

**TOWN OF FAYSTON, VERMONT**  
**COMPILATION REPORT AND FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

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## ACCOUNTANT'S COMPILATION REPORT

January 24, 2012

To the Selectboard  
Town of Fayston  
Fayston, Vermont

We have compiled the accompanying financial statements of each major fund and the aggregate remaining fund information of the Town of Fayston, Vermont as of and for the year ended December 31, 2011. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of the Town of Fayston, Vermont is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. During our compilation, we did become aware of departures from accounting principles generally accepted in the United States of America which are described in the following paragraphs.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Town's governmental activities is not reasonably determinable.

Management has not presented expenditures, in the Statement of Revenues, Expenditures and Changes in Fund Balances, categorized by function as required by accounting principles generally accepted in the United States of America.

Management has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is required to supplement, although not required to be a part of, the basic financial statements.

The supplementary information appearing on pages 19 through 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information.

Respectfully submitted,

*Fothergill Segale & Valley, CPAs*

FOTHERGILL SEGALE & VALLEY, CPAs  
Vermont Public Accountancy License #110

TOWN OF FAYSTON, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

EXHIBIT A

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Road Retreatment	Road Construction		
<b>ASSETS</b>					
Cash - checking and savings	\$ 1,470,578	\$ 0	\$ 0	\$ 12,607	\$ 1,483,185
Investments	0	0	0	123,217	123,217
Delinquent taxes receivable	195,009	0	0	0	195,009
Other receivables	143,628	0	0	0	143,628
Prepaid expenses	5,912	0	0	0	5,912
Due from other funds	0	220,035	50,899	331,944	602,878
<b>Total assets</b>	<b>\$ 1,815,127</b>	<b>\$ 220,035</b>	<b>\$ 50,899</b>	<b>\$ 467,768</b>	<b>\$ 2,553,829</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities</b>					
Accrued payables	\$ 20,215	\$ 0	\$ 0	\$ 0	\$ 20,215
Due to State Education Fund	869,593	0	0	0	869,593
Deferred revenue - taxes	159,000	0	0	0	159,000
Deferred revenue - Vt. Highway	16,254	0	0	0	16,254
Property tax overpayments	1,695	0	0	0	1,695
Due to other funds	594,590	0	0	8,288	602,878
<b>Total liabilities</b>	<b>1,661,347</b>	<b>0</b>	<b>0</b>	<b>8,288</b>	<b>1,669,635</b>
<b>Fund Balance</b>					
Nonspendable - prepaid expenses	5,912	0	0	0	5,912
Restricted - Capital Projects Funds	0	0	14,117	0	14,117
Restricted - Special Revenue Funds	0	0	0	144,469	144,469
Restricted - Permanent Funds	0	0	0	22,543	22,543
Assigned - Capital Project Funds	0	220,035	36,782	292,468	549,285
Unassigned	147,868	0	0	0	147,868
<b>Total fund balances</b>	<b>153,780</b>	<b>220,035</b>	<b>50,899</b>	<b>459,480</b>	<b>884,194</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,815,127</b>	<b>\$ 220,035</b>	<b>\$ 50,899</b>	<b>\$ 467,768</b>	<b>\$ 2,553,829</b>

TOWN OF FAYSTON, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2011

EXHIBIT B

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Road Retreatment	Road Construction		
<b>REVENUES</b>					
Property taxes	\$ 703,357	\$ 0	\$ 0	\$ 0	\$ 703,357
Fees, licenses and permits	30,326	0	0	0	30,326
State of Vermont - highway funds	65,031	0	0	0	65,031
State of Vermont - grants	0	91,229	0	143,998	235,227
Investment income	11,219	0	0	(4,450)	6,769
Other	122,902	0	0	13,064	135,966
Total revenues	<u>932,835</u>	<u>91,229</u>	<u>0</u>	<u>152,612</u>	<u>1,176,676</u>
<b>EXPENDITURES</b>					
Salaries - road crew	127,459	0	0	0	127,459
Employee benefits	104,826	0	0	0	104,826
Highway equipment	80,056	0	0	0	80,056
Highway supplies	48,733	0	0	0	48,733
Town garage	3,453	0	0	0	3,453
Officers' salaries	101,720	0	0	0	101,720
Officers' supplies	21,851	0	0	0	21,851
Taxes and assessments	86,615	0	0	0	86,615
Fire protection	30,296	0	0	0	30,296
Insurance	20,327	0	0	0	20,327
Town meeting and election	3,398	0	0	0	3,398
Municipal building	16,789	0	0	0	16,789
Planning / Board of Adjustment	40,660	0	0	0	40,660
Administrative	24,960	0	0	0	24,960
Cemetery	0	0	0	6,540	6,540
Road construction	0	238,361	17,899	228,636	484,896
Building construction	0	0	0	20,114	20,114
Furnishings	0	0	0	12,080	12,080
Construction equipment	0	0	0	69,622	69,622
Total expenditures	<u>711,143</u>	<u>238,361</u>	<u>17,899</u>	<u>336,992</u>	<u>1,304,395</u>
EXCESS REVENUES (EXPENDITURES)	221,692	(147,132)	(17,899)	(184,380)	(127,719)
OTHER FINANCING SOURCES (USES)					
Transfers from (to) other funds	(206,000)	55,000	30,000	121,000	0
EXCESS REVENUES (EXPENDITURES) BEFORE EXTRAORDINARY ITEMS	<u>15,692</u>	<u>(92,132)</u>	<u>12,101</u>	<u>(63,380)</u>	<u>(127,719)</u>
Federal and state grants	0	0	149,057	0	149,057
Flood related expenditures	0	0	(117,041)	0	(117,041)
NET EXTRAORDINARY ITEMS	<u>0</u>	<u>0</u>	<u>32,016</u>	<u>0</u>	<u>32,016</u>
NET CHANGE IN FUND BALANCES	15,692	(92,132)	44,117	(63,380)	(95,703)
FUND BALANCES - JANUARY 1, 2011	<u>138,088</u>	<u>312,167</u>	<u>6,782</u>	<u>522,860</u>	<u>979,897</u>
FUND BALANCES - DECEMBER 31, 2011	<u>\$ 153,780</u>	<u>\$ 220,035</u>	<u>\$ 50,899</u>	<u>\$ 459,480</u>	<u>\$ 884,194</u>

TOWN OF FAYSTON, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2011

EXHIBIT C

	Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>			
Property taxes	\$ 631,234	\$ 703,357	\$ 72,123
State of Vermont - highway funds	65,000	65,031	31
GM Valley School	4,000	4,000	0
Fees, licenses and permits	28,600	30,326	1,726
Interest on taxes	15,000	33,181	18,181
Delinquent tax penalties	0	26,842	26,842
Interest on investments	10,000	11,219	1,219
Miscellaneous	47,800	58,879	11,079
Total revenues	801,634	932,835	131,201
<b>EXPENDITURES</b>			
Salaries			
Road crew	139,000	127,459	11,541
Employee Benefits			
Hospitalization	58,000	66,656	(8,656)
Retirement	11,000	10,783	217
Social Security	20,000	17,994	2,006
Uniforms	1,800	1,322	478
Dental	8,000	8,071	(71)
Total employee benefits	98,800	104,826	(6,026)
Highway Equipment			
Blades	5,000	4,278	722
Diesel	32,000	47,069	(15,069)
Repairs	15,000	11,543	3,457
Gasoline	1,000	464	536
Oil	2,000	1,564	436
Other parts	5,000	2,680	2,320
Rentals	7,000	4,828	2,172
Tires	9,000	7,630	1,370
Total highway equipment	76,000	80,056	(4,056)
Highway Supplies			
Calcium	10,000	10,092	(92)
Sand	10,000	9,439	561
Other supplies	1,000	508	492
Salt	30,000	28,694	1,306
Total highway supplies	51,000	48,733	2,267

TOWN OF FAYSTON, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2011

EXHIBIT C

	Budget	Actual	Favorable (Unfavorable) Variance
Town Garage			
Electricity	500	264	236
Maintenance and repairs	3,000	1,805	1,195
Telephone	1,200	1,384	(184)
Total town garage	4,700	3,453	1,247
Officers' Salaries			
Town Clerk, Treasurer and Tax Collector	48,000	48,790	(790)
Assistant Clerk/Treasurer	17,000	15,649	1,351
Selectboard assistant	10,400	10,400	0
Listers	18,000	11,595	6,405
Delinquent tax collector	0	15,286	(15,286)
Total officers' salaries	93,400	101,720	(8,320)
Officers' Supplies			
Computer expenses	4,000	3,924	76
Equipment purchase	3,000	2,333	667
Listers	1,500	375	1,125
Selectmen	2,250	2,250	0
Postage	2,000	1,245	755
Equipment rental	3,100	3,109	(9)
Supplies	5,000	4,484	516
911 wages	1,000	1,032	(32)
Tax mapping	2,050	1,479	571
Seminars/Dues	2,500	1,620	880
Total officers' supplies	26,400	21,851	4,549
Taxes and Assessments			
Joslin Memorial Library	13,395	13,395	0
FES usage	20,000	20,000	0
Washington County	23,532	23,532	0
Recreation district	12,500	12,500	0
Donations	17,188	17,188	0
Total taxes and assessments	86,615	86,615	0
Fire Protection			
Waitsfield contract	29,108	30,296	(1,188)

TOWN OF FAYSTON, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2011

EXHIBIT C

	Budget	Actual	Favorable (Unfavorable) Variance
<b>Insurance</b>			
Liability, etc.	14,575	12,161	2,414
Workers' compensation	7,356	7,356	0
Unemployment	810	810	0
Total insurance	22,741	20,327	2,414
<b>Town Meeting and Election</b>			
Election clerks	2,000	60	1,940
Supplies	2,000	30	1,970
Town Report	4,000	3,308	692
Total town meeting and election	8,000	3,398	4,602
<b>Municipal Building</b>			
Cleaning	1,900	1,860	40
Electricity	2,500	2,423	77
Heat	4,000	2,370	1,630
Other	500	17	483
Maintenance	8,500	7,265	1,235
Telephone	3,000	2,854	146
Total municipal building	20,400	16,789	3,611
<b>Planning/Board of Adjustment</b>			
Advertising	700	1,229	(529)
CVRPC	1,350	1,315	35
FNRC	1,000	1,000	0
MRVPD	21,010	21,010	0
ZA expense	600	0	600
Town plan	100	0	100
Planning/DRB resources	1,000	175	825
Supplies and postage	700	526	174
Computer equipment	1,500	0	1,500
Zoning administrator and asst.	16,300	15,405	895
Total planning/board of adjustment	44,260	40,660	3,600

TOWN OF FAYSTON, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2011

EXHIBIT C

	Budget	Actual	Favorable (Unfavorable) Variance
Administration			
Pound	2,300	2,300	0
Legal	15,000	10,692	4,308
Consulting	2,000	1,075	925
Audit	6,000	6,000	0
Loan interest	600	0	600
Fire warden	300	300	0
Public safety	500	30	470
MRV solid waste alliance	2,500	2,490	10
Other	1,000	158	842
League of Cities and Towns	1,915	1,915	0
Total administration	32,115	24,960	7,155
Total expenditures	732,539	711,143	21,396
Transfers to Other Funds			
Road construction reserve	30,000	30,000	0
Bridge reserve	3,000	3,000	0
Culvert reserve	30,000	30,000	0
Equipment reserve	60,000	60,000	0
Fire equipment reserve	15,000	15,000	0
Road retreatment reserve	55,000	55,000	0
Record restoration reserve	8,000	8,000	0
Reappraisal reserve	5,000	5,000	0
Total transfers to other funds	206,000	206,000	0
Total expenditures and transfers to other funds	938,539	917,143	21,396
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES AND TRANSFERS</b>	<b>\$ (136,905)</b>	<b>15,692</b>	<b>\$ 152,597</b>
FUND BALANCE - JANUARY 1, 2011		138,088	
FUND BALANCE - DECEMBER 31, 2011		<b>\$ 153,780</b>	

TOWN OF FAYSTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

The Town operates under a three-member Selectboard form of government. The Town's major operations include highways and streets, recreation, planning and zoning, and general administrative services.

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

The Town's financial statements are not prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

The Town's management has elected to present only the financial statements of the major funds and the aggregate remaining fund information, which is not in conformity with generally accepted accounting principles, specifically GASB 34 and GASB 37. Therefore, government-wide financial statements that include accounting for capital assets, lease payables and notes payable are not included in the financial statements.

*Reporting Entity*

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity are set forth in GASB 14 as amended by GASB 39, and Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

Based on the criteria, the Town has no component units.

*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, reserves, fund equity, revenue and expenditures. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the governmental fund category) for the determination of major funds. The General Fund and the Road Retreatment Fund are the Town's major funds. The nonmajor funds are combined in a column in the fund financial statements.

TOWN OF FAYSTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

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

The following fund types are used by the Town:

**Governmental Funds**

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

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

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Permanent Funds account for assets held by the Town pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

*Basis of Accounting*

Basis of accounting refers to the point at which revenue or expenditures 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.

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end for property taxes and within six months for other revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

TOWN OF FAYSTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

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

*Cash and Cash Equivalents*

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent. Additionally, each fund's equity in the Town's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

*Investments*

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

*Fund Balances*

Beginning with fiscal year 2011, the Town implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted fund balances - Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. federal and state grants, bondholders, trust and trustee accounts).

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the Selectboard. Formal action must be taken prior to the end of the fiscal year (e.g. capital projects, compensated absences). The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned fund balances - Indicates the portion of fund equity that is set aside with the intent to be used for a specific purpose by the Selectboard or official that has been given the authority to assign funds (e.g. encumbrances, subsequent budgets). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances - Indicates the portion of fund equity that has not been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

TOWN OF FAYSTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

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

The Selectboard establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives). Assigned fund balance is established by the Selectboard through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service or other purposes).

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds. When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied first to committed, then assigned, then unassigned.

*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. 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.

*Interfund Activity*

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenue and expenditures. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

*Use of Estimates*

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

TOWN OF FAYSTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**NOTE 2 - DEPOSITS**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. As of December 31, 2011, none of the government’s bank balance of \$1,502,157 was exposed to custodial credit risk.

**NOTE 3 - INVESTMENTS**

As of December 31, 2011, the Town had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Corporate bonds	10/2017-5/2036	\$ 24,072
Mutual funds		<u>99,145</u>
		<u>\$ 123,217</u>

*Interest Rate Risk* – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* – The Town has no investment policy that would limit its investment choices.

*Concentration of Credit Risk* – The Town places no limit on the amount the Town may invest in any one issuer.

*Custodial Credit Risk – Investments.* Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Town will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

TOWN OF FAYSTON, VERMONT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

**NOTE 3 – INVESTMENTS (Continued)**

Investment income includes the following:

	Governmental Funds			Total
	General Fund	Cemetery Perpetual Care	Cemetery Maintenance	
Interest and dividends	\$ 11,219	\$ 1,906	\$ 2,909	\$ 16,034
Realized loss	0	(1,182)	0	(1,182)
Unrealized loss	0	(367)	(7,717)	(8,084)
Total	<u>\$ 11,219</u>	<u>\$ 357</u>	<u>\$ (4,808)</u>	<u>\$ 6,768</u>

The calculation of realized gains or losses is independent of a calculation of the net change in fair value of investments. Realized gains or losses on investments that have been held in more than one fiscal year and sold in the current year were included as a change in fair value of investments reported in prior years.

**NOTE 4 - PROPERTY TAXES**

Taxes are billed in July and are payable September 1st. Taxes become delinquent November 1st. The Town bills and collects its own property tax, taxes for the School District, and the School District's share of Harwood Union High School tax assessment. The tax rate for fiscal year 2011 was:

Town	\$ 0.1768
School - Homestead	1.3142
School - Non residential	1.3555

**NOTE 5 - RETIREMENT PLAN**

The Town of Fayston participates in the Vermont Municipal Employees' Retirement System, which is a cost-sharing multiple employer public employees' defined benefit pension plan. The plan provides benefits for disability, death, early retirement, and normal retirement. Vermont state statutes provide the authority under which benefit provisions and the Town's obligation to contribute are established. The System's actuary issues a financial report on the plan for the

TOWN OF FAYSTON, VERMONT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

**NOTE 5 - RETIREMENT PLAN (Continued)**

State of Vermont. Required contributions to the System are determined based upon the report prepared by the actuary. All employees who are regularly employed for at least 24 hours a week and for at least 1,040 hours a year must join the System when hired. During 1995, the Town elected to change from Group C membership to Group B membership. Employees who were participating in the plan at the time of the election had the option to remain in Group C or to change to Group B. Employees joining the program after the election in 1995 must become Group B members. Members who have Group B coverage are required to contribute 4.5% of compensation, and members who have Group C coverage are required to contribute 9.25%. Members in either plan are vested upon completing 5 creditable years of service.

The Town's 2011 payroll for all employees was \$245,616. Total 2011 covered payroll for the Vermont Municipal Employees' Retirement System was \$214,317. The Town's contribution to the plan is 5.0% of compensation for Group B employees and 6.5% for Group C employees. Due to retirement, the Town had no Group C employees after the first quarter of 2011. Total employer contributions to the plan were \$10,783 for 2011, \$12,559 for 2010 and \$11,769 for 2009. All 2011 employee and employer retirement contributions were paid as of December 31, 2011.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

**NOTE 6 - COMMITMENTS**

From time to time the Town enters into finance and maintenance agreements with the State of Vermont, Agency of Transportation, for various cost sharing arrangements relating to bridge and road projects. Generally, the Town bears certain percentages of the total costs relating to preliminary and construction engineering costs, right-of-way costs, utility costs, and final construction costs.

**NOTE 7 - RISK MANAGEMENT**

The Town of Fayston 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 of Fayston 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 of Fayston. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and rate setting policies have been 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.

TOWN OF FAYSTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

**NOTE 8 - FUND BALANCES**

Governmental Fund balances are as follows:

<b>General Fund</b>		\$ 153,780
<b>Capital Projects Funds</b>		
Fire Equipment	73,235	
Bridge Reserve	151,350	
Recreation Reserve	12,000	
Road Construction	50,899	
Road Retreatment	220,035	
Other Equipment	34,745	
Record Restoration	21,256	
Culvert Reserve	<u>(118)</u>	
Total Capital Projects Funds		563,402
<b>Special Revenue Funds</b>		
Cemetery maintenance	101,054	
Reappraisal	43,155	
Barn Restoration	250	
Amphibian Project	<u>10</u>	
Total Special Revenue Funds		144,469
<b>Permanent Fund</b>		
Cemetery perpetual care		<u>22,543</u>
Total unreserved - Governmental Funds		<u><u>\$ 884,194</u></u>

The Culvert Reserve Fund has a deficit balance of \$118 as of December 31, 2011. The 2012 budget calls for a transfer from the General Fund to eliminate this deficit.

TOWN OF FAYSTON, VERMONT  
 NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

**NOTE 9 - INTERFUND TRANSFERS**

During the year, several interfund transactions occurred between funds. The various operating transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended December 31, 2011 are as follows:

Transfers to:	Transfers from: General Fund
Road retreatment	\$ 55,000
Record restoration	8,000
Bridge reserve	3,000
Culvert reserve	30,000
Fire equipment	15,000
Other equipment/assets	60,000
Road construction	30,000
Reappraisal	5,000
Total	\$ 206,000

In addition, \$4,200 was transferred from the Cemetery Perpetual Care Fund to the Cemetery Maintenance Fund.

**NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES**

The Town has combined some of the cash resources of its governmental funds for accounting and reporting purposes. That portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at December 31, 2011 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 0	\$ 594,590
Capital Projects Funds		
Other Equipment/Assets	34,745	0
Fire Equipment	73,235	0
Bridge Reserve	139,123	0
Recreation Reserve	12,000	0
Road Construction	50,899	0
Road Retreatment	220,035	0
Record Restoration	21,256	0
Barn Restoration	250	0
Culvert reserve	(118)	0
Amphibian project	10	0
Special Revenue Funds		
Reappraisal	43,155	0
Cemetery Maintenance	8,288	0
Permanent Funds		
Cemetery Perpetual Care	0	8,288
Total	\$ 602,878	\$ 602,878

TOWN OF FAYSTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

**NOTE 11 – DUE TO STATE EDUCATION FUND**

The amount due to the State Education Fund has been estimated based on the data available as of the statement date. A final reconciliation of this amount will be performed in May, 2012.

**NOTE 12 – FLOOD DAMAGE AND REIMBURSEMENTS**

As the result of flooding in May and August the Town incurred substantial damage to infrastructure. The expenses and subsequent grant claims are reflected on Exhibit B as extraordinary items. Town expenses, such as payroll, are not included in these amounts and are shown in the normal operating costs of the General Fund.

**NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 24, 2012, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure.

TOWN OF FAYSTON, VERMONT  
 SCHEDULE OF TAXES RAISED  
 YEAR ENDED DECEMBER 31, 2011

SCHEDULE 1

	MUNICIPAL	HOMESTEAD	NON-RESIDENTIAL	TOTAL
Total Grand List	\$ 3,690,557.00	\$ 1,559,713.00	\$ 2,095,609.00	
Tax rate	0.1768	1.3142	1.3555	
Taxes Billed	\$ 652,490.48	\$ 2,049,774.82	\$ 2,840,598.66	\$ 5,542,863.96
Various adjustments				2,813.70
HS-122 penalties				1,252.76
Decrease in deferred taxes				38,000.00
Payment to Fayston School District				(2,534,291.00)
State adjustments - HS-122				(540,784.00)
Payment to State of Vermont				(1,806,498.00)
Net property taxes				\$ 703,357.42

Reconciliation of Delinquent Taxes

Years	Delinquent Taxes Due Jan. 1, 2011	Current Taxes Gone Delinquent	Collections	Delinquent Taxes Due Dec. 31, 2011
2008	\$ 22,462.20	\$ 0	\$ 16,980.52	\$ 5,481.68
2009	42,483.73	0	30,430.67	12,053.06
2010	185,178.43	0	143,695.90	41,482.53
2011	0	135,990.61	0	135,990.61
	\$ 250,124.36	\$ 135,990.61	\$ 191,107.09	\$ 195,007.88

TOWN OF FAYSTON, VERMONT  
SUMMARY OF CASH RECEIPTS AND CASH EXPENDITURES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2011

SCHEDULE 2

CASH BALANCE - January 1, 2011 \$ 1,795,145

CASH RECEIPTS

Taxes collected	4,857,229
Delinquent taxes	191,107
Penalties and interest	60,023
Interest and dividends	20,159
State of Vermont - highway funds	81,285
State and federal grants	244,614
Other miscellaneous receipts	<u>137,457</u>

Total cash receipts 5,591,874

CASH EXPENDITURES

Transfer to School District and State	4,486,879
Highway	259,701
Other General Fund	442,147
Capital expenditures	703,754
Cemetery maintenance	6,540
Reinvest dividends	<u>4,813</u>

Total cash expenditures 5,903,834

CASH BALANCE - December 31, 2011 \$ 1,483,185

TOWN OF FAYSTON, VERMONT  
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2011

	Capital Projects							Special Revenue			Permanent Fund		
	Fire Equipment	Bridge Reserve	Recreation Reserve	Other Equip/Assets	Structures Program	Record Restoration	Culvert Reserve	Reappraisal	Cemetery Maintenance	Barn Restoration	Amphibian Project	Cemetery Perpetual Care	Totals
<b>ASSETS</b>													
Cash	\$ 0	\$ 12,227	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 380	\$ 0	\$ 0	\$ 0	\$ 12,607
Investments	0	0	0	0	0	0	0	0	92,386	0	0	30,831	123,217
Due from other funds	73,235	139,123	12,000	34,745	0	21,256	(118)	43,155	8,288	250	10	0	331,944
<b>Total assets</b>	<b>\$ 73,235</b>	<b>\$ 151,350</b>	<b>\$ 12,000</b>	<b>\$ 34,745</b>	<b>\$ 0</b>	<b>\$ 21,256</b>	<b>\$ (118)</b>	<b>\$ 43,155</b>	<b>\$ 101,054</b>	<b>\$ 250</b>	<b>\$ 10</b>	<b>\$ 30,831</b>	<b>\$ 467,768</b>
<b>LIABILITIES</b>													
Due to other funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,288	\$ 8,288
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,288</b>	<b>8,288</b>
<b>FUND BALANCES</b>													
Assigned	73,235	151,350	12,000	34,745	0	21,256	(118)	0	0	0	0	0	292,468
Restricted	0	0	0	0	0	0	0	43,155	101,054	250	10	22,543	167,012
<b>Total fund balances</b>	<b>73,235</b>	<b>151,350</b>	<b>12,000</b>	<b>34,745</b>	<b>0</b>	<b>21,256</b>	<b>(118)</b>	<b>43,155</b>	<b>101,054</b>	<b>250</b>	<b>10</b>	<b>22,543</b>	<b>459,480</b>
<b>Total liabilities and fund balances</b>	<b>\$ 73,235</b>	<b>\$ 151,350</b>	<b>\$ 12,000</b>	<b>\$ 34,745</b>	<b>\$ 0</b>	<b>\$ 21,256</b>	<b>\$ (118)</b>	<b>\$ 43,155</b>	<b>\$ 101,054</b>	<b>\$ 250</b>	<b>\$ 10</b>	<b>\$ 30,831</b>	<b>\$ 467,768</b>

TOWN OF FAYSTON, VERMONT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2011

	Capital Projects							Special Revenue				Permanent Fund Cemetery Perpetual Care
	Fire Equipment	Bridge Reserve	Recreation Reserve	Other Equip/Assets	Structures Program	Record Restoration	Culvert Reserve	Reappraisal	Cemetery Maintenance	Barn Restoration	Amphibian Project	
<b>REVENUES</b>												
Investment income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (4,807)	\$ 0	\$ 0	\$ 357
State and federal grants	0	0	0	0	132,959	0	0	11,039	0	0	0	0
Other	0	0	0	0	0	1,816	0	0	1,048	10,200	0	0
<b>Total revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>132,959</b>	<b>1,816</b>	<b>0</b>	<b>11,039</b>	<b>(3,759)</b>	<b>10,200</b>	<b>0</b>	<b>357</b>
<b>EXPENDITURES</b>												
Road construction	0	0	0	0	149,174	0	79,462	0	0	0	0	0
Building construction	9,164	0	0	0	0	0	0	0	0	10,950	0	0
Construction equipment, vehicles	0	0	0	69,622	0	0	0	0	0	0	0	0
Equipment, furnishings, office expense	0	0	0	0	0	12,080	0	0	0	0	0	0
Cemetery	0	0	0	0	0	0	0	0	6,540	0	0	0
<b>Total expenditures</b>	<b>9,164</b>	<b>0</b>	<b>0</b>	<b>69,622</b>	<b>149,174</b>	<b>12,080</b>	<b>79,462</b>	<b>0</b>	<b>6,540</b>	<b>10,950</b>	<b>0</b>	<b>0</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>(9,164)</b>	<b>0</b>	<b>0</b>	<b>(69,622)</b>	<b>(16,215)</b>	<b>(10,264)</b>	<b>(79,462)</b>	<b>11,039</b>	<b>(10,299)</b>	<b>(750)</b>	<b>0</b>	<b>357</b>
<b>OTHER FINANCING SOURCES</b>												
Transfers from (to) other funds	15,000	(13,215)	0	60,000	16,215	8,000	30,000	5,000	4,200	0	0	(4,200)
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>5,836</b>	<b>(13,215)</b>	<b>0</b>	<b>(9,622)</b>	<b>0</b>	<b>(2,264)</b>	<b>(49,462)</b>	<b>16,039</b>	<b>(6,099)</b>	<b>(750)</b>	<b>0</b>	<b>(3,843)</b>
<b>FUND BALANCES - JANUARY 1, 2011</b>	<b>67,399</b>	<b>164,565</b>	<b>12,000</b>	<b>44,367</b>	<b>0</b>	<b>23,520</b>	<b>49,344</b>	<b>27,116</b>	<b>107,153</b>	<b>1,000</b>	<b>10</b>	<b>26,386</b>
<b>FUND BALANCES - DECEMBER 31, 2011</b>	<b>\$ 73,235</b>	<b>\$ 151,350</b>	<b>\$ 12,000</b>	<b>\$ 34,745</b>	<b>\$ 0</b>	<b>\$ 21,256</b>	<b>\$ (118)</b>	<b>\$ 43,155</b>	<b>\$ 101,054</b>	<b>\$ 250</b>	<b>\$ 10</b>	<b>\$ 22,543</b>
												<b>\$ 459,480</b>