows of resources from one source; deferred inflows related to the Town's participation in the Vermont State Retirement System. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**New Pronouncement – Pension Plans**

Effective December 31, 2019, the Town implemented GASB Statement No. 68, "Financial Reporting for Pension Plans", an amendment of GASB Statement No. 27. GASB Statement No. 68 requires the reporting of the proportionate share of the net pension liability related to the Town's participation in the Vermont State Employees' Retirement System (VSRS) as well as additional disclosures and required supplemental information.

**NOTE 2. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS**

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

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

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

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

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**NOTE 2. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (continued)**

A detailed explanation of the differences between governmental funds balance sheet and government-wide statement of net position is as follows:

	Total Governmental Funds	Long-term Revenues/ Expenses	Capital- Related Items	Long-term Debt Transactions	Elimination of Due To/From	Statement of Net Position Total
<b>ASSETS</b>						
Cash	\$ 821,253	\$ -	\$ -	\$ -	\$ -	\$ 821,253
Investments	160,200	-	-	-	-	160,200
Delinquent taxes receivable	208,885	-	-	-	-	208,885
Due to/from other funds	110,189	-	-	-	(107,768)	2,421
Other receivables	25,440	-	-	-	-	25,440
Capital assets	-	-	1,442,208	-	-	1,442,208
Total assets	<u>1,325,967</u>	<u>-</u>	<u>1,442,208</u>	<u>-</u>	<u>(107,768)</u>	<u>2,660,407</u>
 Total assets and deferred outflows	 <u>\$ 1,325,967</u>	 <u>\$ -</u>	 <u>\$ 1,442,208</u>	 <u>\$ -</u>	 <u>\$ (107,768)</u>	 <u>\$ 2,660,407</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 623	\$ -	\$ -	\$ -	\$ -	\$ 623
Accrued expenses	28,128	-	-	-	-	28,128
Due to/from other funds	-	-	-	-	(107,768)	(107,768)
Net pension liability	-	-	-	-	-	-
Anticipation note payable	-	-	-	-	-	-
Non-current obligations	-	-	-	889,022	-	889,022
Total Liabilities	<u>28,751</u>	<u>-</u>	<u>-</u>	<u>889,022</u>	<u>(107,768)</u>	<u>810,005</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Prepaid property taxes	1,155	-	-	-	-	1,155
Deferred taxes	144,503	(144,503)	-	-	-	-
VRSR	-	-	-	-	-	-
Total Deferred Inflows and resources	<u>145,658</u>	<u>(144,503)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,155</u>
<b>FUND BALANCES</b>						
Invested in capital assets	-	-	1,442,208	(889,022)	-	553,186
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	722,989	-	-	-	-	722,989
Assigned	(24,276)	-	-	-	-	(24,276)
Unassigned	452,845	144,503	-	-	-	597,348
	<u>1,151,558</u>	<u>144,503</u>	<u>1,442,208</u>	<u>(889,022)</u>	<u>-</u>	<u>1,849,247</u>
 Total Liabilities & Fund Balance	 <u>\$ 1,325,967</u>	 <u>\$ -</u>	 <u>\$ 1,442,208</u>	 <u>\$ -</u>	 <u>\$ (107,768)</u>	 <u>\$ 2,660,407</u>

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**NOTE 2. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS (continued)**

A detailed explanation of the differences between governmental funds statement of revenues, expenditures and changes in fund balances and government-wide statement of activities is as follows:

	Total Governmental Funds	Long-Term Revenues/ Expenses	Capital- Related Items	Long-Term Debt Transactions	Statement of Net Assets Total
<b>REVENUES</b>					
Property taxes	\$ 1,056,876	\$ (51,502)	\$ -	\$ -	\$ 1,005,374
Property tax penalties and interest	-	-	-	-	-
Grant Income	73,693	-	-	-	73,693
Intergovernmental	442,065	-	-	-	442,065
Charges for current services	101,764	-	-	-	101,764
Licenses and permits	2,670	-	-	-	2,670
Investment income	2,427	-	-	-	2,427
Miscellaneous	24,871	-	-	-	24,871
Total Revenues	<u>1,704,366</u>	<u>(51,502)</u>	<u>-</u>	<u>-</u>	<u>1,652,864</u>
<b>EXPENDITURES</b>					
General government	268,102	-	27,541	-	295,643
Public safety	58,560	-	-	-	58,560
Highway and streets	589,100	-	65,508	-	654,608
Sanitation	-	-	-	-	-
Community services	65,644	-	-	-	65,644
Cemetery	38,702	-	-	-	38,702
Capital outlay:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Highways and streets	144,363	-	(144,363)	-	-
Debt service:					
Principal	95,474	-	-	(95,474)	-
Interest	28,509	-	-	-	28,509
Total expenditures	<u>1,288,454</u>	<u>-</u>	<u>(51,314)</u>	<u>(95,474)</u>	<u>1,141,666</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>415,912</u>	<u>(51,502)</u>	<u>51,314</u>	<u>95,474</u>	<u>511,198</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Loan proceeds	-	-	-	-	-
Transfers in	100,000	-	-	-	100,000
Transfers out	(100,000)	-	-	-	(100,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 415,912</u>	<u>\$ (51,502)</u>	<u>\$ 51,314</u>	<u>\$ 95,474</u>	<u>\$ 511,198</u>

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**NOTE 3 – CASH AND INVESTMENTS**

**Cash and Investments**

The Town's cash and investments as of December 31, 2021 are as follows:

Cash and Investments

The Town's cash and investments as of December 31, 2021 are as follows:

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Cash:			
Cash on Hand	\$ 50	\$ -	\$ 50
Deposits with Financial Institutions	<u>821,203</u>	<u>417,293</u>	<u>1,238,496</u>
Total Cash and Investments	<u>\$ 821,253</u>	<u>\$ 417,293</u>	<u>\$ 1,238,546</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes with market interest rates and will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations reflects the distribution of the Town's investments by maturity.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below are the actual ratings as of December 31, 2021. The ratings are provided by Standard & Poor's. The Town does not have any policy to limit the exposure to credit risk.

**Concentration of Credit Risk**

The Town does not have any limitations on the amount that can be invested in any one issuer.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town's investments are held in its name and are, therefore, not subject to custodial credit risk. The Town does not have any policy to limit the exposure to custodial credit risk.

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**NOTE 3 – CASH AND INVESTMENTS**

**Custodial Credit Risk (continued)**

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

	Book Balance	Bank Balance
Governmental Activities	\$ 821,253	\$ 829,138
Business-Type Activities	417,293	418,850
Insured by FDIC	\$ 250,000	\$ 250,000
Uninsured Deposits	\$ 988,546	\$ 997,988

**NOTE 4 - RECEIVABLES**

Receivables and the allowance for uncollectible accounts as of December 31, 2021 are as follows:

	Receivables	Allowance for Uncollectible Accounts	Net Receivables
General Fund			
Delinquent taxes receivable	\$ 208,885	\$ -	\$ 208,885
Enterprise Funds			
Water Fund	\$ 4,890	\$ -	\$ 4,890
Sewer Fund	10,555	-	10,555
Total	\$ 15,445	\$ -	\$ 15,445
Net Receivables	\$ 224,330	\$ -	\$ 224,330

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021 was as follows:

<b>General Government</b>	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings/improvements	\$ 2,742,485	\$ -	\$ -	\$ 2,742,485
Infrastructure	286,230	-	-	286,230
Vehicles	1,020,082	124,843	-	1,144,925
Equipment	280,000	19,520	-	299,520
Total capital assets, being depreciated	<u>4,328,797</u>	<u>144,363</u>	<u>-</u>	<u>4,473,160</u>
Less Accumulated Depreciation:				
Buildings/improvements	1,777,964	27,541	-	1,805,505
Infrastructure	286,230	-	-	286,230
Vehicles	593,709	65,183	-	658,892
Equipment	280,000	325	-	280,325
	<u>2,937,903</u>	<u>93,049</u>	<u>-</u>	<u>3,030,952</u>
Being Depreciated, Net	<u>1,390,894</u>	<u>51,314</u>	<u>-</u>	<u>1,442,208</u>
Net Assets	<u>\$ 1,390,894</u>	<u>\$ 51,314</u>	<u>\$ -</u>	<u>\$ 1,442,208</u>
<b>Business-Type Activities</b>	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Buildings/improvements	\$ 2,344,588	\$ -	\$ -	\$ 2,344,588
Equipment	577,759	-	-	577,759
Total capital assets, being depreciated	<u>2,922,347</u>	<u>-</u>	<u>-</u>	<u>2,922,347</u>
Less Accumulated Depreciation				
Buildings/improvements	2,041,578	14,009	-	2,055,587
Equipment	76,566	2,893	-	79,459
	<u>2,118,144</u>	<u>16,902</u>	<u>-</u>	<u>2,135,046</u>
Being Depreciated, Net	<u>804,203</u>	<u>(16,902)</u>	<u>-</u>	<u>787,301</u>
Net Assets	<u>\$ 804,203</u>	<u>\$ (16,902)</u>	<u>\$ -</u>	<u>\$ 787,301</u>

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions as follows:

General Government	
General Government	\$ 27,541
Highway	65,508
	<u>\$ 93,049</u>
Business-Type Activities	
Water and Sewer	\$ 16,902
	<u>\$ 16,902</u>

**NOTE 6 – DEFERRED OUTFLOWS OF RESOURCES**

There were no deferred outflows of resources at December 31, 2021.

**NOTE 7 – DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources in the Governmental Activities consists of \$1,155 for prepaid property taxes.

Deferred inflows of resources in the General Fund consists of \$144,503 of delinquent property taxes (including penalties and interest on those taxes) that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities as well as \$1,155 for prepaid property taxes. Total deferred inflows of resources in the General Fund are \$1,145,658.

**NOTE 8 – SHORT-TERM LIABILITIES**

During the year ended December 31, 2021, the Select Board authorized a line of credit in the amount up to \$450,000 at Mascoma Savings Bank, bearing interest at 2.8% to finance general operational expenses. The line was used had a balance of zero at December 31, 2021.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Line of credit, bank	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**NOTE 9 – LONG-TERM LIABILITIES**

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

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
<b>Governmental Activities:</b>				
Note payable, 2.89% note with KS State Bank, to purchase 2015 International truck, with principal and interest payments due annually through April, 2021. Principal and interest payments of \$25,599.	\$ 24,880	\$ -	\$ 24,880	\$ -
Note payable, 3.21% note with KS State Bank, to purchase 2016 International truck, with principal and interest payments due annually through October, 2022. Principal and interest payments of \$30,535.	\$ 58,250	\$ -	\$ 28,665	\$ 29,585
Bond payable, 2.997% note with VT Municipal Bond Bank, for garage, with principal and interest payments due annually through May, 2046. Principal and interest payments of \$59,227.	\$ 865,800	\$ -	\$ 33,300	\$ 832,500
Note payable, 2.0% note with CAT Financial, to purchase a backhoe, with principal and interest payments due annually through May, 2024. Principal and interest payments of \$9,341.	\$ 35,566	\$ -	\$ 8,629	\$ 26,937
	<u>\$ 984,496</u>	<u>\$ -</u>	<u>\$ 95,474</u>	<u>\$ 889,022</u>
<b>Business-Type Activities:</b>				
Bond payable, 3.93% note with VT Municipal Bond Bank, for water improvements, with principal and interest payments due annually through May, 2037. Principal and interest payments of \$27,419.	\$ 315,911	\$ -	\$ 15,004	\$ 300,907
Note payable, 3.0% note with VT Revolving Loan Fund, for water system improvements, with principal and interest payments due annually through October, 2030. Principal and interest payments of \$10,025.	\$ 85,519	\$ -	\$ 7,460	\$ 78,059
Note payable, 3.0% note with VT Revolving Loan Fund, for water system improvements, with principal and interest payments due annually through October, 2030. Principal and interest payments of \$3,361.	\$ 28,670	\$ -	\$ 2,501	\$ 26,169
	<u>\$ 430,100</u>	<u>\$ -</u>	<u>\$ 24,965</u>	<u>\$ 405,135</u>

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**NOTE 9 – LONG-TERM LIABILITIES (continued)**

Long-term debt will mature approximately as follows:

<u>Years ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31, 2022	97,538	53,172	\$ 150,710
December 31, 2023	69,050	37,836	\$ 106,886
December 31, 2024	70,188	35,972	\$ 106,160
December 31, 2025	62,016	34,041	\$ 96,057
December 31, 2026	63,040	32,211	\$ 95,251
December 31, 2027-2031	318,526	130,991	\$ 449,517
December 31, 2032-2036	275,046	81,628	\$ 356,674
December 31, 2037-2041	172,253	43,013	\$ 215,266
Thereafter	166,500	16,140	\$ 182,640
Total	<u>\$ 1,294,157</u>	<u>\$ 465,004</u>	<u>\$ 1,759,161</u>

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**NOTE 10 - FUND BALANCE/NET POSITION CATEGORIES**

The fund balances/net position of the Town are categorized as follows:

	Individual Funds Statements		Government-Wide Statements (Exhibit A)	
	Governmental Funds (Exhibit C)	Proprietary Funds (Exhibit G)	Governmental Activities	Business-Type Activities
Nonspendable				
General Fund	\$ -	\$ -	\$ -	\$ -
Highway Fund	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Committed:				
Reappraisal Fund	59,240	-	-	-
Cemetery Fund	119,874	-	-	-
Restoration of Records	10,368	-	-	-
ARPA Fund	192,957	-	-	-
Town Hall Renovation	39,318	-	-	-
Equipment Fund	124,655	-	-	-
Resurfacing Fund	151,577	-	-	-
Highway Matching Fund	25,000	-	-	-
	<u>722,989</u>	<u>-</u>	<u>722,989</u>	<u>-</u>
Assigned:				
Highway	<u>(24,276)</u>	<u>-</u>	<u>(29,570)</u>	<u>-</u>
Unassigned (governmental funds)/Unrestricted (business-type funds)	<u>452,845</u>	<u>319,409</u>	<u>602,642</u>	<u>319,409</u>
Invested in Capital Assets, Net of Related Debt	<u>-</u>	<u>382,166</u>	<u>553,186</u>	<u>382,166</u>
Total Fund Balances/Net Position	<u>\$ 1,151,558</u>	<u>\$ 701,575</u>	<u>\$ 1,849,247</u>	<u>\$ 701,575</u>

**NOTE 11 – CONTINGENT LIABILITIES**

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. The audits of these programs for or including the year ended December 31, 2021 have not yet been reviewed by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2021

**NOTE 12 - PROPERTY TAXES**

Property taxes are assessed based on valuations as of April 1, annually. Property taxes were due in one installment on November 1st. Overdue payments are subject to an 8% penalty and interest, which is calculated at 1% per month.

Town property tax revenue is recognized in the General Fund for the period for which the tax is levied to the extent they result in current receivables, which will be collected within sixty (60) days of the fiscal year end. The tax rates for fiscal year 2021 were as follows:

	<u>Homestead</u>	<u>Non-Residential</u>	
Education Tax	\$ 1.6564	\$ 1.6298	
Health Center	0.0060	0.0060	
Highway	0.3700	0.3700	
Fire District	0.0703	0.0703	
Municipal	0.3378	0.3378	
Total	\$ 2.4405	\$ 2.4139	

**NOTE 13 - PENSION PLANS**

The Town provides a 3% match to participating employees on eligible wages as a benefit to Town staff. Total contributions totaled \$5,643 on eligible wages of \$188,115. Total wages for the year ended December 31, 2021 were \$327,952.

**NOTE 14 - RISK MANAGEMENT**

The Town of Chelsea, Vermont is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three (3) fiscal years.

The Town must remain a member for a minimum of one (1) year and may withdraw from the Fund after that time by giving sixty (60) days' notice. Fund underwriting and rate-setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

**NOTE 15 - INTERFUND TRANSFERS**

During the year interfund transfers occurred between funds. The transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended December 31, 2021 are as follows:

	Transfers In				
General Fund	Equipment Fund	Resurfacing Fund	Highway Matching Fund	Total	
Transfers out					
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Highway Fund	-	50,000	50,000	-	100,000
Total	\$ -	\$ 50,000	\$ 50,000	\$ -	\$ 100,000

TOWN OF CHELSEA, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 16 – RELATED PARTY TRANSACTIONS**

There were no related party transactions during the current fiscal year ended December 31, 2021.

**NOTE 17 – SUBSEQUENT EVENTS**

We have examined subsequent events from the close of the fiscal year through the date of this report and find nothing to note or report.

TOWN OF CHELSEA, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL AND HIGHWAY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2021

SCHEDULE 1

	General Budget			Highway Budget			Total General and Highway Fund		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	Original and Final Budget	Actual	Variance Favorable (Unfavorable)	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>									
Property taxes	\$ 436,776	\$ 553,361	\$ 116,585	\$ 478,515	\$ 478,515	\$ -	\$ 915,291	\$ 1,031,876	\$ 116,585
Property taxes - interest and penalties	18,000	-	(18,000)	-	-	-	18,000	-	(18,000)
Grants Income	1,164	50,253	49,089	138,902	23,440	(115,462)	140,066	73,693	(66,373)
Intergovernmental	94,000	115,549	21,549	-	125,864	125,864	94,000	241,413	147,413
Charges for services	92,360	97,513	5,153	-	-	-	92,360	97,513	5,153
Licenses and permits	3,255	2,670	(585)	355	-	(355)	3,610	2,670	(940)
Investment income	1,500	1,001	(499)	-	-	-	1,500	1,001	(499)
Miscellaneous (building income, misc.)	2,700	11,934	9,234	15,000	11,957	(3,043)	17,700	23,891	6,191
<b>Total revenues</b>	<b>649,755</b>	<b>832,281</b>	<b>182,526</b>	<b>632,772</b>	<b>639,776</b>	<b>7,004</b>	<b>1,282,527</b>	<b>1,472,057</b>	<b>189,530</b>
<b>EXPENDITURES:</b>									
General government	420,960	265,988	(154,972)	-	-	-	420,960	265,988	(154,972)
Public safety	13,650	58,560	44,910	-	-	-	13,650	58,560	44,910
Public works	-	99,831	99,831	562,772	489,269	73,503	562,772	589,100	173,334
Sanitation	81,360	-	(81,360)	-	-	-	81,360	-	(81,360)
Community services	12,685	65,644	52,959	-	-	-	12,685	65,644	52,959
Cemetery	16,400	16,400	-	-	-	-	16,400	16,400	-
Capital outlay	-	19,520	19,520	-	-	-	-	19,520	19,520
Debt service:	-	-	-	-	-	-	-	-	-
Principal	100,000	33,300	(66,700)	70,000	62,174	(7,826)	170,000	95,474	(74,526)
Interest	4,700	28,509	23,809	-	-	-	4,700	28,509	23,809
<b>Total expenditures</b>	<b>649,755</b>	<b>587,752</b>	<b>(62,003)</b>	<b>632,772</b>	<b>551,443</b>	<b>81,329</b>	<b>1,282,527</b>	<b>1,139,195</b>	<b>3,674</b>
<b>Excess of Revenues Over Expenditures</b>	<b>-</b>	<b>244,529</b>	<b>120,523</b>	<b>-</b>	<b>88,333</b>	<b>88,333</b>	<b>-</b>	<b>332,862</b>	<b>208,856</b>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in/(out)	-	-	-	-	-	-	-	-	-
Loan proceeds	-	-	-	-	(100,000)	100,000	-	(100,000)	100,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100,000)</b>	<b>100,000</b>	<b>-</b>	<b>(100,000)</b>	<b>100,000</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>244,529</b>	<b>\$ 120,523</b>	<b>\$ -</b>	<b>(11,667)</b>	<b>\$ 188,333</b>	<b>\$ -</b>	<b>\$ 232,862</b>	<b>\$ 308,856</b>
Fund Balance - January 1, 2021		208,316			(12,609)			195,707	
Fund Balance - December 31, 2021		<u>\$ 452,845</u>			<u>\$ (24,276)</u>			<u>\$ 428,569</u>	

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

TOWN OF CHELSEA, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2021

SCHEDULE 2

	Reappraisal Fund	Cemetery Fund	Restoration of Records	ARPA Fund Adjusted	Town Hall Renovation	Equipment Fund	Resurfacing Fund	Highway Matching Fund	Total Non-Major Governmental Funds
<b>ASSETS</b>									
Cash	\$ -	\$ 18,914	\$ 10,368	\$ -	\$ 39,318	\$ 124,655	\$ 151,577	\$ -	\$ 344,832
Investments	59,240	100,960	-	-	-	-	-	-	160,200
Due to/from	-	-	-	192,957	-	-	-	25,000	217,957
<b>Total assets</b>	<b>\$ 59,240</b>	<b>\$ 119,874</b>	<b>\$ 10,368</b>	<b>\$ 192,957</b>	<b>\$ 39,318</b>	<b>\$ 124,655</b>	<b>\$ 151,577</b>	<b>\$ 25,000</b>	<b>\$ 722,989</b>
<b>LIABILITIES</b>									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to/from	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>									
Non-spendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-
Committed	59,240	119,874	10,368	192,957	39,318	124,655	151,577	25,000	722,989
Assigned	-	-	-	-	-	-	-	-	-
Unassigned / (Deficit)	-	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>59,240</b>	<b>119,874</b>	<b>10,368</b>	<b>192,957</b>	<b>39,318</b>	<b>124,655</b>	<b>151,577</b>	<b>25,000</b>	<b>722,989</b>
<b>Total liabilities and fund balances</b>	<b>\$ 59,240</b>	<b>\$ 119,874</b>	<b>\$ 10,368</b>	<b>\$ 192,957</b>	<b>\$ 39,318</b>	<b>\$ 124,655</b>	<b>\$ 151,577</b>	<b>\$ 25,000</b>	<b>\$ 722,989</b>

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

TOWN OF CHELSEA, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2021

SCHEDULE 3

	Reappraisal Fund	Cemetery Fund	Restoration of Records	ARPA Fund Adjusted	Town Hall Renovation	Equipment Fund	Resurfacing Fund	Highway Matching Fund	Total Non-Major Governmental Funds
REVENUES:									
Property taxes	\$ -	\$ 15,000	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ 25,000
Intergovernmental	7,695	-	-	192,957	-	-	-	-	200,652
Fee for services	-	-	4,251	-	-	-	-	-	4,251
Licenses and permits	-	-	-	-	-	-	-	-	-
Investment income	131	349	17	-	97	527	305	-	1,426
Miscellaneous	-	980	-	-	-	-	-	-	980
<b>Total revenues</b>	<b>7,826</b>	<b>16,329</b>	<b>4,268</b>	<b>192,957</b>	<b>10,097</b>	<b>527</b>	<b>305</b>	<b>-</b>	<b>232,309</b>
EXPENDITURES:									
General government	-	-	-	-	2,114	-	-	-	2,114
Public safety	-	-	-	-	-	-	-	-	-
Highway and streets	-	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-
Cemetery	-	22,302	-	-	-	-	-	-	22,302
Capital outlay	-	-	-	-	-	124,843	-	-	124,843
<b>Total expenditures</b>	<b>-</b>	<b>22,302</b>	<b>-</b>	<b>-</b>	<b>2,114</b>	<b>124,843</b>	<b>-</b>	<b>-</b>	<b>149,259</b>
Excess (Deficiency) of Revenues Over Expenditures	7,826	(5,973)	4,268	192,957	7,983	(124,316)	305	-	83,050
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	50,000	50,000	-	100,000
Transfers out	-	-	-	-	-	-	-	-	-
<b>Net Change in Fund Balances</b>	<b>7,826</b>	<b>(5,973)</b>	<b>4,268</b>	<b>192,957</b>	<b>7,983</b>	<b>(74,316)</b>	<b>50,305</b>	<b>-</b>	<b>183,050</b>
Fund Balances, December 31, 2020	51,414	125,847	6,100	-	31,335	198,971	101,272	25,000	539,939
Fund Balances, December 31, 2021	\$ 59,240	\$ 119,874	\$ 10,368	\$ 192,957	\$ 39,318	\$ 124,655	\$ 151,577	\$ 25,000	\$ 722,989

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





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## Batchelder Associates, PC

### **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**

To the Select Board  
Town of Chelsea, Vermont  
Chelsea, Vermont

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Chelsea, Vermont ("Town"), as of and for the year ended December 31, 2021, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 21, 2021. 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.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified certain deficiencies that we consider to be material weaknesses and other that we consider to be significant deficiencies.

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. We found no deficiencies we considered to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* for year ending December 31, 2021.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of the 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.

*Batchelder Associates, PC*

Batchelder Associates, PC  
License # 945  
Barre, Vermont  
April 21, 2022