

TOWN OF CHELSEA, VERMONT

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2024

TOWN OF CHELSEA, VERMONT  
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## INDEPENDENT AUDITOR'S REPORT

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

### Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise the Town of Chelsea, Vermont's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAP). 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 Chelsea, Vermont, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, 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 Village of Chelsea's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Chelsea'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 (GAAP) require that the management's discussion and analysis on pages 3 through 6, the Schedule of Proportionate Share of the Net Position Liability on Schedule 2 and the Schedule of Contributions on Schedule 3, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual on Schedule 1, page 39, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (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.

### **Supplementary Information**

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

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Batchelder Associates, PC*

Batchelder Associates, PC  
License #945  
Barre, Vermont  
March 13, 2025

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2024

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, 2024. This report should be read in conjunction with the Town's financial statements.

**Financial Highlights**

- The Town's net position increased by \$53,704 as a result of this year's operations. Net position of our business-type activities decreased by \$129,183 and net position of our governmental activities increased by \$182,886.
- In the Town's business-type activities, revenues and transfers were \$192,606 while expenses and transfers were \$321,790. Net position at December 31, 2024 totaled \$433,984.
- The cost of all the Town's programs was \$1,491,361 this year, with no new programs added.
- The General Fund reported a deficit this year of \$98,684.
- The unassigned fund balance for the General Fund was \$506,460 as of December 31, 2024. This amount represents the amount of funds available for future budgets.
- The Highway Fund reported a surplus this year of \$57,637 which resulted in a fund deficit of \$82,894 as of December 31, 2024.
- The Other Governmental Funds reported a surplus of \$323,909 which increased the cumulative surplus to \$839,846.

**Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (page 7 and 8) 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 page 9. 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 page 7 and 8. 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, 2024

*Reporting the Town's Most Significant Funds*

The fund financial statements begin on page 9 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 on page 10 and 12 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.

**The Town as a Whole**

The Town's combined net position increased by \$53,704 from 2023, increasing from a balance of \$2,491,801 to \$2,545,505. 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	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 1,746,574	\$ 1,439,079	\$ 56,658	\$ 409,695	\$ 1,803,232	\$ 1,848,774
Capital assets, depreciable	1,517,796	1,648,885	701,942	730,395	2,219,738	2,379,280
<b>Total Assets</b>	<b>3,264,370</b>	<b>3,087,964</b>	<b>758,600</b>	<b>1,140,090</b>	<b>4,022,970</b>	<b>4,228,054</b>
Deferred outflows of resources	58,003	23,944	-	-	58,003	23,944
Long-term liabilities outstanding	777,983	774,883	295,758	352,202	1,073,741	1,127,085
Other liabilities	432,863	408,383	28,857	224,722	461,720	633,105
<b>Total Liabilities</b>	<b>1,210,846</b>	<b>1,183,266</b>	<b>324,615</b>	<b>576,924</b>	<b>1,535,461</b>	<b>1,760,190</b>
Deferred inflows of resources	7	7	-	-	7	7
<b>Net Position</b>						
Invested in capital assets	785,196	874,001	701,942	730,395	1,487,138	1,604,396
Nonspendable	1,007	2,915	-	-	1,007	2,915
Committed	839,846	515,938	-	-	839,846	515,938
Assigned	-	(140,530)	-	-	-	(140,530)
Unassigned	485,471	676,308	(267,958)	(167,228)	217,513	509,080
<b>Total Net Position</b>	<b>\$ 2,111,520</b>	<b>\$ 1,928,634</b>	<b>\$ 433,984</b>	<b>\$ 563,167</b>	<b>\$ 2,545,504</b>	<b>\$ 2,491,799</b>

TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2024

Table 2  
Change in Net Position

	Governmental Activities		Business-Type Activities		Total Government	
	2024	2023	2024	2023	2024	2023
<b>REVENUES:</b>						
Program revenues						
Charges for services	\$ 104,899	\$ 103,458	\$ 175,347	\$ 175,700	\$ 280,246	\$ 279,158
Intergovernmental	136,859	181,995	-	-	136,859	181,995
Capital grants and contributions	184,453	362,372	-	-	184,453	362,372
General revenues						
Property taxes	1,088,743	1,034,967	-	-	1,088,743	1,034,967
Property taxes - interest and penalties	18,782	18,183	-	-	18,782	18,183
Licenses and permits	3,295	3,327	-	-	3,295	3,327
Investment income	25,440	28,670	9,761	10,888	35,201	39,558
Miscellaneous	111,777	58,555	5,000	5,000	116,777	63,555
Total revenues	<u>1,674,247</u>	<u>1,791,527</u>	<u>190,108</u>	<u>191,588</u>	<u>1,864,355</u>	<u>1,983,115</u>
<b>EXPENDITURES:</b>						
General government	360,299	374,358	-	-	360,299	374,358
Public safety	94,654	63,493	-	-	94,654	63,493
Highway and streets	875,198	1,098,148	-	-	875,198	1,098,148
Public works	2,500	2,500	-	280,405	2,500	282,905
Community Services	87,977	87,927	-	-	87,977	87,927
Cemetery	47,660	49,636	-	-	47,660	49,636
Interest	23,072	23,804	13,077	14,032	36,149	37,836
Water	-	-	91,527	-	91,527	-
Sewer	-	-	214,685	-	214,685	-
Total expenditures	<u>1,491,361</u>	<u>1,699,866</u>	<u>319,290</u>	<u>294,437</u>	<u>1,810,650</u>	<u>1,994,303</u>
Net Change in Fund Balances	<u>182,886</u>	<u>91,661</u>	<u>(129,183)</u>	<u>(102,849)</u>	<u>53,704</u>	<u>(11,188)</u>
Fund Balances - beginning	<u>1,928,634</u>	<u>1,836,973</u>	<u>563,167</u>	<u>666,016</u>	<u>2,491,801</u>	<u>2,502,989</u>
Fund Balances - ending	<u>\$ 2,111,520</u>	<u>\$ 1,928,634</u>	<u>\$ 433,984</u>	<u>\$ 563,167</u>	<u>\$ 2,545,505</u>	<u>\$ 2,491,801</u>

### The Town's Funds

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on page 9) reported a combined fund balance of \$1,264,420 which represents an increase of \$282,861 from last year's total of \$981,558. Included in this year's total Change in Fund Balance is a deficit of \$98,684 in the Town's General Fund.

Schedule 1 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	\$ 726,178	\$ 610,747	\$ (115,431)
Highway Budget	\$ 936,056	\$ 946,630	\$ 10,574
<b>Expenditures:</b>			
General Budget	\$ 726,178	\$ 709,431	\$ 16,747
Highway Budget	\$ 939,056	\$ 888,994	\$ 50,062



TOWN OF CHELSEA, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2024

**Capital Assets and Debt Administration**

*Capital Assets*

At December 31, 2024, the Town had \$2,219,738 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 decrease (including additions, disposals, and depreciation) of \$159,542 from last year.

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

	Governmental Activities		Business-type Activities		Total Government	
	2024	2023	2024	2023	2024	2023
Buildings and improvements	\$ 854,354	\$ 881,896	\$ 246,974	\$ 260,983	\$ 1,101,328	\$ 1,142,879
Infrastructure	383,380	409,897	-	-	383,380	409,897
Equipment	10,090	10,090	-	-	10,090	10,090
Vehicles	269,972	347,002	454,968	469,412	724,940	816,414
Total Assets	<u>\$ 1,517,796</u>	<u>\$ 1,648,885</u>	<u>\$ 701,942</u>	<u>\$ 730,395</u>	<u>\$ 2,219,738</u>	<u>\$ 2,379,280</u>

*Debt Administration*

At December 31, 2024, the Town had \$1,057,074 in notes outstanding versus \$1,127,085 on December 31, 2023 – a decrease of \$70,011.

Table 4  
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Bond and notes payable	\$ 732,600	\$ 774,883	\$ 324,474	\$ 352,202	\$1,057,074	\$ 1,127,085
Totals	<u>\$ 732,600</u>	<u>\$ 774,883</u>	<u>\$ 324,474</u>	<u>\$ 352,202</u>	<u>\$1,057,074</u>	<u>\$ 1,127,085</u>

**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 2025 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, 2025.

**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 Administrator at Town of Chelsea, P.O. Box 266, Chelsea, Vermont, 05038.

TOWN OF CHELSEA, VERMONT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2024

<u>ASSETS</u>	Governmental Activities	Business-type Activities	Total
Cash	\$ 1,532,451	\$ 72,387	\$ 1,604,838
Investments	103,694	-	103,694
Accounts receivable, net	15,553	12,933	28,486
Delinquent taxes receivable, net	115,665	-	115,665
Prepaid Expenses	1,007	-	1,007
Due to/ from other funds	(21,796)	(28,662)	(50,458)
Capital assets:			
Buildings and building improvements	2,742,485	2,344,588	5,087,073
Infrastructure	696,766	-	696,766
Vehicles	1,054,720	-	1,054,720
Equipment	305,211	577,759	882,970
Accumulated depreciation	(3,281,386)	(2,220,405)	(5,501,791)
Total assets	<u>3,264,370</u>	<u>758,600</u>	<u>4,022,970</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows due to VMERS	58,003	-	58,003
Total deferred outflows of resources	<u>58,003</u>	<u>-</u>	<u>58,003</u>
<u>LIABILITIES</u>			
Accounts payable	8,557	-	8,557
Accrued expenses	25,027	-	25,027
Grant advances	365,979	-	365,979
Other current liabilities	-	141	141
Current portion of long term debt	33,300	28,716	62,016
Noncurrent liabilities:			
Long term debt	699,300	295,758	995,058
Net pension liability	74,041	-	74,041
Uncompensated balances	4,642	-	4,642
Total liabilities	<u>1,210,846</u>	<u>324,615</u>	<u>1,535,461</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid property taxes	7	-	7
Total deferred inflows of resources	<u>7</u>	<u>-</u>	<u>7</u>
<u>NET POSITION</u>			
Invested in capital assets	785,196	701,942	1,487,138
Nonspendable	1,007	-	1,007
Committed	839,846	-	839,846
Unassigned	485,471	(267,958)	217,513
Total Net Position	<u>\$ 2,111,520</u>	<u>\$ 433,984</u>	<u>\$ 2,545,504</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, 2024

		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:	Expenses						
General government	\$ 360,299	\$ 13,888	\$ 136,459	\$ -	\$ (209,952)	\$ -	\$ (209,952)
Public safety	94,654	-	-	-	(94,654)	-	(94,654)
Highway and streets	875,198	91,012	-	184,453	(599,733)	-	(599,733)
Sanitation	2,500	-	400	-	(2,100)	-	(2,100)
Community Services	87,977	-	-	-	(87,977)	-	(87,977)
Cemetery	47,660	-	-	-	(47,660)	-	(47,660)
Interest on long-term debt	23,072	-	-	-	(23,072)	-	(23,072)
Total governmental activities	<u>1,491,361</u>	<u>104,900</u>	<u>136,859</u>	<u>184,453</u>	<u>(1,065,149)</u>	<u>-</u>	<u>(1,065,149)</u>
Business-type activities:							
Water	91,527	61,803	-	-	-	(29,725)	(29,725)
Sewer	214,685	113,543	-	-	-	(101,142)	(101,142)
Interest on long-term debt	13,077	-	-	-	-	(13,077)	(13,077)
Total business-type activities	<u>319,290</u>	<u>175,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(143,944)</u>	<u>(143,944)</u>
Total primary government	<u>\$ 1,810,651</u>	<u>\$ 280,246</u>	<u>\$ 136,859</u>	<u>\$ 184,453</u>	<u>(1,065,149)</u>	<u>(143,944)</u>	<u>(1,209,093)</u>
General Revenues:							
Property taxes					1,088,742	-	1,088,742
Property taxes - interest and penalties					18,782	-	18,782
Licenses and permits					3,295	-	3,295
Investment income					25,440	9,761	35,201
Miscellaneous					111,777	5,000	116,777
Total general revenues and transfers					<u>1,248,036</u>	<u>14,761</u>	<u>1,262,797</u>
Change in Net Position					182,886	(129,183)	53,704
Net Position - January 1, 2024					<u>1,928,634</u>	<u>563,167</u>	<u>2,491,801</u>
Net Position - December 31, 2024					<u>\$ 2,111,520</u>	<u>\$ 433,984</u>	<u>\$ 2,545,505</u>

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

TOWN OF CHELSEA, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2024

	General Fund	Highway Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 1,186,743	\$ -	\$ 345,709	\$ 1,532,452
Investments	-	-	103,694	103,694
Accounts receivable, net				
Accounts receivable, net	8,300	-	-	8,300
Delinquent taxes receivable, net	115,665	-	-	115,665
Other receivables	7,253	-	-	7,253
Prepaid expenses	1,007	-	-	1,007
Due to/from	-	-	756,422	756,422
Total assets	<u>\$ 1,318,968</u>	<u>\$ -</u>	<u>\$ 1,205,825</u>	<u>\$ 2,524,793</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,937	\$ 5,620	\$ -	\$ 8,557
Grant advances	-	-	365,979	365,979
Due to/from	721,574	56,644	-	778,219
Accrued payroll and liabilities	4,397	20,630	-	25,027
Total liabilities	<u>728,908</u>	<u>82,894</u>	<u>365,979</u>	<u>1,177,781</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Prepaid property taxes	7	-	-	7
Deferred taxes	82,586	-	-	82,586
Total deferred inflows of resources	<u>82,593</u>	<u>-</u>	<u>-</u>	<u>82,593</u>
<b>FUND BALANCES</b>				
Nonspendable	1,007	-	-	1,007
Committed	-	-	839,846	839,846
Unassigned	506,460	(82,894)	-	423,566
Total fund balances	<u>507,467</u>	<u>(82,894)</u>	<u>839,846</u>	<u>1,264,420</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,318,968</u>	<u>\$ -</u>	<u>\$ 1,205,825</u>	<u>\$ 2,524,793</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, 2024

Amounts reported for governmental activities in the statement of net position  
(page 7) are different because:

Fund balance - total governmental funds (page 9)		\$ 1,264,420
Government funds report delinquent taxes received after the first sixty days of the next fiscal year as deferred revenue. However, they are reported as revenue in the government-wide financial statements.		82,586
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.		
Cost of assets	4,799,182	
Accumulated depreciation	<u>(3,281,386)</u>	1,517,796
Long-term liabilities, including bonds and loan payable are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end	(732,600)	
Accrued vacation	<u>(4,642)</u>	(737,242)
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported in the funds.		
Net pension liability	(74,041)	
Deferred outflows of resources related to net pension liability	<u>58,003</u>	<u>(16,040)</u>
Net position - governmental activities (page 7)		<u><u>\$ 2,111,520</u></u>

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, 2024

	General Fund	Highway Fund	Non-Major Governmental Funds	Totals
REVENUES:				
Property taxes	\$ 296,652	\$ 747,632	\$ 35,500	\$ 1,079,784
Property taxes - interest and penalties	18,782	-	-	18,782
Grant Income	7,774	184,453	-	192,228
Intergovernmental	110,495	-	18,590	129,085
Charges for services	101,612	-	3,288	104,900
Licenses and fees	3,295	-	-	3,295
Investment income	10,675	-	14,765	25,440
Miscellaneous	61,462	14,545	35,770	111,777
Total revenues	610,747	946,630	107,913	1,665,289
EXPENDITURES:				
General government	329,811	-	10,944	340,755
Public safety	94,654	-	-	94,654
Public works	113,874	629,653	-	743,528
Sanitation	2,500	-	-	2,500
Community Services	87,977	-	-	87,977
Cemetery	24,600	-	23,060	47,660
Debt service:				
Principal	33,300	8,983	-	42,283
Interest	22,715	357	-	23,072
Total expenditures	709,431	638,994	34,004	1,382,428
Excess (Deficiency) of Revenues Over Expenditures	(98,684)	307,637	73,909	282,861
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	250,000	250,000
Transfers out	-	(250,000)	-	(250,000)
Total other financing sources (uses)	-	(250,000)	250,000	-
Net Change in Fund Balances	(98,684)	57,637	323,909	282,861
Fund Balances - January 1, 2024	606,151	(140,530)	515,938	981,558
Fund Balances - December 31, 2024	\$ 507,467	\$ (82,894)	\$ 839,846	\$ 1,264,420

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, 2024

Amounts reported for governmental activities in the statement of activities (page 8) are different because:

Net change in fund balances - total governmental funds (page 11)	\$ 282,861
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$0) are allocated over their estimated useful life and reported as depreciation expense (\$131,089). This is the amount by which capital outlays exceeded depreciation in the current period.	(131,089)
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:	8,957
The issuance of long-term debt (\$0) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$42,283) 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.	42,283
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses are from the following activities:	
Compensated absences	(1,660)
Governmental funds report OPEB and pension contributions as expenditures. However, in the Statement of Activities, pension expense reflects the change in the net pension liability and related outflow and inflow of resources, and does not require the use of current financial resources. This amount by which pension expense differed from pension contribution in the current period:	
Net change in pension expense	(18,466)
Change in net position of governmental activities (page 8)	<u>\$ 182,886</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, 2024

	Water Fund	Water Sinking Fund	Sewer Fund	Sewer Sinking Fund	Totals
<b>ASSETS</b>					
Current assets:					
Cash	\$ 18,740	\$ 45,821	\$ -	\$ 7,826	\$ 72,387
Accounts receivable, net	4,390	-	8,544	-	12,933
Due to/from	-	170,101	-	167,670	337,771
Total current assets	<u>23,131</u>	<u>215,922</u>	<u>8,544</u>	<u>175,496</u>	<u>423,091</u>
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	(423,612)	-	(1,796,793)	-	(2,220,405)
Total non-current assets	<u>699,505</u>	<u>-</u>	<u>2,438</u>	<u>-</u>	<u>701,942</u>
Total assets	<u>\$ 722,634</u>	<u>\$ 215,922</u>	<u>\$ 10,981</u>	<u>\$ 175,496</u>	<u>\$ 1,125,033</u>
<b>LIABILITIES</b>					
Current portion of long term debt	\$ 28,716	\$ -	\$ -	\$ -	\$ 28,716
Long term debt	295,758	-	-	-	295,758
Other Current Liabilities	141	-	-	-	141
Due to/from	<u>185,295</u>	<u>-</u>	<u>181,138</u>	<u>-</u>	<u>366,433</u>
Total liabilities	<u>509,910</u>	<u>-</u>	<u>181,138</u>	<u>-</u>	<u>691,048</u>
<b>NET POSITION</b>					
Net investment in capital assets	699,505	-	2,438	-	701,942
Unrestricted (deficit)	<u>(486,781)</u>	<u>215,922</u>	<u>(172,595)</u>	<u>175,496</u>	<u>(267,958)</u>
Total net position	<u>212,724</u>	<u>215,922</u>	<u>(170,157)</u>	<u>175,496</u>	<u>433,984</u>
Total liabilities and net position	<u>\$ 722,634</u>	<u>\$ 215,922</u>	<u>\$ 10,981</u>	<u>\$ 175,496</u>	<u>\$ 1,125,033</u>

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, 2024

	Water Fund Actual	Water Sinking Fund Actual	Sewer Fund Actual	Sewer Sinking Fund Actual	Totals
OPERATING REVENUES:					
Charges for services	\$ 61,803	\$ -	\$ 113,543	\$ -	\$ 175,345
Other income	-	5,000	-	-	5,000
Total operating revenues	61,803	5,000	113,543	-	180,345
OPERATING EXPENSES:					
Personnel	-	-	4,396	-	4,396
Occupancy	12,194	-	10,421	-	22,616
Contracted services	-	-	103,589	-	103,589
Depreciation	28,078	-	375	-	28,453
Operations	51,255	-	95,905	-	147,160
Total operating expenses	91,527	-	214,685	-	306,213
Total operating income	(29,725)	5,000	(101,142)	-	(125,867)
NON-OPERATING INCOME/(EXPENSES):					
Interest expense	(13,077)	-	-	-	(13,077)
Interest income	422	5,004	-	4,335	9,761
Total non-operating income	(12,655)	5,004	-	4,335	(3,316)
OTHER FINANCING SOURCES:					
Transfers in	-	-	-	2,500	2,500
Transfers out	-	-	(2,500)	-	(2,500)
Total other financing sources	-	-	(2,500)	2,500	-
Change in Net Position	(42,379)	10,004	(103,642)	6,835	(129,183)
Net Position - January 1, 2024	255,103	205,918	(66,515)	168,661	563,167
Net Position - December 31, 2024	<u>\$ 212,724</u>	<u>\$ 215,922</u>	<u>\$ (170,157)</u>	<u>\$ 175,496</u>	<u>\$ 433,984</u>

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, 2024

	Water Fund Actual	Water Sinking Fund Actual	Sewer Fund Actual	Sewer Sinking Fund Actual	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 61,803	\$ -	\$ 113,543	\$ -	\$ 170,523
Other operating cash receipts	-	5,000	-	-	7,500
Cash payments to employees for services	-	-	(4,396)	-	(33,617)
Cash payments to suppliers for goods and services	(63,128)	-	(205,722)	-	(219,311)
Net cash provided (used) by operating activities	(1,325)	5,000	(96,575)	-	(74,905)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Due to/from other funds	42,823	(63,340)	99,075	(44,660)	(158,625)
Transfers from other funds	-	-	(2,500)	2,500	(5,000)
Net cash provided (used) by noncapital financing activities	42,823	(63,340)	96,575	(42,160)	(163,625)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Repayment of debt	(27,729)	-	-	-	(26,773)
Net cash provided (used) by capital and related financing activities	(27,729)	-	-	-	(26,773)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest expense	(13,077)	-	-	-	(14,032)
Interest income	422	5,004	-	4,335	10,888
Net cash provided by investing activities	(12,655)	5,004	-	4,335	(3,144)
Net Increase in Cash	1,114	(53,336)	-	(37,825)	(268,447)
Cash - January 1, 2024	17,626	99,157	-	45,651	162,434
Cash - December 31, 2024	<u>\$ 18,740</u>	<u>\$ 45,821</u>	<u>\$ -</u>	<u>\$ 7,826</u>	<u>\$ 72,387</u>
ADJUSTMENTS TO RECONCILE INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Income (loss) from operations	\$ (29,725)	\$ 5,000	\$ (101,142)	\$ -	\$ (94,707)
Depreciation	28,078	-	375	-	28,453
(Increase) decrease in accounts receivable	366	-	4,192	-	(5,175)
Increase (decrease) in accounts payable	(45)	-	-	-	(3,476)
Net cash provided (used) by operating activities	<u>\$ (1,325)</u>	<u>\$ 5,000</u>	<u>\$ (96,575)</u>	<u>\$ -</u>	<u>\$ (74,905)</u>

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

TOWN OF CHELSEA, VERMONT  
FIDUCIARY NET POSITION  
DECEMBER 31, 2024

	<u>Trust Funds</u>
ASSETS	
Cash	\$ 23,555
Investments	70,831
Due to/from	<u>50,458</u>
Total assets	<u><u>\$ 144,843</u></u>
LIABILITIES	
Total liabilities	<u>\$ -</u>
FUND BALANCES	
Restricted	<u>144,843</u>
Total fund balances	<u>144,843</u>
Total liabilities and fund balances	<u><u>\$ 144,843</u></u>

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

TOWN OF CHELSEA, VERMONT  
CHANGES IN TRUSTEE FUNDS NET POSITION  
DECEMBER 31, 2024

	<u>Trust Funds</u>
ADDITIONS:	
Investment Income	\$ 9,737
Donations	<u>3,915</u>
Total additions	<u>\$ 13,652</u>
DEDUCTIONS	
Community development	\$ 1,400
Culture and recreation	<u>8,748</u>
Total deductions	<u>10,148</u>
Change in net position	3,504
Net position - January 1, 2024	<u>141,339</u>
Net position - December 31, 2024	<u><u>\$ 144,843</u></u>

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

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

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  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**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 non-spendable, 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  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**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  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**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 pipes (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 \$4,642 uncompensated balances at December 31, 2024.

*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 \$4,642 uncompensated balances at December 31, 2024.

*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  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**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, 2024, the Town did not expend more than what was appropriated in the General Fund.

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  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

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

*New Pronouncement – Pension Plans*

Effective April, 2022, 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  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**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	\$1,532,452	\$ -	\$ -	\$ -	\$ -	\$ 1,532,452
Investments	103,694	-	-	-	-	103,694
Accounts receivable	8,300	-	-	-	-	8,300
Delinquent taxes receivable	115,665	-	-	-	-	115,665
Due to/from other funds	756,422	-	-	-	(778,219)	(21,797)
Other receivables	7,253	-	-	-	-	7,253
Prepaid Expenses	1,007	-	-	-	-	1,007
Capital assets	-	-	1,517,796	-	-	1,517,796
Total assets	<u>\$2,524,793</u>	<u>-</u>	<u>1,517,796</u>	<u>-</u>	<u>(778,219)</u>	<u>3,264,370</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to VMERS	-	58,003	-	-	-	58,003
Total assets and deferred outflows	<u>2,524,793</u>	<u>58,003</u>	<u>1,517,796</u>	<u>-</u>	<u>(778,219)</u>	<u>3,322,373</u>
<b>LIABILITIES</b>						
Accounts payable	8,557	-	-	-	-	8,557
Grant advances	365,979	-	-	-	-	365,979
Accrued payroll and liabilities	25,027	4,642	-	-	-	29,669
Due to/from other funds	778,219	-	-	-	(778,219)	-
Net pension liability	-	74,041	-	-	-	74,041
Non-current obligations	-	-	-	732,600	-	732,600
Total Liabilities	<u>1,177,781</u>	<u>78,683</u>	<u>-</u>	<u>732,600</u>	<u>(778,219)</u>	<u>1,210,846</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Prepaid property taxes	7	-	-	-	-	7
Deferred taxes	82,586	(82,586)	-	-	-	-
Total Deferred Inflows and resources	<u>82,593</u>	<u>(82,586)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7</u>
<b>FUND BALANCES</b>						
Invested in capital assets	-	-	1,517,796	(732,600)	-	785,196
Nonspendable	1,007	-	-	-	-	1,007
Committed	839,846	-	-	-	-	839,846
Unassigned	423,566	61,906	-	-	-	485,471
	<u>1,264,420</u>	<u>61,906</u>	<u>1,517,796</u>	<u>(732,600)</u>	<u>-</u>	<u>2,111,520</u>
Total liabilities and fund balances	<u>\$ 2,524,793</u>	<u>\$ 58,003</u>	<u>\$ 1,517,796</u>	<u>\$ -</u>	<u>\$ (778,219)</u>	<u>\$ 3,322,373</u>

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

**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	\$ 1,079,784	\$ 8,957	\$ -	\$ -	\$ 1,088,741
Property Tax penalties and interest	18,782	-	-	-	18,782
Grant Income	192,228	-	-	-	192,228
Intergovernmental	129,085	-	-	-	129,085
Charges for current services	104,900	-	-	-	104,900
Licenses and Permits	3,295	-	-	-	3,295
Investment income	25,440	-	-	-	25,440
Miscellaneous	111,777	-	-	-	111,777
Total Revenues	<u>1,665,289</u>	<u>8,957</u>	<u>-</u>	<u>-</u>	<u>1,674,248</u>
<b>EXPENDITURES</b>					
General government	340,755	18,467	1,078	-	360,300
Public safety	94,654	-	-	-	94,654
Highway and streets	743,528	1,660	130,011	-	875,199
Sanitation	2,500	-	-	-	2,500
Community Services	87,977	-	-	-	87,977
Cemetery	47,660	-	-	-	47,660
Debt service:					
Principal	42,283	-	-	(42,283)	-
Interest	23,072	-	-	-	23,072
Total expenditures	<u>1,382,428</u>	<u>20,127</u>	<u>131,089</u>	<u>(42,283)</u>	<u>1,491,361</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>282,861</u>	<u>(11,170)</u>	<u>(131,089)</u>	<u>42,283</u>	<u>182,886</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	250,000	-	-	-	250,000
Transfers out	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>
Net Change in Fund Balances	<u>\$ 282,861</u>	<u>\$ (11,170)</u>	<u>\$ (131,089)</u>	<u>\$ 42,283</u>	<u>\$ 182,886</u>

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

**NOTE 3 – CASH AND INVESTMENTS**

**Cash and Investments**

The Town's cash and investments as of December 31, 2024 are as follows:

	Governmental Activities	Business - Type Activities	Total
Category 1	\$ 177,613	\$ 72,387	\$ 250,000
Category 4	1,458,532	-	1,458,532
Total Cash and Investments	<u>\$ 1,636,145</u>	<u>\$ 72,387</u>	<u>\$ 1,708,532</u>

The cash deposits held at financial institutions and cash on hand can be categorized according to four (4) levels of risk:

Category 1 - Deposits which are insured or collateralized with securities held by the Town or by its agent in the Town's name (repurchase agreements).

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

Category 3 - Private commercial insurance protection or letters of credit for funds in excess of FDIC limits.

Category 4 - Deposits which are not collateralized or insured (includes cash on hand).

**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, 2024. 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  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**NOTE 3 – CASH AND INVESTMENTS (continued)**

**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	\$ 1,532,451	\$ 1,558,448
Business-Type Activities	72,387	74,252
	<u>Insured by FDIC</u>	<u>Insured by FDIC</u>
	\$ 250,000	\$ 250,000
	<u>Uninsured Deposits</u>	<u>Uninsured Deposits</u>
	\$ 1,354,838	\$ 1,382,700

**NOTE 4 - RECEIVABLES**

There is no allowance for uncollectible accounts. Receivables as of December 31, 2024 are as follows:

	Receivables
General Fund	
Delinquent taxes receivable	\$ 115,665
Accounts receivables, net	15,553
	<u>\$ 131,218</u>
Proprietary Funds	
Water Fund	\$ 4,390
Sewer Fund	8,543
Total	<u>\$ 12,933</u>
Net Receivables	<u>\$ 144,151</u>

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

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2024 was as follows:

<b>General Government</b>	Beginning Balances	Increases	Ending Balances
Capital assets being depreciated:			
Buildings/improvements	\$ 2,742,485	\$ -	\$ 2,742,485
Infrastructure	696,766	-	696,766
Vehicles	1,054,720	-	1,054,720
Equipment	305,211	-	305,211
Total capital assets, being depreciated	<u>4,799,182</u>	<u>-</u>	<u>4,799,182</u>
Less accumulated depreciation:			
Buildings/improvements	1,860,589	27,542	1,888,131
Infrastructure	286,869	26,517	313,386
Vehicles	707,718	77,030	784,748
Equipment	295,121	-	295,121
	<u>3,150,297</u>	<u>131,089</u>	<u>3,281,386</u>
Net assets	<u>\$ 1,648,885</u>	<u>\$ (131,089)</u>	<u>\$ 1,517,796</u>
<b>Business-type activities</b>	Beginning Balances	Increases	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>2,922,347</u>
Less accumulated depreciation			
Buildings/improvements	2,083,605	14,009	2,097,614
Equipment	108,347	14,444	122,791
	<u>2,191,952</u>	<u>28,453</u>	<u>2,220,405</u>
Net assets	<u>\$ 730,395</u>	<u>\$ (28,453)</u>	<u>\$ 701,942</u>

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

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

Depreciation expense was charged to functions as follows:

General government		
General government	\$	1,078
Highway		130,011
	\$	<u>131,089</u>
Business-type activities		
Water and Sewer	\$	<u>28,453</u>

**NOTE 6 – DEFERRED OUTFLOWS OF RESOURCES**

Beginning in May of 2022, the Town began contributing to the Vermont Municipal Employees Retirement System (VMERS), creating a deferred outflow of resources. The amount that the Town contributed in the year ending December 31, 2024 was \$58,003.

**NOTE 7 – DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources in the Governmental Activities consists of \$7 for prepaid property taxes.

Deferred inflows of resources in the General Fund consists of \$82,586 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 \$7 for prepaid property taxes. Total deferred inflows of resources in the General Fund are \$73,635.

**NOTE 8 – SHORT-TERM LIABILITIES**

During the year ended December 31, 2024, the Town had no short-term liabilities.



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

**NOTE 9 – LONG-TERM LIABILITIES**

The following is a summary of long-term liabilities for the year ended December 31, 2024:

	Beginning Balance	Deletions	Ending Balance
Governmental Activities:			
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 \$56,015.	\$ 765,900	\$ 33,300	\$ 732,600
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.	\$ 8,983	\$ 8,983	\$ -
	<u>\$ 774,883</u>	<u>\$ 42,283</u>	<u>\$ 732,600</u>
Business-Type Activities:			
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.	\$ 269,108	\$ 16,843	\$ 252,265
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.	\$ 62,231	\$ 8,152	\$ 54,079
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.	\$ 20,863	\$ 2,733	\$ 18,130
	<u>\$ 352,202</u>	<u>\$ 27,728</u>	<u>\$ 324,474</u>

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

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

Long-term debt will mature approximately as follows:

Governmental Activities:

<u>Years ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31, 2025	\$ 33,300	\$ 21,952	\$ 55,252
December 31, 2026	33,300	21,146	54,446
December 31, 2027	33,300	20,290	53,590
December 31, 2028-2032	166,500	87,767	254,267
December 31, 2033-2037	166,500	63,536	230,036
December 31, 2038-2042	166,500	37,491	203,991
Thereafter	133,200	10,760	143,960
Total	<u>\$ 732,600</u>	<u>\$ 262,942</u>	<u>\$ 995,542</u>

Business-Type Activities:

<u>Years ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 31, 2025	\$ 28,716	\$ 12,089	\$ 40,805
December 31, 2026	29,740	11,065	40,805
December 31, 2027	30,801	10,004	40,805
December 31, 2028-2032	144,152	33,101	177,253
December 31, 2033-2037	91,065	8,823	99,888
Total	<u>\$ 324,474</u>	<u>\$ 75,082</u>	<u>\$ 399,556</u>

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

**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	
	Governmental	Proprietary	(Page 7)	
	Funds	Funds	Governmental	Business-type
	(Page 9)	(Page 13)	Activities	Activities
Nonspendable				
General Fund	\$ 1,007	\$ -	\$ 1,007	\$ -
	<u>1,007</u>	<u>-</u>	<u>1,007</u>	<u>-</u>
Committed:				
Reappraisal Fund	89,746	-	89,746	-
Cemetery Fund	129,193	-	129,193	-
Restoration of Records	21,217	-	21,217	-
Transfer Station Fund	7,500	-	7,500	-
Town Hall Renovation	75,579	-	75,579	-
Equipment Fund	309,378	-	309,378	-
Relief Fund	700	-	700	-
Resurfacing Fund	89,289	-	89,289	-
Highway Matching Fund	117,244	-	117,244	-
	<u>839,846</u>	<u>-</u>	<u>839,846</u>	<u>-</u>
Unassigned (governmental funds)/Unrestricted (business-type funds)	<u>423,566</u>	<u>(267,958)</u>	<u>485,470</u>	<u>(267,958)</u>
Invested in Capital Assets, Net of Related Debt	<u>-</u>	<u>701,942</u>	<u>785,196</u>	<u>701,942</u>
Total Fund Balances/Net Position	<u>\$ 1,264,420</u>	<u>\$ 433,984</u>	<u>\$ 2,111,520</u>	<u>\$ 433,984</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, 2024 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  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024

**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 2024 were as follows:

	<u>Homestead</u>	<u>Non- Residential</u>
Education tax	\$ 1.7300	\$ 1.9883
Fire district	0.0839	0.0839
Veterans exemption	0.0044	0.0044
Chelsea grange	0.0006	0.0006
Health center	0.0071	0.0071
Highway	0.5734	0.5734
Municipal	0.2379	0.2379
	<hr/>	<hr/>
Total	\$ 2.6373	\$ 2.8956
	<hr/>	<hr/>

**NOTE 13 – TAX SALE**

During the year ended December 31, 2024, Town had no tax sales.

**NOTE 14 – PENSION PLAN**

***Defined Benefit Plan***

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2023, the retirement system consisted of 357 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five (5) members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

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

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

**NOTE 14 – PENSION PLAN (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

As of June 30, 2023, the measurement date selected by the State of Vermont, VMERS was funded at 74.01% and had a plan fiduciary net position of \$912,113,032 and a total pension liability of \$1,232,406,785 resulting in a net pension liability of \$320,293,753. As of June 30, 2023, the Town's proportionate share of this was 0.02313% resulting in a liability of \$74,041. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2023, the Town's proportion of 0.02312% was a decrease of 0.68588% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2024, the Town recognized pension expense of \$9,686.

As of December 31, 2024, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflow of	Deferred Inflow of
Difference between expected and actual experience	\$ 4,643	\$ -
Changes in assumptions	2,413	-
Difference between projected and actual earnings on pension plan investments	8,424	-
Changes in proportional share of contributions	33,741	-
Town's required employer contributions made subsequent to the measurement date	8,782	-
	<u>\$ 58,003</u>	<u>\$ -</u>

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$8,782 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30	
2024	\$ 16,854
2025	13,561
2026	18,980
2027	(174)
Total	<u>\$ 49,221</u>

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

**NOTE 14 – PENSION PLAN (continued)**

**Summary of System Provisions**

Membership – Full time employees of participating municipalities. The Town elected coverage under Groups A and C.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC): Group A – Average annual compensation during highest five (5) consecutive years.

Service Retirement Allowance:

Eligibility: Group A – The earlier of age 65 with five (5) years of service or age 55 with thirty-five (35) years of service.

Amount: Group A – 1.4% of AFC service x service.

Maximum benefit is 60% of AFC for Group A. The above amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility: Age 55 with five (5) years of service for Group A.

Amount: Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group A members.

Vested Retirement Allowance:

Eligibility: Five (5) years of service.

Amount: Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on "Post-Retirement Adjustments."

Disability Retirement Allowance:

Eligibility: Five (5) years of service and disability as determined by Retirement Board.

Amount: Immediate allowance based on AFC and service to date of disability.

Death Benefit:

Eligibility: Death after five (5) years of service.

Amount: For Groups A, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death.

Optional Benefit and Death after Retirement: For Groups A, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee.

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

Post-Retirement Adjustments: Allowance in payment for at least one (1) year increased on each January 1 by one-half of the percentage increase in Consumer Price Index, but not more than 2% for Group A.

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

**NOTE 14 – PENSION PLAN (continued)**

**Summary of System Provisions(continued)**

Member Contributions: Group A – 3.75%

Employer Contributions: Group A – 5.25%

Retirement Stipend: \$25 per month payable at the option of the Board of Retirees.

**Significant Actuarial Assumptions and Methods**

Interest Rate – 7.0% per annum.

Salary increases – Varying service-based rates from 0-10 years of service, then a single rate of 4.5% (includes assumed inflation of 2.30%) for all subsequent years.

Mortality:

Pre-retirement – 40% PubG-2010 General Employee below-median and 60% of PubG-2010 General Employee, generational projection using scale MP-2021.

Healthy Post-retirement: 104% of 40% PubG-2010 General Healthy Retiree below-median and 60% of PubG-2010 General Healthy Retiree, with general projection using scale MP-2021.

Healthy Post-retirement – 70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor, with generational projection using scale MP-2021.

Disabled Post-retirement – PubNS-2010 Non-Safety Disabled Retiree Mortality Table with generational projection using scale MP-2021.

Spouse's Age: Females three (3) years younger than males

Cost-of-Living Adjustments to Benefits - 1.1% per annum for Group A. The January 1, 2023 COLA is assumed to be 2.00% for Group A.

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

Actuarial Value of Assets – A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from market value of assets by more than 20%.

Inflation- 2.30%

Long-term Expected Rate of Return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023, is summarized in the following table:

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

**NOTE 14 – PENSION PLAN (continued)**

**Significant Actuarial Assumptions and Methods (continued)**

Asset Class	Target Allocation	Long-Term Expected Rea Rate of Return
Global Equities	44.00%	5.35%
Private Equity	10.00%	7.50%
Emerging Market Debt	2.00%	5.00%
Private & Alternative Credit	10.00%	5.50%
Non-Core Real Estate	4.00%	5.50%
Core Fixed Income	19.00%	1.50%
Core Real Estate	4.00%	3.25%
US Tips	2.00%	1.50%
Infrastructure/Farmland	5.00%	4.25%
	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members) with scheduled increases through July 1, 2022. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2023. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability, calculated using the discount rate of 7.0%, as well as what the pension liability would be if it were calculated using a discount rate that is one percent lower (6.0%) or one percent higher (8.0%) than the current rate:

<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
\$111,444	\$74,041	\$43,298

**Additional Information**

Additional information regarding the State of Vermont Municipal Employees' Retirement System, including the details of the Fiduciary Net Position is available upon request from the State of Vermont.

**NOTE 15 – 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.



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

**NOTE 15 – RISK MANAGEMENT (continued)**

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 16 – 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, 2024 are as follows:

	Transfers In				Total
	Equipment Fund	Resurfacing Fund	Highway Matching Fund	Sewer Sinking Fund	
Transfers out					
Highway fund	\$ 100,000	\$ 50,000	\$ 100,000	\$ -	\$ 250,000
Sewer fund	-	-	-	2,500	2,500
Total	<u>\$ 100,000</u>	<u>\$ 50,000</u>	<u>\$ 100,000</u>	<u>\$ 2,500</u>	<u>\$ 252,500</u>

**NOTE 17 – RELATED PARTY TRANSACTIONS**

There were no related party transactions during the current fiscal year ended December 31, 2024.

**NOTE 18 – SUBSEQUENT EVENTS**

Events of the Town have been evaluated from December 31, 2024 through the date of these financial statements for subsequent events which would impact the financial standing. There are no events that would significantly impact the presentation of these financial statements.

TOWN OF CHELSEA, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET TO ACTUAL  
GENERAL AND HIGHWAY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2024

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)
REVENUES:									
Property taxes	\$ 310,128	\$ 296,652	\$ (13,476)	\$ 747,632	\$ 747,632	\$ -	\$ 1,057,760	\$ 1,044,284	\$ (13,476)
Property taxes - interest and penalties	14,000	18,782	4,782	-	-	-	14,000	18,782	4,782
Grants Income	-	7,774	7,774	114,974	184,453	69,479	114,974	192,228	77,254
Intergovernmental	111,350	110,495	(855)	-	-	-	111,350	110,495	(855)
Charges for services	105,700	101,612	(4,088)	-	-	-	105,700	101,612	(4,088)
Licenses and permits	14,700	3,295	(11,406)	450	-	(450)	15,150	3,295	(11,856)
Investment income	12,000	10,675	(1,325)	-	-	-	12,000	10,675	(1,325)
Miscellaneous (building income, misc.)	158,300	61,462	(96,838)	73,000	14,545	(58,455)	231,300	76,007	(155,293)
Total revenues	726,178	610,747	(115,431)	936,056	946,630	10,574	1,662,234	1,557,377	(104,857)
EXPENDITURES:									
General government	416,242	329,811	(86,431)	-	-	-	416,242	329,811	(86,431)
Public safety	99,816	94,654	(5,162)	-	-	-	99,816	94,654	(5,162)
Public works	-	113,874	113,874	597,701	629,653	(31,952)	597,701	743,528	81,922
Sanitation	115,375	2,500	(112,875)	-	-	-	115,375	2,500	(112,875)
Community services	68,570	87,977	19,407	-	-	-	68,570	87,977	19,407
Cemetery	26,175	24,600	(1,575)	-	-	-	26,175	24,600	(1,575)
Debt service:									
Principal	-	33,300	33,300	338,355	8,983	(329,372)	338,355	42,283	(296,072)
Interest	-	22,715	22,715	-	357	(357)	-	23,072	22,358
Total expenditures	726,178	709,431	(16,747)	936,056	638,994	297,062	1,662,234	1,348,424	(378,429)
Excess of Revenues Over Expenditures	-	(98,684)	(132,178)	-	307,637	307,637	-	208,953	175,458
OTHER FINANCING SOURCES (USES)									
Transfers in/(out)	-	-	-	-	(250,000)	(250,000)	-	(250,000)	(250,000)
Loan proceeds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(250,000)	(250,000)	-	(250,000)	(250,000)
Net Change in Fund Balance	\$ -	(98,684)	\$ (132,178)	\$ -	57,637	\$ 57,637	\$ -	(41,047)	\$ (74,542)
Fund Balance - January 1, 2024		606,151			(140,530)			465,620	
Fund Balance - December 31, 2024		\$ 507,467			\$ (82,894)			\$ 424,573	

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

TOWN OF CHELSEA, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
VMERS DEFINED BENEFIT PLAN  
DECEMBER 31, 2024

SCHEDULE 2

	2024	2023
Total Plan Net Pension Liability	\$ 320,293,753	\$ 303,371,956
Town's Proportion of the Net Pension Liability	0.02312%	0.00709%
Town's Proportionate Share of the Net Pension Liability	\$ 74,041	\$ 21,515
Town's Covered Employee Payroll	\$ 163,432	\$ 142,768
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	45.30%	49.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.01%	73.60%

**Notes to Schedule**

Benefit Changes: None.

Changes in Assumptions: The discount rate used to measure the net position liability was lowered from 7.50% to 7.00%, due to the adoption by the Board of Trustees of a 7.00% expected future rate of return on assets for funding purposes.

Fiscal year 2023 was the first year of implementation, therefore, only two (2) years are shown.

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

TOWN OF CHELSEA, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
VMERS DEFINED BENEFIT PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2024

SCHEDULE 3

	<u>2024</u>	<u>2023</u>
Contractually Required Contribution (Actuarially Determined)	\$ 6,330	\$ 7,335
Contributions in Relation to the Actuarially Determined Contributions	<u>6,330</u>	<u>7,335</u>
Contribution Excess/(Deficiency)	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Employee Payroll	\$ 163,432	\$ 142,768
Contributions as a Percentage of Town's Covered Employee Payroll	3.87%	5.14%

**Notes to Schedule**

Valuation Date: June 30, 2023

Fiscal year 2023 was the first year of implementation, therefore, only two (2) years are shown.

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

TOWN OF CHELSEA, VERMONT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2024

SCHEDULE 4

	Reappraisal Fund	Cemetery Fund	Restoration of Records	ARPA Fund Adjusted	Transfer Station Fund	Town Hall Renovation	Equipment Fund	Resurfacing Fund	Flood Relief Fund	Highway Matching Fund	Total Non-Major Governmental Funds
<b>ASSETS</b>											
Cash	\$ 9,746	\$ 25,498	\$ 21,217	\$ -	\$ -	\$ 75,579	\$ 159,378	\$ 54,289	\$ -	\$ -	\$ 345,709
Investments	-	103,694	-	-	-	-	-	-	-	-	103,694
Due to/from	80,000	-	-	365,979	7,500	-	150,000	35,000	700	117,244	756,422
Total assets	<u>\$ 89,746</u>	<u>\$ 129,193</u>	<u>\$ 21,217</u>	<u>\$ 365,979</u>	<u>\$ 7,500</u>	<u>\$ 75,579</u>	<u>\$ 309,378</u>	<u>\$ 89,289</u>	<u>\$ 700</u>	<u>\$ 117,244</u>	<u>\$ 1,205,825</u>
<b>LIABILITIES</b>											
Grant advances	\$ -	\$ -	\$ -	\$ 365,979	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 365,979
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>365,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>365,979</u>
<b>FUND BALANCES</b>											
Committed	<u>89,746</u>	<u>129,193</u>	<u>21,217</u>	<u>-</u>	<u>7,500</u>	<u>75,579</u>	<u>309,378</u>	<u>89,289</u>	<u>700</u>	<u>117,244</u>	<u>839,846</u>
Total fund balances	<u>89,746</u>	<u>129,193</u>	<u>21,217</u>	<u>-</u>	<u>7,500</u>	<u>75,579</u>	<u>309,378</u>	<u>89,289</u>	<u>700</u>	<u>117,244</u>	<u>839,846</u>
Total liabilities and fund balances	<u>\$ 89,746</u>	<u>\$ 129,193</u>	<u>\$ 21,217</u>	<u>\$ 365,979</u>	<u>\$ 7,500</u>	<u>\$ 75,579</u>	<u>\$ 309,378</u>	<u>\$ 89,289</u>	<u>\$ 700</u>	<u>\$ 117,244</u>	<u>\$ 1,205,825</u>

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, 2024

SCHEDULE 5

	Reappraisal Fund	Cemetery Fund	Restoration of Records	ARPA Fund Adjusted	Transfer Station Fund	Town Hall Renovation	Equipment Fund	Resurfacing Fund	Flood Relief Fund	Highway Matching Fund	Total Non-Major Governmental Funds
REVENUES:											
Property taxes	\$ -	\$ 23,000	\$ -	\$ -	\$ 2,500	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 35,500
Intergovernmental	7,714	-	-	10,876	-	-	-	-	-	-	18,590
Fee for services	-	-	3,288	-	-	-	-	-	-	-	3,288
Investment income	3,019	4,349	331	-	-	1,142	5,447	476	-	-	14,765
Miscellaneous	-	500	-	-	-	35,270	-	-	-	-	35,770
Total revenues	10,733	27,849	3,619	10,876	2,500	46,413	5,447	476	-	-	107,913
EXPENDITURES:											
General government	-	-	68	10,876	-	-	-	-	-	-	10,944
Cemetery	-	23,060	-	-	-	-	-	-	-	-	23,060
Total expenditures	-	23,060	68	10,876	-	-	-	-	-	-	34,004
Excess (Deficiency) of Revenues Over Expenditures	10,733	4,789	3,551	-	2,500	46,413	5,447	476	-	-	73,909
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	-	-	-	-	100,000	50,000	-	100,000	250,000
Net Change in Fund Balances	10,733	4,789	3,551	-	2,500	46,413	105,447	50,476	-	100,000	323,909
Fund Balances, January 1, 2024	79,012	124,403	17,666	-	5,000	29,166	203,932	38,814	700	17,244	515,938
Fund Balances, December 31, 2024	\$ 89,746	\$ 129,193	\$ 21,217	\$ -	\$ 7,500	\$ 75,579	\$ 309,378	\$ 89,289	\$ 700	\$ 117,244	\$ 839,846

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



# 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 Board of Selectman  
Town of Chelsea, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Chelsea, Vermont, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Town of Chelsea, Vermont's basic financial statements and have issued our report thereon dated March 13, 2025.

### Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described below as items 2024-01 that we consider to be significant deficiencies.

#### **2024-01: Reconciliation of Balance Sheet Accounts (Accounts Payable and Accrued Expenses)**

**Finding Type:** Significant deficiency in internal controls over financial reporting.

**Criteria:** Management is responsible for maintaining accurate and complete financial records in accordance with generally accepted accounting principles (GAAP), including the timely and appropriate recognition of liabilities such as accounts payable and accrued expenses. Accurate reconciliation of balance sheet accounts is critical to ensuring the reliability of the financial statements.

**Conditions and Context:** During the audit, we identified a significant deficiency in the reconciliation and recording of balance sheet accounts related to accounts payable and accrued expenses:

1. Several transactions that should have been recorded as accounts payable or accrued expenses were either omitted or posted to incorrect accounts.
2. Inadequate procedures were in place to ensure the review of subsequent disbursements after year-end for proper period cutoff.
3. The lack of supporting documentation and review processes led to misstatements in liabilities at year-end.

**Cause of Condition:** The condition resulted from insufficient oversight and review of post-year-end transactions and the absence of formal procedures to ensure completeness of liabilities.

**Effect of Condition:** As a result of these deficiencies:

- Accounts payable and accrued expenses were misstated, which increases the risk of material misstatements in the financial statements.

- The lack of a formal reconciliation process reduced the reliability of financial reporting and may impair decision-making by users of the financial statements.

**Recommendation:** We recommend the Town enhance internal control procedures by implementing a formal reconciliation process that includes:

- A review of all disbursements made after year-end to assess their proper accounting period classification.
- Documentation and supervisory review of adjusting journal entries related to accounts payable and accrued expenses.
- Training for staff to ensure consistent application of accounting policies in accordance with GAAP.

### **Report on Compliance and Other Matters**

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

### **Town of Chelsea, Vermont's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town of Chelsea, Vermont's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town of Chelsea, Vermont's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

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

*Batchelder Associates, PC*

Batchelder Associates, P.C  
Barre, Vermont 05641  
License #945  
March 13, 2025