

TOWN OF FAYSTON, VERMONT
COMPILATION REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2016
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FOTHERGILL SEGALE & VALLEY

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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, 2016 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. The amounts that would be reported in government-wide financial statements resulting from transactions for the Town's governmental activities are not reasonably determinable.

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. The financial impact of not following GASB 68 is not reasonably determined.

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

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Montpelier, Vermont
Vermont Public Accountancy License #110

February 1, 2017

TOWN OF FAYSTON, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

EXHIBIT A

	Major Funds			Total Governmental Funds
	General	Road Retreatment	Nonmajor Funds	
ASSETS				
Cash - checking and savings	\$ 1,835,621	\$ 0	\$ 24,309	\$ 1,859,930
Investments	0	0	145,830	145,830
Delinquent taxes receivable	140,704	0	0	140,704
Other receivables	653	0	0	653
Prepaid expenses	8,058	0	0	8,058
Due from other funds	0	298,188	441,814	740,002
Total assets	\$ 1,985,036	\$ 298,188	\$ 611,953	\$ 2,895,177
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accrued payables	\$ 51,030	\$ 0	\$ 0	\$ 51,030
Due to State Education Fund	882,212	0	0	882,212
Property tax overpayments	4,001	0	0	4,001
Due to other funds	705,337	0	34,665	740,002
Total liabilities	1,642,580	0	34,665	1,677,245
Deferred Inflows Of Resources				
Unavailable revenue - taxes	110,000	0	0	110,000
Fund Balance				
Nonspendable - prepaid expenses	8,058	0	0	8,058
Restricted - Special Revenue Funds	0	0	259,763	259,763
Restricted - Permanent Funds	0	0	23,112	23,112
Assigned - Capital Project Funds	0	298,188	320,790	618,978
Assigned - 2017 expenditures	224,398	0	0	224,398
Unassigned	0	0	(26,377)	(26,377)
Total fund balances	232,456	298,188	577,288	1,107,932
Total liabilities and fund balances	\$ 1,985,036	\$ 298,188	\$ 611,953	\$ 2,895,177

TOWN OF FAYSTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

EXHIBIT B

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General	Road Retreatment		
REVENUES				
Property taxes	\$ 855,639	\$ 0	\$ 0	\$ 855,639
Fees, licenses and permits	30,275	0	0	30,275
State of Vermont - highway funds	67,426	0	0	67,426
State of Vermont - grants	0	0	13,389	13,389
State of Vermont - emergency grant funds	162,210	0	0	162,210
Investment income	4,764	0	12,039	16,803
Other	107,942	0	8,492	116,434
Total revenues	<u>1,228,256</u>	<u>0</u>	<u>33,920</u>	<u>1,262,176</u>
EXPENDITURES				
Current Expenditures				
Salaries - road crew	151,035	0	0	151,035
Employee benefits	120,159	0	0	120,159
Highway equipment	83,499	0	0	83,499
Highway supplies	133,141	0	0	133,141
Town garage	15,548	0	0	15,548
Officers' salaries	98,072	0	0	98,072
Officers' supplies	22,176	0	0	22,176
Taxes and assessments	123,782	0	0	123,782
Fire protection	33,066	0	0	33,066
Insurance	28,749	0	0	28,749
Town meeting and election	6,666	0	0	6,666
Municipal building	13,432	0	0	13,432
Planning / Board of Adjustment	57,155	0	0	57,155
Administrative	24,621	0	0	24,621
Cemetery	0	0	8,657	8,657
Road construction	0	2,800	42,826	45,626
Furnishings	0	0	37,892	37,892
Capital Outlays	0	0	139,655	139,655
Total expenditures	<u>911,101</u>	<u>2,800</u>	<u>229,030</u>	<u>1,142,931</u>
EXCESS REVENUES (EXPENDITURES) BEFORE OTHER FINANCING SOURCES (USES)	317,155	(2,800)	(195,110)	119,245
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds	<u>(257,500)</u>	<u>80,000</u>	<u>177,500</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	59,655	77,200	(17,610)	119,245
FUND BALANCES - JANUARY 1, 2016	<u>172,801</u>	<u>220,988</u>	<u>594,898</u>	<u>988,687</u>
FUND BALANCES - DECEMBER 31, 2016	<u>\$ 232,456</u>	<u>\$ 298,188</u>	<u>\$ 577,288</u>	<u>\$ 1,107,932</u>

TOWN OF FAYSTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2016

EXHIBIT C

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Property taxes	\$ 808,077	\$ 855,639	\$ 47,562
State of Vermont - highway funds	67,000	67,426	426
State of Vermont - emergency grant funds	0	162,210	162,210
GM Valley School	4,000	4,000	0
Fees, licenses and permits	28,700	30,275	1,575
Interest on taxes	15,000	14,472	(528)
Delinquent tax penalties	0	9,686	9,686
Interest on investments	3,300	4,764	1,464
Miscellaneous	58,400	79,784	21,384
Total revenues	<u>984,477</u>	<u>1,228,256</u>	<u>243,779</u>
EXPENDITURES			
Salaries			
Road crew	<u>153,000</u>	<u>151,035</u>	<u>1,965</u>
Employee Benefits			
Hospitalization	85,000	75,053	9,947
Retirement	15,000	13,464	1,536
Social Security	21,300	21,936	(636)
Uniforms	1,800	1,677	123
Dental	8,000	8,029	(29)
Total employee benefits	<u>131,100</u>	<u>120,159</u>	<u>10,941</u>
Highway Equipment			
Blades	6,000	6,653	(653)
Diesel	40,000	26,762	13,238
Repairs	25,000	28,867	(3,867)
Gasoline	400	141	259
Oil	2,000	1,787	213
Other parts	5,000	4,440	560
Rentals	7,500	10,081	(2,581)
Tires	10,000	4,768	5,232
Total highway equipment	<u>95,900</u>	<u>83,499</u>	<u>12,401</u>
Highway Supplies			
Calcium	14,000	8,633	5,367
Sand	14,000	10,579	3,421
Other supplies	1,500	1,226	274
Salt	35,000	35,560	(560)
Subcontract services - roads	0	77,143	(77,143)
Total highway supplies	<u>64,500</u>	<u>133,141</u>	<u>(68,641)</u>

See Notes to Financial Statements.

TOWN OF FAYSTON, VERMONT EXHIBIT C
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2016

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Town Garage			
Electricity	1,800	1,825	(25)
Maintenance and repairs	5,000	11,914	(6,914)
Telephone	1,700	1,809	(109)
Total town garage	<u>8,500</u>	<u>15,548</u>	<u>(7,048)</u>
Officers' Salaries			
Town Clerk, Treasurer and Tax Collector	52,950	52,951	(1)
Assistant Clerk/Treasurer	23,100	21,335	1,765
Selectboard assistant	11,260	11,253	7
Listers	18,900	12,533	6,367
Total officers' salaries	<u>106,210</u>	<u>98,072</u>	<u>8,138</u>
Officers' Supplies			
Computer expenses	5,100	4,896	204
Equipment purchase	1,500	3,438	(1,938)
Listers	1,000	740	260
Selectmen	2,250	2,250	0
Postage	2,500	1,758	742
Equipment rental	2,300	2,071	229
Supplies	2,500	2,452	48
911 wages	1,200	142	1,058
Tax mapping	2,500	1,485	1,015
Bank charges	0	100	(100)
Seminars/Dues	3,500	2,844	656
Total officers' supplies	<u>24,350</u>	<u>22,176</u>	<u>2,174</u>
Taxes and Assessments			
Joslin Memorial Library	22,135	20,800	1,335
FES usage	40,000	40,000	0
Washington County	27,000	27,444	(444)
Recreation district	12,500	15,000	(2,500)
Donations	20,538	20,538	0
Total taxes and assessments	<u>122,173</u>	<u>123,782</u>	<u>(1,609)</u>
Fire Protection			
Waitsfield contract	38,540	33,066	5,474

TOWN OF FAYSTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2016

EXHIBIT C

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Insurance			
Liability, etc.	18,035	16,159	1,876
Workers' compensation	12,124	12,124	0
Unemployment	1,025	466	559
Total insurance	<u>31,184</u>	<u>28,749</u>	<u>2,435</u>
Town Meeting and Election			
Election clerks	1,000	543	457
Supplies	4,000	1,061	2,939
Town Report	4,800	5,062	(262)
Total town meeting and election	<u>9,800</u>	<u>6,666</u>	<u>3,134</u>
Municipal Building			
Cleaning	1,900	1,833	67
Electricity	2,600	2,735	(135)
Heat	2,500	2,282	218
Other	800	1,364	(564)
Maintenance	6,000	2,243	3,757
Telephone	3,000	2,975	25
Total municipal building	<u>16,800</u>	<u>13,432</u>	<u>3,368</u>
Planning/Board of Adjustment			
Advertising	1,500	1,393	107
CVRPC	1,488	1,488	0
FNRC	1,000	478	522
MRVPD	41,986	41,986	0
ZA expense	500	150	350
Planning/DRB resources	500	0	500
Supplies and postage	500	0	500
Zoning administrator and asst.	16,380	11,660	4,720
Total planning/board of adjustments	<u>63,854</u>	<u>57,155</u>	<u>6,699</u>

TOWN OF FAYSTON, VERMONT EXHIBIT C
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Administration			
Pound	2,000	2,000	0
Legal	10,000	962	9,038
Consulting	1,000	0	1,000
Audit	10,800	10,800	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	3	(3)
League of Cities and Towns	2,438	2,438	0
Total administration	<u>35,956</u>	<u>24,621</u>	<u>11,335</u>
Total expenditures	<u>901,867</u>	<u>911,101</u>	<u>(9,234)</u>
Transfers to Other Funds			
Road construction reserve	30,000	30,000	0
Bridge reserve	5,000	5,000	0
Culvert reserve	10,000	10,000	0
Equipment reserve	80,000	80,000	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
FNRC Conservation Fund	2,500	2,500	0
Total transfers to other funds	<u>257,500</u>	<u>257,500</u>	<u>0</u>
Total expenditures and transfers to other funds	<u>1,159,367</u>	<u>1,168,601</u>	<u>(9,234)</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES AND TRANSFERS	<u>\$ (174,890)</u>	59,655	<u>\$ 234,545</u>
FUND BALANCE - JANUARY 1, 2016		<u>172,801</u>	
FUND BALANCE - DECEMBER 31, 2016		<u>\$ 232,456</u>	

TOWN OF FAYSTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016, none of the government’s bank balance of \$1,887,115 was exposed to custodial credit risk as follows:

FDIC	\$ 353,685
SIPC	8,907
Collateralized	<u>1,524,523</u>
	<u><u>\$1,887,115</u></u>

NOTE 3 - INVESTMENTS

As of December 31, 2016, the Town had the following investment:

<u>Investment type</u>	<u>Fair value</u>
Mutual funds	\$126,218
Unit trusts	<u>19,612</u>
Total	<u><u>\$145,830</u></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, 2016

NOTE 3 – INVESTMENTS (CONTINUED)

Investment income includes the following:

	Governmental Funds			Total
	General Fund	Cemetery Perpetual Care	Cemetery Maintenance	
Interest and dividends	\$ 4,764	\$ 1,399	\$ 3,772	\$ 9,935
Unrealized gain	0	1,929	4,939	6,868
Total	\$ 4,764	\$ 3,328	\$ 8,711	\$ 16,803

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 2016 was:

Town, including vet. exemption	0.2203
School - Homestead	1.5857
School - Non residential	1.4582

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, 2016

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 2016 payroll for all employees was \$299,225. Total 2016 covered payroll for the Vermont Municipal Employees' Retirement System was \$244,805. The Town's contribution to the plan is 5.5% of covered compensation. Total employer contributions to the plan were \$13,464 for 2016, \$12,914 for 2015 and \$12,339 for 2014. All 2016 employee and employer retirement contributions were paid as of December 31, 2016.

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 \$110,000 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 \$174,890 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, 2016

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:

General Fund

Nonspendable - prepaid expenses	\$ 8,058	
Assigned - 2016 expenditures	<u>224,398</u>	
Total General Fund		\$ 232,456

Capital Projects Funds

Unassigned:		
Other equipment	(26,377)	
Assigned:		
Fire Equipment	33,954	
Bridge Reserve	148,855	
Recreation Reserve	12,000	
Road Construction	91,845	
Road Retreatment	298,188	
Record Restoration	16,320	
Culvert Reserve	<u>17,816</u>	
Total Capital Projects Funds		592,601

Special Revenue Funds

Restricted:		
Conservation Fund	32,725	
Cemetery maintenance	134,553	
Reappraisal	<u>92,485</u>	
Total Special Revenue Funds		259,763

Permanent Fund

Restricted:		
Cemetery perpetual care		<u>23,112</u>
Total Fund Balances - Governmental Funds		<u>\$ 1,107,932</u>

TOWN OF FAYSTON, VERMONT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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, 2016 are as follows:

<u>Transfers to:</u>	<u>Transfers from: General Fund</u>
Road retreatment	\$ 80,000
Record restoration	5,000
Bridge reserve	5,000
Culvert reserve	10,000
Fire equipment	40,000
Other equipment/assets	80,000
Road construction	30,000
FNRC Conservation fund	2,500
Reappraisal	5,000
Total	<u>\$ 257,500</u>

In addition, \$1,583 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, 2016 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 0	\$ 705,337
Capital Projects Funds		
Other Equipment/Assets	0	26,377
Fire Equipment	33,954	0
Bridge Reserve	136,381	0
Recreation Reserve	12,000	0
Road Construction	91,845	0
Road Retreatment	298,188	0
Record Restoration	16,320	0
Culvert reserve	17,816	0
Special Revenue Funds		
Conservation fund	32,725	0
Reappraisal	92,485	0
Cemetery Maintenance	8,288	0
Permanent Funds		
Cemetery Perpetual Care	0	8,288
Total	<u>\$ 740,002</u>	<u>\$ 740,002</u>

TOWN OF FAYSTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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, 2017.

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 February 1, 2017, 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, 2016

SCHEDULE 1

	MUNICIPAL	HOMESTEAD	NON-RESIDENTIAL	TOTAL
Total Grand List	\$ 3,761,915.00	\$ 1,430,833.00	\$ 2,292,958.00	
Tax rate	0.2203	1.5857	1.4582	
Taxes Billed	\$ 829,083.27	\$ 2,269,537.73	\$ 3,343,591.30	\$ 6,442,212.30
Various adjustments				1,240.70
Decrease in deferred taxes				19,000.00
Payment to Fayston School District				(3,044,802.00)
State adjustments - HS-122				(717,296.00)
Payment to State of Vermont				(1,844,716.00)
Net property taxes				\$ 855,639.00

Reconciliation of Delinquent Taxes

Years	Delinquent Taxes Due Jan. 1, 2016	Current Taxes Gone Delinquent	Collections	Delinquent Taxes Due Dec. 31, 2016
2013	\$ 5,928.89	\$ 0	\$ 1,139.47	\$ 4,789.42
2014	17,695.51	0	4,312.95	13,382.56
2015	135,995.76	0	119,505.59	16,490.17
2016	0	106,041.78	0	106,041.78
	\$ 159,620.16	\$ 106,041.78	\$ 124,958.01	\$ 140,703.93

TOWN OF FAYSTON, VERMONT
SUMMARY OF CASH RECEIPTS AND CASH EXPENDITURES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

SCHEDULE 2

CASH BALANCE - January 1, 2016		\$ 1,704,794
 CASH RECEIPTS		
Taxes collected	5,635,119	
Delinquent taxes	124,958	
Penalties and interest	24,158	
Interest and dividends	9,934	
State of Vermont - highway funds	67,426	
State and federal grants	175,599	
Other miscellaneous receipts	127,384	
Total cash receipts		6,164,578
 CASH EXPENDITURES		
Transfer to School District and State	4,906,736	
Highway	378,935	
Other General Fund	492,072	
Capital expenditures	219,647	
Cemetery maintenance	8,657	
Reinvested dividends & securities purchases - cemetery	3,395	
Total cash expenditures		6,009,442
 CASH BALANCE - December 31, 2016		 \$ 1,859,930

TOWN OF FAYSTON, VERMONT
 COMBINING AND INDIVIDUAL BALANCE SHEETS - NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2016

	Capital Projects										Special Revenue	Permanent Fund Cemetery Perpetual Care	Totals
	Fire Equipment	Bridge Reserve	Recreation Reserve	Other Equip./Assets	Road Construction	Record Restoration	Culvert Reserve	Conservation Fund	Reappraisal	Cemetery Maintenance			
Cash	\$ 0	\$ 12,474	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,922	\$ 1,913	\$ 24,309
Investments	0	0	0	0	0	0	0	0	0	0	116,343	29,487	145,830
Due from other funds	33,954	136,381	12,000	0	91,845	16,320	17,816	32,725	92,485	8,288	0	0	441,814
Total assets	\$ 33,954	\$ 148,855	\$ 12,000	\$ 0	\$ 91,845	\$ 16,320	\$ 17,816	\$ 32,725	\$ 92,485	\$ 134,553	\$ 31,400	\$ 31,400	\$ 611,953
LIABILITIES													
Due to other funds	\$ 0	\$ 0	\$ 0	\$ 26,377	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,288	\$ 34,665
Total liabilities	0	0	0	26,377	0	0	0	0	0	0	0	8,288	34,665
FUND BALANCES													
Restricted	0	0	0	0	0	0	0	32,725	92,485	134,553	23,112	282,875	
Assigned	33,954	148,855	12,000	0	91,845	16,320	17,816	0	0	0	0	0	320,790
Unassigned	0	0	0	(26,377)	0	0	0	0	0	0	0	0	(26,377)
Total fund balances	33,954	148,855	12,000	(26,377)	91,845	16,320	17,816	32,725	92,485	134,553	23,112	577,288	
Total liabilities and fund balances	\$ 33,954	\$ 148,855	\$ 12,000	\$ 0	\$ 91,845	\$ 16,320	\$ 17,816	\$ 32,725	\$ 92,485	\$ 134,553	\$ 31,400	\$ 611,953	

TOWN OF FAYSTON, VERMONT
 COMBINING AND INDIVIDUAL STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2016

	Capital Projects							Special Revenue		Permanent		
	Fire Equipment	Bridge Reserve	Recreation Reserve	Other Equip./Assets	Road Construction	Record Restoration	Culvert Reserve	Conservation Fund	Reappraisal	Cemetery Maintenance	Fund Cemetery Perpetual Care	Totals
REVENUES												
Investment income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,711	\$ 3,328	\$ 12,039
State and federal grants	0	0	0	0	0	0	0	2,225	11,164	0	0	13,389
Other	0	0	0	0	0	1,832	0	0	0	6,660	0	8,492
Total revenues	0	0	0	0	0	1,832	0	2,225	11,164	15,371	3,328	33,920
EXPENDITURES												
Current expenditures												
Road and bridge construction	0	11,835	0	0	30,991	0	0	0	0	0	0	42,826
Equipment, furnishings, office expense	0	0	0	0	0	7,119	0	0	30,773	0	0	37,892
Cemetery	0	0	0	0	0	0	0	0	0	8,657	0	8,657
Capital Outlay	0	0	0	136,400	0	0	3,255	0	0	0	0	139,655
Total expenditures	0	11,835	0	136,400	30,991	7,119	3,255	0	30,773	8,657	0	229,030
EXCESS REVENUES (EXPENDITURES)	0	(11,835)	0	(136,400)	(30,991)	(5,287)	(3,255)	2,225	(19,609)	6,714	3,328	(195,110)
OTHER FINANCING SOURCES												
Transfers from: (to) other funds	40,000	5,000	0	80,000	30,000	5,000	10,000	2,500	5,000	1,583	(1,583)	177,500
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	40,000	(6,835)	0	(56,400)	(991)	(287)	6,745	4,725	(14,609)	8,297	1,745	(17,610)
FUND BALANCES - JANUARY 1, 2016	(6,046)	155,690	12,000	30,023	92,836	16,607	11,071	28,000	107,094	126,256	21,367	594,898
FUND BALANCES - DECEMBER 31, 2016	\$ 33,954	\$ 148,855	\$ 12,000	\$ (26,377)	\$ 91,845	\$ 16,320	\$ 17,816	\$ 32,725	\$ 92,485	\$ 134,553	\$ 23,112	\$ 577,288