

Selectboard Members  
 Town of Fayston  
 866 No. Fayston Road  
 Moretown, VT 05660

Dear Selectboard Members:

We have recently completed the compilation of the Town's financial statements as of and for the year ended December 31, 2017. The following are our observations and recommendations.

**FINANCIAL PERFORMANCE**

At December 31, 2017 your General Fund had a fund balance of \$166,556.

Exhibit C of the financial statements on pages 5 - 8 compares General Fund actual revenues and expenditures to budget. Revenues were less than expenditures by \$65,900, which was \$197,806 better than what was budgeted. The largest variances were as follows:

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
<b>Revenues:</b>			
Property taxes	\$ 806,932	\$ 865,629	\$ 58,697
State transportation grant	0	19,699	19,699
Delinquent tax penalties	0	8,695	8,695
Miscellaneous income	29,900	48,895	18,995
<b>Expenditures:</b>			
Listers	18,900	7,168	11,732
Hospitalization	90,000	82,223	7,777
Fire Protection	40,037	22,284	17,753
Legal	5,000	19,126	(14,126)

Fund balances for the Capital Projects Funds, Special Revenue Funds and the Cemetery Perpetual Care Fund totaled \$1,037,364 as of December 31, 2017. Please see Note 8 to the Financial Statements and Schedules 3 and 4 for more details related to these funds.

#### **PRIOR RECOMMENDATIONS**

##### *REPORT*

As discussed in past years, due to the Town reporting its financial information on the pre GASB 34 reporting model, the financial statements do not present fairly, the financial position or changes in the financial position of the Town of Fayston in conformity with generally accepted accounting principles. We recommend that you continue to consider the costs and benefits of complying with this accounting principle.

We thank you for the opportunity to provide this service to you. Please call if you have any questions or want to discuss any of the above recommendations.

Sincerely,

FOTHERGILL SEGALE & VALLEY, CPAs  
Montpelier, Vermont

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**TOWN OF FAYSTON, VERMONT**  
**COMPILATION REPORT AND FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
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## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Selectboard  
Town of Fayston  
Fayston, Vermont

Management is responsible for 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, 2017 and the related notes to the financial statements, which comprise the Town's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

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, specifically GASB 34 and GASB 37, require the presentation of government-wide financial statements. Management has not determined the amounts that would be reported in government-wide financial statements resulting from transactions for the Town's governmental activities.

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

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

Management has chosen not to follow GASB 68 "Accounting and Financial Reporting for Pensions" which is used to improve accounting and financial reporting for pensions. Management has not determined the financial impact of not following GASB 68.

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  
Montpelier, Vermont  
Vermont Public Accountancy License #110

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TOWN OF FAYSTON, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017

## EXHIBIT A

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General	Road Retreatment		
<b>ASSETS</b>				
Cash - checking and savings	\$ 1,889,901	\$ 0	\$ 20,642	\$ 1,910,543
Investments	0	0	166,926	166,926
Delinquent taxes receivable	108,667	0	0	108,667
Other receivables	556	0	0	556
Prepaid expenses	558	0	0	558
Due from other funds	0	372,188	497,154	869,342
<b>Total assets</b>	<b>\$ 1,999,682</b>	<b>\$ 372,188</b>	<b>\$ 684,722</b>	<b>\$ 3,056,592</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accrued payables	\$ 48,540	\$ 0	\$ 0	\$ 48,540
Due to State Education Fund	845,264	0	0	845,264
Property tax overpayments	4,526	0	0	4,526
Due to other funds	849,796	0	19,546	869,342
<b>Total liabilities</b>	<b>1,748,126</b>	<b>0</b>	<b>19,546</b>	<b>1,767,672</b>
<b>Deferred Inflows Of Resources</b>				
Unavailable revenue - taxes	85,000	0	0	85,000
<b>Fund Balance</b>				
Nonspendable - prepaid expenses	558	0	0	558
Restricted - Special Revenue Funds	0	0	260,713	260,713
Restricted - Permanent Funds	0	0	24,729	24,729
Assigned - Capital Project Funds	0	372,188	390,992	763,180
Assigned - 2018 expenditures	165,998	0	0	165,998
Unassigned	0	0	(11,258)	(11,258)
<b>Total fund balances</b>	<b>166,556</b>	<b>372,188</b>	<b>665,176</b>	<b>1,203,920</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,999,682</b>	<b>\$ 372,188</b>	<b>\$ 684,722</b>	<b>\$ 3,056,592</b>

See Notes to Financial Statements.

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TOWN OF FAYSTON, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2017

EXHIBIT B

	Major Funds			Total Governmental Funds
	General	Road Retreatment	Nonmajor Funds	
<b>REVENUES</b>				
Property taxes	\$ 865,629	\$ 0	\$ 0	\$ 865,629
Fees, licenses and permits	36,652	0	0	36,652
State of Vermont - highway funds	67,406	0	0	67,406
State of Vermont - grants	0	0	17,023	17,023
State of Vermont - emergency grant funds	19,699	0	0	19,699
Investment income	5,581	0	18,190	23,771
Other	123,724	0	11,566	135,290
Total revenues	<u>1,118,691</u>	<u>0</u>	<u>46,779</u>	<u>1,165,470</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Salaries - road crew	153,464	0	0	153,464
Employee benefits	127,439	0	0	127,439
Highway equipment	92,233	0	0	92,233
Highway supplies	61,454	0	0	61,454
Town garage	8,141	0	0	8,141
Officers' salaries	97,104	0	0	97,104
Officers' supplies	19,271	0	0	19,271
Taxes and assessments	114,593	0	0	114,593
Fire protection	22,284	0	0	22,284
Insurance	29,047	0	0	29,047
Town meeting and election	3,454	0	0	3,454
Municipal building	20,661	0	0	20,661
Planning / Board of Adjustment	59,040	0	0	59,040
Administrative	38,906	0	0	38,906
Cemetery	0	0	9,662	9,662
Road construction	0	6,000	37,363	43,363
Furnishings	0	0	39,016	39,016
Capital Outlays	0	0	130,350	130,350
Total expenditures	<u>847,091</u>	<u>6,000</u>	<u>216,391</u>	<u>1,069,482</u>
<b>EXCESS REVENUES (EXPENDITURES) BEFORE OTHER FINANCING SOURCES (USES)</b>	271,600	(6,000)	(169,612)	95,988
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from (to) other funds	(337,500)	80,000	257,500	0
<b>NET CHANGE IN FUND BALANCES</b>	(65,900)	74,000	87,888	95,988
<b>FUND BALANCES - JANUARY 1, 2017</b>	<u>232,456</u>	<u>298,188</u>	<u>577,288</u>	<u>1,107,932</u>
<b>FUND BALANCES - DECEMBER 31, 2017</b>	<u>\$ 166,556</u>	<u>\$ 372,188</u>	<u>\$ 665,176</u>	<u>\$ 1,203,920</u>

See Notes to Financial Statements.

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TOWN OF FAYSTON, VERMONT EXHIBIT C  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2017

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>			
Property taxes	\$ 806,932	\$ 865,629	\$ 58,697
State of Vermont - highway funds	67,000	67,406	406
State of Vermont - transportation grant	0	19,699	19,699
GM Valley School	4,000	4,000	0
Fees, licenses and permits	28,900	36,652	7,752
Interest on taxes	15,000	22,258	7,258
Delinquent tax penalties	0	8,695	8,695
Interest on investments	2,800	5,581	2,781
Current use	42,000	39,876	(2,124)
Miscellaneous	29,900	48,895	18,995
Total revenues	<u>996,532</u>	<u>1,118,691</u>	<u>122,159</u>
<b>EXPENDITURES</b>			
Salaries			
Road crew	<u>156,060</u>	<u>153,464</u>	<u>2,596</u>
Employee Benefits			
Hospitalization	90,000	82,223	7,777
Retirement	15,000	13,760	1,240
Social Security	22,300	20,889	1,411
Uniforms	1,800	1,723	77
Dental	8,000	8,844	(844)
Total employee benefits	<u>137,100</u>	<u>127,439</u>	<u>9,661</u>
Highway Equipment			
Blades	6,000	6,959	(959)
Diesel	35,000	32,909	2,091
Repairs	25,000	23,143	1,857
Gasoline	400	569	(169)
Oil	2,000	3,135	(1,135)
Other parts	5,000	4,440	560
Rentals	10,000	14,524	(4,524)
Tires	5,000	6,554	(1,554)
Total highway equipment	<u>88,400</u>	<u>92,233</u>	<u>(3,833)</u>
Highway Supplies			
Calcium	14,000	8,100	5,900
Sand	12,000	14,436	(2,436)
Other supplies	1,500	881	619
Salt	35,000	38,037	(3,037)
Total highway supplies	<u>62,500</u>	<u>61,454</u>	<u>1,046</u>

See Notes to Financial Statements.

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TOWN OF FAYSTON, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2017

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Town Garage			
Electricity	2,000	2,090	(90)
Heat	0	977	(977)
Maintenance and repairs	5,000	3,192	1,808
Telephone	2,000	1,882	118
Total town garage	<u>9,000</u>	<u>8,141</u>	<u>859</u>
Officers' Salaries			
Town Clerk, Treasurer and Tax Collector	54,274	54,274	0
Assistant Clerk/Treasurer	23,678	24,128	(450)
Selectboard assistant	11,542	11,534	8
Listers	18,900	7,168	11,732
Total officers' salaries	<u>108,394</u>	<u>97,104</u>	<u>11,290</u>
Officers' Supplies			
Computer expenses	5,000	4,860	140
Equipment purchase	2,000	0	2,000
Listers	1,000	413	587
Selectmen	2,250	2,250	0
Postage	2,000	1,683	317
Equipment rental	2,300	1,904	396
Supplies	2,500	3,175	(675)
911 wages	1,000	0	1,000
Tax mapping	2,500	1,950	550
Bank charges	0	30	(30)
Seminars/Dues	3,500	3,006	494
Total officers' supplies	<u>24,050</u>	<u>19,271</u>	<u>4,779</u>
Taxes and Assessments			
Joslin Memorial Library	22,666	20,800	1,866
Washington County	27,955	27,955	0
Recreation district	15,000	15,000	0
Mad River Park fields	31,250	31,250	0
Donations	19,588	19,588	0
Total taxes and assessments	<u>116,459</u>	<u>114,593</u>	<u>1,866</u>
Fire Protection			
Waitsfield contract	40,037	22,284	17,753

See Notes to Financial Statements.

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TOWN OF FAYSTON, VERMONT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2017

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Insurance			
Liability, etc.	18,110	15,979	2,131
Workers' compensation	12,300	12,300	0
Unemployment	413	768	(355)
Total insurance	<u>30,823</u>	<u>29,047</u>	<u>1,776</u>
Town Meeting and Election			
Election clerks	500	0	500
Supplies	1,000	0	1,000
Town Report	5,100	3,454	1,646
Total town meeting and election	<u>6,600</u>	<u>3,454</u>	<u>3,146</u>
Municipal Building			
Cleaning	1,900	1,690	210
Electricity	2,700	2,813	(113)
Heat	2,500	2,915	(415)
Other	200	0	200
Maintenance	10,000	10,291	(291)
Telephone	3,000	2,952	48
Total municipal building	<u>20,300</u>	<u>20,661</u>	<u>(361)</u>
Planning/Board of Adjustment			
Advertising	2,000	1,747	253
CVRPC	1,488	1,488	0
FNRC	1,000	348	652
MRVPD	41,986	41,986	0
ZA expense	500	170	330
Planning/DRB resources	500	0	500
Supplies and postage	500	0	500
Zoning administrator and asst.	17,251	13,301	3,950
Total planning/board of adjustments	<u>65,225</u>	<u>59,040</u>	<u>6,185</u>

See Notes to Financial Statements.

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TOWN OF FAYSTON, VERMONT EXHIBIT C  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2017

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Administration			
Pound	2,000	2,000	0
Legal	5,000	19,126	(14,126)
Consulting	500	0	500
Audit	6,800	6,800	0
Fire warden	300	300	0
Public safety	300	0	300
MRV solid waste alliance	8,118	8,118	0
Other	1,000	0	1,000
Bad debt	0	40	(40)
League of Cities and Towns	2,522	2,522	0
Total administration	<u>26,540</u>	<u>38,906</u>	<u>(12,366)</u>
Total expenditures	<u>891,488</u>	<u>847,091</u>	<u>44,397</u>
Transfers to Other Funds			
Road construction reserve	30,000	30,000	0
Bridge reserve	5,000	5,000	0
Culvert reserve	15,000	15,000	0
Equipment reserve	105,000	105,000	0
Fire equipment reserve	40,000	40,000	0
Road retreatment reserve	80,000	80,000	0
Record restoration reserve	5,000	5,000	0
Reappraisal reserve	5,000	5,000	0
Town garage reserve	50,000	50,000	0
FNRC Conservation Fund	2,500	2,500	0
Total transfers to other funds	<u>337,500</u>	<u>337,500</u>	<u>0</u>
Total expenditures and transfers to other funds	<u>1,228,988</u>	<u>1,184,591</u>	<u>44,397</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES AND TRANSFERS	<u>\$ (232,456)</u>	(65,900)	<u>\$ 166,556</u>
FUND BALANCE - JANUARY 1, 2017		<u>232,456</u>	
FUND BALANCE - DECEMBER 31, 2017		<u>\$ 166,556</u>	

See Notes to Financial Statements.

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TOWN OF FAYSTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 (including 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.

*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, 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 and No. 37 set 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 Road Retirement 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, 2017

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

The following fund categories 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 major 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.

Road Retreatment Fund is used to account for financial resources to be used for the retreatment and resurfacing of roads.

*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.

*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).

TOWN OF FAYSTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

*Unavailable Revenue*

Unavailable revenue consists of the following:

General Fund – Delinquent taxes not collected within sixty (60) days after year end.

*Deferred Inflows of Resources*

In January of 2014, the Town implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which reports a separate section for deferred inflows of resources in the Town's governmental funds. This separate financial statement element reflects an increase in net position that applies to a future period. The Town will recognize the related revenues when a future event occurs. The Town has one item which occurs because governmental fund revenues are not recognized until available (collected not later than sixty days after the end of the Town's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, unavailable property tax revenue (formerly deferred property taxes) are reported in the governmental funds balance sheet.

*Fund Balances*

GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" provides 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.

TOWN OF FAYSTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

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.

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.

TOWN OF FAYSTON, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2017

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

*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.

**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, 2017, none of the government's bank balance of \$1,917,930 was exposed to custodial credit risk. Coverage for the bank balance is as follows:

SIPC	5,001
Collateralized	<u>1,912,929</u>
	<u>\$1,917,930</u>

**NOTE 3 - INVESTMENTS**

As of December 31, 2017, the Town had the following investment:

<u>Investment type</u>	<u>Fair value</u>
Mutual funds	\$160,061
Unit trusts	<u>6,865</u>
Total	<u>\$166,926</u>

*Interest Rate Risk* – The Town has 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 an 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, 2017

**NOTE 3 – INVESTMENTS (CONTINUED)**

Investment income includes the following:

	Governmental Funds			Total
	General Fund	Cemetery Perpetual Care	Cemetery Maintenance	
Interest and dividends	\$ 5,581	\$ 1,661	\$ 5,285	\$ 12,527
Unrealized gain	0	956	10,288	11,244
Total	\$ 5,581	\$ 2,617	\$ 15,573	\$ 23,771

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. In the current year, there were no realized gains or losses.

**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 2017 was:

Town, including vet. exemption	0.2203
School - Homestead	1.5000
School - Non residential	1.4829

**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, 2017

**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. All covered employees are Group B Members and are required to contribute 4.75% for the first two quarters and 4.875% for the final two quarters of compensation. Members in the plan are vested upon completing 5 creditable years of service.

The Town's 2017 payroll for all employees was \$294,486. Total 2017 covered payroll for the Vermont Municipal Employees' Retirement System was \$249,906. The Town's contribution to the plan is 5.5% of covered compensation. Total employer contributions to the plan were \$13,760 for 2017, \$13,464 for 2016 and \$12,914 for 2015. All 2017 employee and employer retirement contributions were paid as of December 31, 2017.

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 – UNAVAILABLE REVENUE**

Unavailable revenue consists of \$85,000 of delinquent taxes that are not expected to be collected within sixty (60) days after year end as these would not be available to liquidate current liabilities.

**NOTE 7 - 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 8 - BUDGETED DEFICIT**

The Town elected to budget expenditures in excess of revenues by \$232,456 in the General Fund in order to reduce the carryover fund balance. This is reflected as a budgeted deficiency of revenues over expenditures in Exhibit C.

TOWN OF FAYSTON, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2017

**NOTE 9 - 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.

**NOTE 10 - FUND BALANCES**

Governmental Fund balances are as follows:

<b>General Fund</b>		
Nonspendable - prepaid expenses	\$ 558	
Assigned - 2018 expenditures	<u>165,998</u>	
Total General Fund		\$ 166,556
<b>Capital Projects Funds</b>		
Unassigned:		
Other equipment	(11,258)	
Assigned:		
Fire Equipment	73,954	
Bridge Reserve	153,855	
Recreation Reserve	12,000	
Road Construction	91,500	
Road Retreatment	372,188	
Town Garage	25,918	
Record Restoration	17,336	
Culvert Reserve	<u>16,429</u>	
Total Capital Projects Funds		751,922
<b>Special Revenue Funds</b>		
Restricted:		
Conservation Fund	36,225	
Cemetery maintenance	150,299	
Reappraisal	<u>74,189</u>	
Total Special Revenue Funds		260,713
<b>Permanent Fund</b>		
Restricted:		
Cemetery perpetual care		<u>24,729</u>
Total Fund Balances - Governmental Funds		<u>\$ 1,203,920</u>

TOWN OF FAYSTON, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2017

**NOTE 11 - 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, 2017 are as follows:

Transfers to:	Transfers from: General Fund
Road retreatment	\$ 80,000
Record restoration	5,000
Bridge reserve	5,000
Culvert reserve	15,000
Fire equipment	40,000
Other equipment/assets	105,000
Town Garage	50,000
Road construction	30,000
FNRC Conservation fund	2,500
Reappraisal	5,000
Total	\$ 337,500

In addition, \$1,000 was transferred from the Cemetery Perpetual Care Fund to the Cemetery Maintenance Fund.

**NOTE 12 – 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, 2017 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 0	\$ 849,796
Capital Projects Funds		
Other Equipment/Assets	0	11,258
Fire Equipment	73,954	0
Bridge Reserve	141,315	0
Recreation Reserve	12,000	0
Town Garage	25,918	0
Road Construction	91,500	0
Road Retreatment	372,188	0
Record Restoration	17,336	0
Culvert reserve	16,429	0
Special Revenue Funds		
Conservation fund	36,225	0
Reappraisal	74,189	0
Cemetery Maintenance	8,288	0
Permanent Funds		
Cemetery Perpetual Care	0	8,288
Total	\$ 869,342	\$ 869,342

TOWN OF FAYSTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 13 – 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, 2018.

**NOTE 14 – FUND DEFICIT**

The Selectboard plans to eliminate the deficit in the Other Equipment Fund using future transfers from the General Fund.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through ~~EDATE~~ 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, 2017

SCHEDULE 1

	<u>MUNICIPAL</u>	<u>HOMESTEAD</u>	<u>NON-RESIDENTIAL</u>	<u>TOTAL</u>
Total Grand List	\$ 3,721,504.00	\$ 1,381,817.00	\$ 2,281,769.00	
Tax rate	0.2203	1.5000	1.4829	
Taxes Billed	<u>\$ 821,387.65</u>	<u>\$ 2,072,725.50</u>	<u>\$ 3,383,635.42</u>	\$ 6,277,748.57
Various adjustments				9,757.10
Decrease in deferred taxes				25,000.00
Payment to Fayston School District				(2,969,944.00)
State adjustments - HS-122				(686,988.00)
Payment to State of Vermont				(1,789,945.00)
Net property taxes				<u>\$ 865,628.67</u>

Reconciliation of Delinquent Taxes

<u>Years</u>	<u>Delinquent Taxes Due Jan. 1, 2017</u>	<u>Current Taxes Gone Delinquent</u>	<u>Collections</u>	<u>Delinquent Taxes Due Dec. 31, 2017</u>
2013	\$ 4,789.42	\$ 0	\$ 4,789.42	\$ 0
2014	13,382.56	0	13,382.56	0
2015	16,490.17	0	16,490.17	0
2016	106,041.78	0	89,890.28	16,151.50
2017	0	92,515.06	0	92,515.06
	<u>\$ 140,703.93</u>	<u>\$ 92,515.06</u>	<u>\$ 124,552.43</u>	<u>\$ 108,666.56</u>

TOWN OF FAYSTON, VERMONT  
SUMMARY OF CASH RECEIPTS AND CASH EXPENDITURES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2017

SCHEDULE 2

CASH BALANCE - January 1, 2017		\$ 1,859,930
<b>CASH RECEIPTS</b>		
Taxes collected	5,498,771	
Delinquent taxes	124,552	
Penalties and interest	30,953	
Interest and dividends	12,527	
State of Vermont - highway funds	67,406	
State and federal grants	36,722	
Other miscellaneous receipts	144,938	
Total cash receipts		5,915,869
<b>CASH EXPENDITURES</b>		
Transfer to School District and State	4,796,028	
Highway	315,292	
Other General Fund	526,789	
Capital expenditures	212,729	
Cemetery maintenance	9,662	
Reinvested dividends & securities purchases - cemetery	4,757	
Total cash expenditures		<u>5,865,257</u>
 CASH BALANCE - December 31, 2017		 <u>\$ 1,910,543</u>

SCHEDULE 3

TOWN OF FAYSTON, VERMONT  
 COMBINING AND INDIVIDUAL BALANCE SHEETS - NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2017

ASSETS	Fire Equipment	Bridge Reserve	Recreation Reserve	Capital Projects				Culvert Reserve	Conservation Fund	Special Revenue		Permanent Fund		Totals
				Other Equip./Assets	Road Construction	Town Garage	Record Restoration			Reappraisal	Cemetery Maintenance	Cemetery Perpetual Care		
Cash	\$ 0	\$ 12,540	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,416	\$ 2,686	\$ 20,642	
Investments	0	0	0	0	0	0	0	0	0	0	136,595	30,331	166,926	
Due from other funds	73,954	141,315	12,000	0	91,500	25,918	17,336	16,429	36,225	74,189	8,288	0	497,154	
<b>Total assets</b>	<b>\$ 73,954</b>	<b>\$ 153,855</b>	<b>\$ 12,000</b>	<b>\$ 0</b>	<b>\$ 91,500</b>	<b>\$ 25,918</b>	<b>\$ 17,336</b>	<b>\$ 16,429</b>	<b>\$ 36,225</b>	<b>\$ 74,189</b>	<b>\$ 150,299</b>	<b>\$ 33,017</b>	<b>\$ 684,722</b>	
<b>LIABILITIES</b>														
Due to other funds	\$ 0	\$ 0	\$ 0	\$ 11,258	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,288	\$ 19,546	
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,258</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>19,546</b>	
<b>FUND BALANCES</b>														
Restricted	0	0	0	0	0	0	0	0	36,225	74,189	150,299	24,729	285,412	
Assigned	73,954	153,855	12,000	0	91,500	25,918	17,336	16,429	0	0	0	0	390,992	
Unassigned	0	0	0	(11,258)	0	0	0	0	0	0	0	0	(11,258)	
<b>Total fund balances</b>	<b>73,954</b>	<b>153,855</b>	<b>12,000</b>	<b>(11,258)</b>	<b>91,500</b>	<b>25,918</b>	<b>17,336</b>	<b>16,429</b>	<b>36,225</b>	<b>74,189</b>	<b>150,299</b>	<b>24,729</b>	<b>665,176</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 73,954</b>	<b>\$ 153,855</b>	<b>\$ 12,000</b>	<b>\$ 0</b>	<b>\$ 91,500</b>	<b>\$ 25,918</b>	<b>\$ 17,336</b>	<b>\$ 16,429</b>	<b>\$ 36,225</b>	<b>\$ 74,189</b>	<b>\$ 150,299</b>	<b>\$ 33,017</b>	<b>\$ 684,722</b>	

SCHEDULE 4

TOWN OF FAYSTON, VERMONT  
 COMBINING AND INDIVIDUAL STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2017

	Capital Projects								Special Revenue			Permanent Fund	Totals
	Fire Equipment	Bridge Reserve	Recreation Reserve	Other Equip./Assets	Road Construction	Town Garage	Record Restoration	Culvert Reserve	Conservation Fund	Reappraisal	Cemetery Maintenance	Cemetery Perpetual Care	
<b>REVENUES</b>													
Investment income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,573	\$ 2,617	\$ 18,190
State and federal grants	0	5,639	0	0	1,379	0	0	0	0	10,005	0	0	17,023
Other	0	0	0	0	0	0	1,731	0	1,000	0	8,825	0	11,566
<b>Total revenues</b>	<u>0</u>	<u>5,639</u>	<u>0</u>	<u>0</u>	<u>1,379</u>	<u>0</u>	<u>1,731</u>	<u>0</u>	<u>1,000</u>	<u>10,005</u>	<u>24,408</u>	<u>2,617</u>	<u>46,779</u>
<b>EXPENDITURES</b>													
Current expenditures													
Road and bridge construction	0	5,639	0	0	31,724	0	0	0	0	0	0	0	37,363
Equipment, furnishings, office expense	0	0	0	0	0	0	5,715	0	0	33,301	0	0	39,016
Cemetery	0	0	0	0	0	0	0	0	0	0	9,662	0	9,662
Capital Outlay	0	0	0	89,881	0	24,082	0	16,387	0	0	0	0	130,350
<b>Total expenditures</b>	<u>0</u>	<u>5,639</u>	<u>0</u>	<u>89,881</u>	<u>31,724</u>	<u>24,082</u>	<u>5,715</u>	<u>16,387</u>	<u>0</u>	<u>33,301</u>	<u>9,662</u>	<u>0</u>	<u>216,391</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(89,881)</u>	<u>(30,345)</u>	<u>(24,082)</u>	<u>(3,984)</u>	<u>(16,387)</u>	<u>1,000</u>	<u>(23,296)</u>	<u>14,746</u>	<u>2,617</u>	<u>(169,612)</u>
<b>OTHER FINANCING SOURCES</b>													
Transfers from (to) other funds	40,000	5,000	0	105,000	30,000	50,000	5,000	15,000	2,500	5,000	1,000	(1,000)	257,500
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<u>40,000</u>	<u>5,000</u>	<u>0</u>	<u>15,119</u>	<u>(345)</u>	<u>25,918</u>	<u>1,016</u>	<u>(1,387)</u>	<u>3,500</u>	<u>(18,296)</u>	<u>15,746</u>	<u>1,617</u>	<u>87,888</u>
<b>FUND BALANCES - JANUARY 1, 2017</b>	<u>33,954</u>	<u>148,855</u>	<u>12,000</u>	<u>(26,377)</u>	<u>91,845</u>	<u>0</u>	<u>16,320</u>	<u>17,816</u>	<u>32,725</u>	<u>92,485</u>	<u>134,553</u>	<u>23,112</u>	<u>577,288</u>
<b>FUND BALANCES - DECEMBER 31, 2017</b>	<u>\$ 73,954</u>	<u>\$ 153,855</u>	<u>\$ 12,000</u>	<u>\$ (11,258)</u>	<u>\$ 91,500</u>	<u>\$ 25,918</u>	<u>\$ 17,336</u>	<u>\$ 16,429</u>	<u>\$ 36,225</u>	<u>\$ 74,189</u>	<u>\$ 150,299</u>	<u>\$ 24,729</u>	<u>\$ 665,176</u>