

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
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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, 2018. The following are our observations and recommendations.

FINANCIAL PERFORMANCE

At December 31, 2018 your General Fund had a fund balance of \$79,048.

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 \$87,508, which was \$79,049 better than what was budgeted. The largest variances were as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Property taxes	\$ 880,375	\$ 921,703	\$ 41,328
State transportation grant	0	9,700	9,700
Delinquent tax penalties	0	10,339	10,339
Expenditures:			
Hospitalization	90,000	74,126	15,874
Highway equipment - diesel	35,000	42,395	(7,395)
Highway equipment - repairs	25,000	33,431	(8,431)
Town garage - heat	10,000	4,282	5,718
Legal	15,000	3,041	11,959

Fund balances for the Capital Projects Funds, Special Revenue Funds, Cemetery Perpetual Care Fund, and the Road Retreatment Fund totaled \$851,708 as of December 31, 2018. Please see Note 10 to the Financial Statements and Schedules 3 and 4 for more details related to these funds.

PRIOR RECOMMENDATIONS

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
FOTHERGILL SEGAL & VALLEY, CPAs
Montpelier, Vermont

January 28, 2019

TOWN OF FAYSTON, VERMONT
COMPILATION REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2018
TABLE OF CONTENTS

		<u>Page Number</u>
INDEPENDENT ACCOUNTANT’S COMPILATION REPORT		1 - 2
FINANCIAL STATEMENTS		
Balance Sheet – Governmental Funds	Exhibit A	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	Exhibit B	4
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	Exhibit C	5- 8
Notes to Financial Statements		9 - 18
SUPPLEMENTAL SCHEDULES		
Schedule of Taxes Raised	Schedule 1	19
Summary of Cash Receipts and Cash Expenditures - Governmental Funds	Schedule 2	20
Combining and Individual Balance Sheets - Nonmajor Governmental Funds	Schedule 3	21
Combining and Individual Statements of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	Schedule 4	22

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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, 2018 and the related notes to the financial statements, which collectively 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 the Governmental Accounting Standards Board requires 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

FOTHERGILL SEGALE & VALLEY, CPAs

Montpelier, Vermont

Vermont Public Accountancy License #110

January 28, 2019

TOWN OF FAYSTON, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

EXHIBIT A

	Major Funds			Total Governmental Funds
	General	Road Retreatment	Nonmajor Funds	
ASSETS				
Cash - checking and savings	\$ 1,875,261	\$ 0	\$ 17,953	\$ 1,893,214
Investments	0	0	156,452	156,452
Delinquent taxes receivable	92,775	0	0	92,775
Tax sale receivable	2,952	0	0	2,952
Grant receivable	1,417	0	0	1,417
Other receivables	296	0	0	296
Prepaid expenses	8,133	0	0	8,133
Due from other funds	5,093	184,188	506,496	695,777
Total assets	\$ 1,985,927	\$ 184,188	\$ 680,901	\$ 2,851,016
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accrued payables	\$ 24,741	\$ 0	\$ 0	\$ 24,741
Due to State Education Fund	1,124,876	0	0	1,124,876
Property tax overpayments	7,866	0	0	7,866
Due to other funds	682,396	0	13,381	695,777
Total liabilities	1,839,879	0	13,381	1,853,260
Deferred Inflows Of Resources				
Unavailable revenue - taxes	67,000	0	0	67,000
Fund Balance				
Nonspendable - prepaid expenses	8,133	0	0	8,133
Restricted - Special Revenue Funds	0	0	271,557	271,557
Restricted - Permanent Funds	0	0	21,028	21,028
Assigned - Capital Project Funds	0	184,188	380,028	564,216
Assigned - 2019 expenditures	70,915	0	0	70,915
Unassigned	0	0	(5,093)	(5,093)
Total fund balances	79,048	184,188	667,520	930,756
Total liabilities and fund balances	\$ 1,985,927	\$ 184,188	\$ 680,901	\$ 2,851,016

See Notes to Financial Statements.

TOWN OF FAYSTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

EXHIBIT B

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General	Road Retreatment		
REVENUES				
Property taxes	\$ 921,703	\$ 0	\$ 0	\$ 921,703
Fees, licenses and permits	28,094	0	0	28,094
State of Vermont - highway funds	67,391	0	0	67,391
State of Vermont - grants	9,700	0	34,648	44,348
Investment income (loss)	9,036	0	(8,398)	638
Other	99,301	0	8,176	107,477
Total revenues	1,135,225	0	34,426	1,169,651
EXPENDITURES				
Current Expenditures				
Salaries - road crew	174,534	0	0	174,534
Employee benefits	119,813	0	0	119,813
Highway equipment	101,091	0	0	101,091
Highway supplies	66,998	0	0	66,998
Town garage	11,898	0	0	11,898
Officers' salaries	112,865	0	0	112,865
Officers' supplies	21,766	0	0	21,766
Taxes and assessments	95,900	0	0	95,900
Fire protection	43,092	0	0	43,092
Insurance	29,062	0	0	29,062
Town meeting and election	5,560	0	0	5,560
Municipal building	19,082	0	0	19,082
Planning / Board of Adjustment	60,537	0	0	60,537
Administrative	23,035	0	0	23,035
Cemetery	0	0	9,650	9,650
Road construction	0	268,000	127,358	395,358
Furnishings	0	0	122,897	122,897
Capital Outlays	0	0	144,677	144,677
Total expenditures	885,233	268,000	404,582	1,557,815
EXCESS REVENUES (EXPENDITURES) BEFORE OTHER FINANCING SOURCES (USES)	249,992	(268,000)	(370,156)	(388,164)
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds	(337,500)	80,000	257,500	0
Proceeds from equipment loan	0	0	115,000	115,000
TOTAL OTHER FINANCING SOURCES (USES)	(337,500)	80,000	372,500	115,000
NET CHANGE IN FUND BALANCES	(87,508)	(188,000)	2,344	(273,164)
FUND BALANCES - JANUARY 1, 2018	166,556	372,188	665,176	1,203,920
FUND BALANCES - DECEMBER 31, 2018	\$ 79,048	\$ 184,188	\$ 667,520	\$ 930,756

TOWN OF FAYSTON, VERMONT EXHIBIT C
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Property taxes	\$ 880,375	\$ 921,703	\$ 41,328
State of Vermont - highway funds	67,000	67,391	391
State of Vermont - transportation grant	0	9,700	9,700
GM Valley School	4,000	4,000	0
Fees, licenses and permits	30,800	28,094	(2,706)
Interest on taxes	15,000	12,041	(2,959)
Delinquent tax penalties	0	10,339	10,339
Interest on investments	3,400	9,036	5,636
Current use	39,600	38,178	(1,422)
Miscellaneous	33,140	34,743	1,603
Total revenues	1,073,315	1,135,225	61,910
EXPENDITURES			
Salaries			
Road crew	169,000	174,534	(5,534)
Employee Benefits			
Hospitalization	90,000	74,126	15,874
Retirement	15,000	14,678	322
Social Security	22,900	22,776	124
Uniforms	1,800	1,444	356
Dental	8,500	6,789	1,711
Total employee benefits	138,200	119,813	18,387
Highway Equipment			
Blades	6,000	6,496	(496)
Diesel	35,000	42,395	(7,395)
Repairs	25,000	33,431	(8,431)
Gasoline	400	364	36
Oil	2,700	841	1,859
Other parts	5,000	9,068	(4,068)
Rentals	5,000	33	4,967
Tires	8,000	8,463	(463)
Total highway equipment	87,100	101,091	(13,991)
Highway Supplies			
Calcium	9,000	12,149	(3,149)
Sand	14,000	15,931	(1,931)
Other supplies	1,500	1,535	(35)
Salt	33,000	37,383	(4,383)
Total highway supplies	57,500	66,998	(9,498)

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, 2018

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Town Garage			
Electricity	2,200	2,017	183
Heat	10,000	4,282	5,718
Maintenance and repairs	3,000	3,770	(770)
Telephone	2,000	1,829	171
Total town garage	<u>17,200</u>	<u>11,898</u>	<u>5,302</u>
Officers' Salaries			
Town Clerk, Treasurer and Tax Collector	55,900	55,871	29
Assistant Clerk/Treasurer	27,000	29,027	(2,027)
Selectboard assistant	11,890	11,875	15
Listers	18,000	16,092	1,908
Total officers' salaries	<u>112,790</u>	<u>112,865</u>	<u>(75)</u>
Officers' Supplies			
Computer expenses	5,000	5,574	(574)
Equipment purchase	2,000	1,656	344
Listers	1,000	952	48
Selectmen	2,250	2,295	(45)
Postage	2,000	2,033	(33)
Equipment rental	2,000	2,166	(166)
Supplies	2,500	3,405	(905)
911 wages	1,000	33	967
Tax mapping	2,500	1,250	1,250
Bank charges	0	23	(23)
Seminars/Dues	3,500	2,379	1,121
Total officers' supplies	<u>23,750</u>	<u>21,766</u>	<u>1,984</u>
Taxes and Assessments			
Joslin Memorial Library	24,591	24,562	29
Washington County	28,850	28,850	0
Recreation district	23,500	23,500	0
Mad River Park fields	0	0	0
Donations	18,988	18,988	0
Total taxes and assessments	<u>95,929</u>	<u>95,900</u>	<u>29</u>
Fire Protection			
Waitsfield contract	38,820	43,092	(4,272)

TOWN OF FAYSTON, VERMONT EXHIBIT C
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Insurance			
Liability, etc.	18,110	18,137	(27)
Workers' compensation	12,300	10,925	1,375
Unemployment	413	0	413
Total insurance	<u>30,823</u>	<u>29,062</u>	<u>1,761</u>
Town Meeting and Election			
Election clerks	500	499	1
Supplies	1,500	1,590	(90)
Town Report	4,000	3,471	529
Total town meeting and election	<u>6,000</u>	<u>5,560</u>	<u>440</u>
Municipal Building			
Cleaning	1,900	1,673	227
Electricity	2,700	2,934	(234)
Heat	3,000	2,579	421
Other	200	0	200
Maintenance	10,000	8,901	1,099
Telephone	3,000	2,995	5
Total municipal building	<u>20,800</u>	<u>19,082</u>	<u>1,718</u>
Planning/Board of Adjustment			
Advertising	2,000	1,738	262
CVRPC	1,529	1,529	0
FNRC	1,000	165	835
MRVPD	44,067	44,067	0
ZA expense	500	36	464
Planning/DRB resources	500	0	500
Supplies and postage	500	0	500
Zoning administrator and asst.	17,770	13,002	4,768
Total planning/board of adjustment	<u>67,866</u>	<u>60,537</u>	<u>7,329</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, 2018

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Administration			
Pound	2,000	2,000	0
Legal	15,000	3,041	11,959
Consulting	500	0	500
Audit	6,800	7,000	(200)
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
League of Cities and Towns	2,576	2,576	0
Total administration	36,594	23,035	13,559
Total expenditures	902,372	885,233	17,139
Transfers to Other Funds			
Road construction reserve	50,000	50,000	0
Bridge reserve	5,000	5,000	0
Culvert reserve	15,000	15,000	0
Equipment reserve	125,000	125,000	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	10,000	10,000	0
FNRC Conservation Fund	2,500	2,500	0
Total transfers to other funds	337,500	337,500	0
Total expenditures and transfers to other funds	1,239,872	1,222,733	17,139
EXCESS REVENUES OVER (UNDER) EXPENDITURES AND TRANSFERS	\$ (166,557)	(87,508)	\$ 79,049
FUND BALANCE - JANUARY 1, 2018		166,556	
FUND BALANCE - DECEMBER 31, 2018		\$ 79,048	

TOWN OF FAYSTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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 Retreatment Fund are the Town's major funds. The nonmajor funds are combined in a column in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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).

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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, 2018, none of the government's bank balance of \$1,911,089 was exposed to custodial credit risk. Coverage for the bank balance is as follows:

SIPC	\$ 4,576
Collateralized	<u>1,906,513</u>
	<u><u>\$1,911,089</u></u>

NOTE 3 - INVESTMENTS

As of December 31, 2018, the Town had the following investment:

<u>Investment type</u>	<u>Fair value</u>
Mutual funds	\$150,042
Unit trusts	<u>6,410</u>
Total	<u><u>\$156,452</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, 2018

NOTE 3 – INVESTMENTS (CONTINUED)

Investment income includes the following:

	Governmental Funds			Total
	General Fund	Cemetery Perpetual Care	Cemetery Maintenance	
Interest and dividends	\$ 9,036	\$ 1,647	\$ 5,641	\$ 16,324
Unrealized loss	0	(2,848)	(12,838)	(15,686)
Total	<u>\$ 9,036</u>	<u>\$ (1,201)</u>	<u>\$ (7,197)</u>	<u>\$ 638</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. 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 2018 was:

Town, including vet. exemption	.2455
School - Homestead	1.5882
School - Non residential	1.5715

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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 4.875% for the first two quarters and 5% for the final two quarters of compensation. Members in the plan are vested upon completing five creditable years of service.

The Town's 2018 payroll for all employees was \$311,033. Total 2018 covered payroll for the Vermont Municipal Employees' Retirement System was \$263,791. The Town's contribution to the plan is 5.5% for the first two quarters and 5.625% for the final two quarters of covered compensation. Total employer contributions to the plan were \$14,678 for 2018, \$13,760 for 2017, \$13,464 for 2016. All 2018 employee and employer retirement contributions were paid as of December 31, 2018.

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 \$67,000 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 \$166,557 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, 2018

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	\$ 8,133	
Assigned - 2019 expenditures	<u>70,915</u>	
Total General Fund		\$ 79,048

Capital Projects Funds

Unassigned:		
Fire equipment	(5,093)	
Assigned:		
Bridge Reserve	158,855	
Recreation Reserve	12,000	
Other equipment	112,910	
Road Construction	36,431	
Road Retreatment	184,188	
Town Garage	32,391	
Record Restoration	19,912	
Culvert Reserve	<u>7,529</u>	
Total Capital Projects Funds		559,123

Special Revenue Funds

Restricted:		
Conservation Fund	38,436	
Cemetery maintenance	140,702	
Reappraisal	<u>92,419</u>	
Total Special Revenue Funds		271,557

Permanent Fund

Restricted:		
Cemetery perpetual care		<u>21,028</u>
Total Fund Balances - Governmental Funds		<u>\$ 930,756</u>

TOWN OF FAYSTON, VERMONT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

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, 2018 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	125,000
Town Garage	10,000
Road construction	50,000
FNRC Conservation fund	2,500
Reappraisal	5,000
Total	<u>\$ 337,500</u>

In addition, \$2,500 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	\$ 5,093	\$ 682,396
Capital Projects Funds		
Other Equipment/Assets	112,910	0
Fire Equipment	0	5,093
Bridge Reserve	146,180	0
Recreation Reserve	12,000	0
Town Garage	32,391	0
Road Construction	36,431	0
Road Retreatment	184,188	0
Record Restoration	19,912	0
Culvert reserve	7,529	0
Special Revenue Funds		
Conservation fund	38,436	0
Reappraisal	92,419	0
Cemetery Maintenance	8,288	0
Permanent Funds		
Cemetery Perpetual Care	0	8,288
Total	<u>\$ 695,777</u>	<u>\$ 695,777</u>

TOWN OF FAYSTON, VERMONT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 13 – NOTES PAYABLE

Note payable – Community National Bank, in the amount of \$115,000 to purchase equipment, payable in three annual installments of \$40,071, including interest at 2.25%, maturing May 2, 2021.

As of December 31, 2018 the maturities are as follow:

	<u>Principal</u>	<u>Interest</u>
2019	\$ 37,484	\$ 2,588
2020	38,322	1,749
2021	<u>39,194</u>	<u>877</u>
Total	<u>\$ 115,000</u>	<u>\$ 5,214</u>

NOTE 14 – 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, 2019.

NOTE 15 – FUND DEFICIT

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

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 28, 2019, 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, 2018

SCHEDULE 1

	MUNICIPAL	HOMESTEAD	NON-RESIDENTIAL	TOTAL
Total Grand List	\$ 3,757,148.00	\$ 1,357,752.00	\$ 2,341,483.75	
Tax rate	0.2455	1.5882	1.5715	
Taxes Billed	\$ 922,379.83	\$ 2,156,381.73	\$ 3,679,642.12	\$ 6,758,403.68
Various adjustments				(29,051.00)
Decrease in deferred taxes				18,000.00
Payment to Fayston School District				(2,952,744.00)
State adjustments - HS-122				(581,748.00)
Payment to State of Vermont				(2,291,158.00)
Net property taxes				\$ 921,702.68

Reconciliation of Delinquent Taxes

Years	Delinquent Taxes Due Jan. 1, 2018	Current Taxes Gone Delinquent	Collections	Delinquent Taxes Due Dec. 31, 2018
2016	\$ 16,151.60	\$ 0	\$ 15,981.39	\$ 170.21
2017	92,515.06	0	91,653.48	861.58
2018	0	91,743.59	0	91,743.59
	\$ 108,666.66	\$ 91,743.59	\$ 107,634.87	\$ 92,775.38

TOWN OF FAYSTON, VERMONT
SUMMARY OF CASH RECEIPTS AND CASH EXPENDITURES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

SCHEDULE 2

CASH BALANCE - January 1, 2018 \$ 1,910,543

CASH RECEIPTS

Taxes collected	6,086,483	
Delinquent taxes	107,635	
Penalties and interest	22,380	
Interest and dividends	16,324	
State of Vermont - highway funds	67,391	
State and federal grants	44,348	
Community National Bank - mower loan	115,000	
Other miscellaneous receipts	107,338	
Total cash receipts	6,566,899	6,566,899

CASH EXPENDITURES

Transfer to School District and State	4,989,710	
Highway	354,521	
Other General Fund	562,090	
Capital expenditures	662,932	
Cemetery maintenance	9,650	
Reinvested dividends & securities purchases - cemetery	5,325	
Total cash expenditures	6,584,228	6,584,228

CASH BALANCE - December 31, 2018 \$ 1,893,214

TOWN OF FAYSTON, VERMONT
 COMBINING AND INDIVIDUAL BALANCE SHEETS - NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2018

	Capital Projects										Special Revenue			Permanent Fund Cemetery Perpetual Care	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			
												Fire Equipment	Bridge Reserve		
Cash	\$ 0	\$ 12,675	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,339	\$ 1,939	\$ 17,953		
Investments	0	0	0	0	0	0	0	0	0	0	129,075	27,377	156,452		
Due from other funds	0	146,180	12,000	112,910	36,431	32,391	19,912	7,529	38,436	92,419	8,288	0	506,496		
Total assets	\$ 0	\$ 158,855	\$ 12,000	\$ 112,910	\$ 36,431	\$ 32,391	\$ 19,912	\$ 7,529	\$ 38,436	\$ 92,419	\$ 140,702	\$ 29,316	\$ 680,901		
LIABILITIES															
Due to other funds	\$ 5,093	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,288	\$ 13,381		
Total liabilities	5,093	0	0	0	0	0	0	0	0	0	0	8,288	13,381		
FUND BALANCES															
Restricted	0	0	0	0	0	0	0	0	38,436	92,419	140,702	21,028	292,585		
Assigned	0	158,855	12,000	112,910	36,431	32,391	19,912	7,529	0	0	0	0	380,028		
Unassigned	(5,093)	0	0	0	0	0	0	0	0	0	0	0	(5,093)		
Total fund balances	(5,093)	158,855	12,000	112,910	36,431	32,391	19,912	7,529	38,436	92,419	140,702	21,028	667,520		
Total liabilities and fund balances	\$ 0	\$ 158,855	\$ 12,000	\$ 112,910	\$ 36,431	\$ 32,391	\$ 19,912	\$ 7,529	\$ 38,436	\$ 92,419	\$ 140,702	\$ 29,316	\$ 680,901		

TOWN OF FAYSTON, VERMONT
 COMBINING AND INDIVIDUAL STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2018

	Capital Projects										Special Revenue		Permanent Fund	
	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	Totals	
REVENUES														
Investment income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (7,197)	\$ (1,201)	\$ (8,398)	
State and federal grants	0	0	0	0	20,000	0	0	1,418	0	13,230	0	0	34,648	
Other	0	0	0	0	0	0	1,426	0	2,000	0	4,750	0	8,176	
Total revenues	0	0	0	0	20,000	0	1,426	1,418	2,000	13,230	(2,447)	(1,201)	34,426	
EXPENDITURES														
Current expenditures														
Road and bridge construction	0	0	0	0	125,069	0	0	0	2,289	0	0	0	127,358	
Equipment, furnishings, office expense	119,047	0	0	0	0	0	3,850	0	0	0	0	0	122,897	
Cemetery	0	0	0	0	0	0	0	0	0	0	9,650	0	9,650	
Capital Outlay	0	0	0	115,832	0	3,527	0	25,318	0	0	0	0	144,677	
Total expenditures	119,047	0	0	115,832	125,069	3,527	3,850	25,318	2,289	0	9,650	0	404,582	
EXCESS REVENUES (EXPENDITURES)	(119,047)	0	0	(115,832)	(105,069)	(3,527)	(2,424)	(23,900)	(289)	13,230	(12,097)	(1,201)	(370,156)	
OTHER FINANCING SOURCES														
Transfers from (to) other funds	40,000	5,000	0	125,000	50,000	10,000	5,000	15,000	2,500	5,000	2,500	(2,500)	257,500	
Proceeds from equipment loan	0	0	0	115,000	0	0	0	0	0	0	0	0	115,000	
TOTAL OTHER FINANCING SOURCES	40,000	5,000	0	240,000	50,000	10,000	5,000	15,000	2,500	5,000	2,500	(2,500)	372,500	
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(79,047)	5,000	0	124,168	(55,069)	6,473	2,576	(8,900)	2,211	18,230	(9,597)	(3,701)	2,344	
FUND BALANCES - JANUARY 1, 2018	79,954	153,855	12,000	(11,258)	91,500	25,918	17,336	16,429	36,225	74,189	150,299	24,729	665,176	
FUND BALANCES - DECEMBER 31, 2018	\$ (5,093)	\$ 158,855	\$ 12,000	\$ 112,910	\$ 36,431	\$ 32,391	\$ 19,912	\$ 7,529	\$ 38,436	\$ 92,419	\$ 140,702	\$ 21,028	\$ 667,520	