

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



May 21, 2020

To the Selectboard
Town of Fayston, Vermont

We have audited the financial statements of each major fund, and the aggregate remaining fund information of the Town of Fayston, Vermont for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 17, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Fayston, Vermont are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The town uses an accounting estimate for deferred outflows, related to taxes.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The material misstatements detected as a result of audit procedures were corrected by management. The adjustments were to reclassify grant income and expenses, to adjust amounts due to the state education fund, to adjust prepaid expenses, and to adjust deferred revenues.

The uncorrected misstatements of the financial statements were due to the change in accrued payroll, the change in accrued interest and penalties receivables and for property tax revenues.

Management has determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 21, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town of Fayston, Vermont's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all of the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Other Matters

We were engaged to report on the Schedule of Taxes Raised, the Summary of Cash Receipts and Cash Expenditures, the Combining and Individual Balance Sheets – Nonmajor Funds, and the Combining and Individual Statements of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Funds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the supplementary information, which accompany the financial statements but are not RSI. Such information has not be subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Selectboard and management of the Town of Fayston, Vermont and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Fothergill Segale & Valley, CPAs

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

TOWN OF FAYSTON, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2019

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FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



INDEPENDENT AUDITOR'S REPORT

To the Selectboard
Town of Fayston, Vermont

Report on the Financial Statements

We have audited 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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion on the Financial Statements as a Whole

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

Management has chosen not to implement GASB Statement 68 "Accounting and Financial Reporting for Pensions." The primary objective of this statement is to improve financial reporting for pensions. Due to the above referenced omission of government-wide financial statements, there is no further financial effect on the reporting entity. The Town's financial statements do not disclose information required by GASB Statement 68. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on the Financial Statements as a Whole" paragraphs, the financial statements referred to above do not present fairly the financial position of the Town of Fayston, Vermont as of December 31, 2019, or the changes in financial position or the budget comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis and the Schedules of the Town's Proportionate Share of Net Pension Liability and the Town's Pension Contributions 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 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 operations, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplemental Schedules 1, 2, 3 and 4 are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of

the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the matters discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole paragraph, we are not expressing an opinion on the supplementary schedules.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2020, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

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

May 21, 2020

TOWN OF FAYSTON, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

EXHIBIT A

	Major Funds			Total Governmental Funds
	General	Road Retreatment	Nonmajor Funds	
ASSETS				
Cash - checking and savings	\$ 2,001,846	\$ 0	\$ 22,886	\$ 2,024,732
Investments	0	0	178,706	178,706
Delinquent taxes receivable	131,514	0	0	131,514
Tax sale receivable	1,945	0	0	1,945
Grant receivable	14,375	0	0	14,375
Other receivables	296	0	0	296
Prepaid expenses	7,482	0	0	7,482
Due from other funds	0	151,188	634,861	786,049
Total assets	\$ 2,157,458	\$ 151,188	\$ 836,453	\$ 3,145,099
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accrued payables	\$ 13,890	\$ 0	\$ 0	\$ 13,890
Due to State Education Fund	1,124,277	0	0	1,124,277
Property tax overpayments	46,985	0	0	46,985
Due to other funds	777,761	0	8,288	786,049
Total liabilities	1,962,913	0	8,288	1,971,201
Deferred Inflows Of Resources				
Unavailable revenue - taxes	103,000	0	0	103,000
Fund Balance				
Nonspendable - prepaid expenses	7,482	0	0	7,482
Restricted - Special Revenue Funds	0	0	301,642	301,642
Restricted - Permanent Funds	0	0	23,964	23,964
Assigned - Capital Project Funds	0	151,188	502,559	653,747
Assigned - 2020 expenditures	84,063	0	0	84,063
Total fund balances	91,545	151,188	828,165	1,070,898
Total liabilities, deferred inflows, and fund balances	\$ 2,157,458	\$ 151,188	\$ 836,453	\$ 3,145,099

See Notes to Financial Statements.

TOWN OF FAYSTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

EXHIBIT B

	Major Funds			Total Governmental Funds
	General	Road Retreatment	Nonmajor Funds	
REVENUES				
Property taxes	\$ 1,016,219	\$ 0	\$ 0	\$ 1,016,219
Fees, licenses and permits	68,599	0	0	68,599
State of Vermont - highway funds	67,994	0	0	67,994
State of Vermont - grants	21,609	0	10,055	31,664
Investment income (loss)	8,923	0	24,088	33,011
Other	104,548	0	10,950	115,498
Total revenues	<u>1,287,892</u>	<u>0</u>	<u>45,093</u>	<u>1,332,985</u>
EXPENDITURES				
Current Expenditures				
Salaries - road crew	181,810	0	0	181,810
Employee benefits	133,419	0	0	133,419
Highway equipment	84,919	0	0	84,919
Highway supplies	70,911	0	0	70,911
Town garage	14,050	0	0	14,050
Office salaries	114,617	0	0	114,617
Office supplies	22,561	0	0	22,561
Taxes and assessments	88,040	0	0	88,040
Fire protection	44,748	0	0	44,748
Insurance	27,957	0	0	27,957
Town meeting and election	3,843	0	0	3,843
Municipal building	19,977	0	0	19,977
Planning / Board of Adjustment	75,148	0	0	75,148
Administrative	27,867	0	0	27,867
Grant expenses	24,028	0	0	24,028
Cemetery	0	0	7,072	7,072
Road construction	0	0	50,924	50,924
Furnishings	0	0	5,300	5,300
Capital Outlays	0	113,000	42,581	155,581
Debt Service				
Principal	0	0	37,484	37,484
Interest	0	0	2,587	2,587
Total expenditures	<u>933,895</u>	<u>113,000</u>	<u>145,948</u>	<u>1,192,843</u>
EXCESS REVENUES (EXPENDITURES) BEFORE OTHER FINANCING SOURCES (USES)				
	<u>353,997</u>	<u>(113,000)</u>	<u>(100,855)</u>	<u>140,142</u>
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds	<u>(341,500)</u>	<u>80,000</u>	<u>261,500</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(341,500)</u>	<u>80,000</u>	<u>261,500</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	<u>12,497</u>	<u>(33,000)</u>	<u>160,645</u>	<u>140,142</u>
FUND BALANCES - JANUARY 1, 2019	<u>79,048</u>	<u>184,188</u>	<u>667,520</u>	<u>930,756</u>
FUND BALANCES - DECEMBER 31, 2019	<u>\$ 91,545</u>	<u>\$ 151,188</u>	<u>\$ 828,165</u>	<u>\$ 1,070,898</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, 2019

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Property taxes	\$ 1,008,797	\$ 1,016,219	\$ 7,422
State of Vermont - highway funds	67,000	67,994	994
State of Vermont - transportation grant	0	21,609	21,609
GM Valley School	4,000	4,000	0
Fees, licenses and permits	28,500	68,599	40,099
Interest on taxes	12,000	11,995	(5)
Delinquent tax penalties	0	11,792	11,792
Interest on investments	4,100	8,923	4,823
Current use	38,000	41,822	3,822
Miscellaneous	33,140	34,939	1,799
Total revenues	1,195,537	1,287,892	92,355
EXPENDITURES			
Salaries			
Road crew	190,664	181,810	8,854
Employee Benefits			
Hospitalization	86,000	82,680	3,320
Retirement	17,000	17,027	(27)
Social Security	25,579	24,719	860
Uniforms	1,800	1,990	(190)
Dental	8,500	7,003	1,497
Total employee benefits	138,879	133,419	5,460
Highway Equipment			
Blades	6,000	4,468	1,532
Diesel	38,000	34,763	3,237
Repairs	25,000	21,095	3,905
Gasoline	400	401	(1)
Oil	2,000	2,318	(318)
Other parts	8,000	8,261	(261)
Rentals	6,000	6,100	(100)
Tires	8,000	7,513	487
Total highway equipment	93,400	84,919	8,481
Highway Supplies			
Calcium	10,000	8,372	1,628
Sand	16,000	20,239	(4,239)
Other supplies	1,500	1,391	109
Salt	35,000	40,909	(5,909)
Total highway supplies	62,500	70,911	(8,411)

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, 2019

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Town Garage			
Electricity	2,200	2,139	61
Heat	8,000	5,746	2,254
Maintenance and repairs	3,500	4,354	(854)
Telephone	2,000	1,811	189
Total town garage	<u>15,700</u>	<u>14,050</u>	<u>1,650</u>
Office Salaries			
Town Clerk, Treasurer and Tax Collector	57,580	57,580	0
Assistant Clerk/Treasurer	34,700	30,501	4,199
Selectboard assistant	12,193	12,267	(74)
Listers	17,200	14,269	2,931
Total officers' salaries	<u>121,673</u>	<u>114,617</u>	<u>7,056</u>
Office Supplies			
Computer expenses	8,000	5,807	2,193
Equipment purchase	3,000	1,608	1,392
Listers	1,000	437	563
Selectmen	2,250	2,250	0
Postage	2,250	1,860	390
Equipment rental	2,000	1,978	22
Supplies	3,000	2,964	36
911 wages	500	1,580	(1,080)
Tax mapping	2,500	2,128	372
Seminars/Dues	3,500	1,949	1,551
Total office supplies	<u>28,000</u>	<u>22,561</u>	<u>5,439</u>
Taxes and Assessments			
Joslin Memorial Library	25,224	24,908	316
Washington County	29,244	29,244	0
Recreation district	15,000	15,000	0
Donations	18,888	18,888	0
Total taxes and assessments	<u>88,356</u>	<u>88,040</u>	<u>316</u>
Fire Protection			
Waitsfield contract	39,912	44,748	(4,836)

TOWN OF FAYSTON, VERMONT EXHIBIT C
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Insurance			
Liability, etc.	16,593	17,922	(1,329)
Workers' compensation	10,000	9,821	179
Unemployment	477	214	263
Total insurance	<u>27,070</u>	<u>27,957</u>	<u>(887)</u>
Town Meeting and Election			
Election clerks	500	93	407
Supplies	1,500	161	1,339
Town Report	4,000	3,589	411
Total town meeting and election	<u>6,000</u>	<u>3,843</u>	<u>2,157</u>
Municipal Building			
Cleaning	1,900	1,540	360
Electricity	3,000	2,776	224
Heat	3,000	5,905	(2,905)
Maintenance	9,000	6,689	2,311
Telephone	3,000	3,067	(67)
Total municipal building	<u>19,900</u>	<u>19,977</u>	<u>(77)</u>
Planning/Board of Adjustment			
Advertising	2,000	1,349	651
CVRPC	1,624	1,624	0
FNRC	1,000	997	3
MRVPD	44,067	45,067	(1,000)
ZA expense	250	169	81
Planning/DRB resources	500	1,179	(679)
Supplies and postage	250	0	250
Zoning administrator and asst.	24,440	24,763	(323)
Total planning/board of adjustment	<u>74,131</u>	<u>75,148</u>	<u>(1,017)</u>
Grant Expenses			
State grants	0	5,570	(5,570)
Chase Brook grant	0	18,458	(18,458)
Total grant expenses	<u>0</u>	<u>24,028</u>	<u>(24,028)</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, 2019

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Administration			
Pound	2,000	2,000	0
Legal	5,000	7,090	(2,090)
Audit	7,200	7,200	0
Fire warden	300	300	0
Public safety	300	0	300
MRV solid waste alliance	8,456	8,456	0
Other	1,000	177	823
League of Cities and Towns	2,644	2,644	0
Total administration	26,900	27,867	(967)
Total expenditures	933,085	933,895	(810)
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	20,000	20,000	0
Road retreatment reserve	80,000	80,000	0
Record restoration reserve	2,500	2,500	0
Reappraisal reserve	2,500	2,500	0
Town garage reserve	5,000	5,000	0
Municipal building maintenance reserve	34,000	34,000	0
FNRC Conservation Fund	2,500	2,500	0
Total transfers to other funds	341,500	341,500	0
Total expenditures and transfers to other funds	1,274,585	1,275,395	(810)
EXCESS REVENUES OVER (UNDER) EXPENDITURES AND TRANSFERS	\$ (79,048)	12,497	\$ 91,545
FUND BALANCE - JANUARY 1, 2019		79,048	
FUND BALANCE - DECEMBER 31, 2019		\$ 91,545	

TOWN OF FAYSTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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, 2019

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, 2019

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, 2019

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.

Use of Estimates

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

TOWN OF FAYSTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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, 2019, none of the government’s bank balance of \$2,040,052 was exposed to custodial credit risk. Coverage for the bank balance is as follows:

SIPC	\$ 5,411
Collateralized	<u>2,034,641</u>
	<u><u>\$2,040,052</u></u>

NOTE 3 - INVESTMENTS

As of December 31, 2019, the Town had the following investment:

<u>Investment type</u>	<u>Fair value</u>
Mutual funds	\$171,562
Unit trusts	<u>7,144</u>
Total	<u><u>\$178,706</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.

Investment income includes the following:

	<u>Governmental Funds</u>			<u>Total</u>
	<u>General Fund</u>	<u>Cemetery Perpetual Care</u>	<u>Cemetery Maintenance</u>	
Interest and dividends	\$ 8,923	\$ 1,414	\$ 5,676	\$ 16,013
Unrealized gain	0	2,521	14,477	16,998
Total	<u>\$ 8,923</u>	<u>\$ 3,935</u>	<u>\$ 20,153</u>	<u>\$ 33,011</u>

TOWN OF FAYSTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 3 – INVESTMENTS (CONTINUED)

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 – UNAVAILABLE REVENUE

Unavailable revenue consists of \$103,000 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 5 – 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, 2019 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 0	\$ 777,761
Capital Projects Funds		
Other Equipment/Assets	197,839	0
Fire Equipment	14,907	0
Bridge Reserve	140,959	0
Recreation Reserve	12,000	0
Town Garage	35,643	0
Municipal Building	13,167	0
Road Construction	35,507	0
Road Retreatment	151,188	0
Record Restoration	17,112	0
Culvert reserve	22,529	0
Special Revenue Funds		
Conservation fund	41,936	0
Reappraisal	94,974	0
Cemetery Maintenance	8,288	0
Permanent Funds		
Cemetery Perpetual Care	0	8,288
Total	<u>\$ 786,049</u>	<u>\$ 786,049</u>

NOTE 6 – DUE TO STATE EDUCATION FUND

The amount due to the State Education Fund has been confirmed with the State of Vermont.

TOWN OF FAYSTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 7 – 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. The balance as of December 31, 2019 is \$77,516. Interest paid in 2019 was \$2,587. The note balance and activity during the year are as follows:

January 1, 2019	\$ 115,000
Principal Payments	<u>37,484</u>
December 31, 2019	\$ 77,516

The note payable will be paid off over the next two years with \$38,322 due in 2020 with \$2,588 of interest. In 2021, the note will be paid off in full with a payment of \$39,194 and \$877 of interest.

NOTE 8 - FUND BALANCES

Governmental Fund balances are as follows:

General Fund

Nonspendable - prepaid expenses	\$ 7,482	
Assigned - 2020 expenditures	<u>84,063</u>	
Total General Fund		\$ 91,545

Capital Projects Funds

Assigned:		
Fire equipment	14,907	
Bridge Reserve	153,855	
Recreation Reserve	12,000	
Other equipment	197,839	
Road Construction	35,507	
Road Retreatment	151,188	
Town Garage	35,643	
Municipal Building	13,167	
Record Restoration	17,112	
Culvert Reserve	<u>22,529</u>	
Total Capital Projects Funds		653,747

Special Revenue Funds

Restricted:		
Conservation Fund	41,936	
Cemetery maintenance	164,732	
Reappraisal	<u>94,974</u>	
Total Special Revenue Funds		301,642

Permanent Fund

Restricted:		
Cemetery perpetual care	<u>23,964</u>	
Total Fund Balances - Governmental Funds		<u>\$ 1,070,898</u>

TOWN OF FAYSTON, VERMONT
 NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 9 - INTERFUND TRANSFERS

During the year, several interfund transactions occurred between funds. The various operating transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended December 31, 2019 are as follows:

Transfers to:	Transfers from: General Fund
Road retreatment	\$ 80,000
Record restoration	2,500
Bridge reserve	5,000
Culvert reserve	15,000
Fire equipment	20,000
Other equipment/assets	125,000
Town Garage	5,000
Road construction	50,000
FNRC Conservation fund	2,500
Municipal building	34,000
Reappraisal	2,500
Total	\$ 341,500

In addition, \$10,000 was transferred from the Bridge Reserve and \$10,000 from the Reappraisal fund to the Municipal Building fund. \$1,000 was transferred from the Cemetery Perpetual Care Fund to the Cemetery Maintenance Fund.

NOTE 10 - PROPERTY TAXES

The Town levies its property tax based upon the assessed value as of April 1, for all real and personal property, with exemptions to qualifying veterans and excludes assessments on municipal, school and church properties. Tax payments are due November 1st. Delinquent taxes are subject to interest of 1% per month for the first three months, then 1½ % per month thereafter until paid. Taxes not paid by March 15th following the due date, will result in action to sell the property to cover tax, costs and fees.

The State of Vermont operates a Current Use Program and enters into tax abatement agreements directly with landowners. Enrolled landowners are required to manage their land in accordance with an approved plan, and the land is subject to a lien to recover taxes abated if the land is ever developed. In exchange, the landowners receive a reduction in assessed value on their property tax bills, which results in a reduction of property tax revenue to the Town. For 2019, the amount of Town property taxes foregone as a result of the Current Use Program was approximately \$38,000. In accordance with 32 V.S.A § 3760, the State of Vermont limits the total loss of revenue to zero by providing the Town with a Hold Harmless payment in the following year that is equivalent to the taxes previously foregone.

TOWN OF FAYSTON, VERMONT
 NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 10 - PROPERTY TAXES (CONTINUED)

Property taxes levied for the year ended December 31, 2019 were calculated based on the following rates:

	Residential	Non-residential
General Fund	\$ 0.2652	\$ 0.2652
State Education Tax	1.6304	1.5978
	\$ 1.8956	\$ 1.8630

NOTE 11 - 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 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 5% for the first two quarters and 5.125% for the final two quarters of compensation. Members in the plan are vested upon completing five creditable years of service.

The Town's 2019 payroll for all employees was \$334,156. Total 2019 covered payroll for the Vermont Municipal Employees' Retirement System was \$299,147. The Town's contribution to the plan is 5.625% for the first two quarters and 5.75% for the final two quarters of covered compensation. Total employer contributions to the plan were \$17,027 for 2019, \$14,678 for 2018, \$13,760 for 2017. All 2019 employee and employer retirement contributions were paid as of December 31, 2019.

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 12 - BUDGETED DEFICIT

The Town elected to budget expenditures in excess of revenues by \$79,048 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.

NOTE 13 - DONATED LAND

The town received a donation of 90 acres of land from Ermoine, LLC located at 4373 VT Route 12 to establish town-owned conservation land. The property was assessed at \$500,200.

TOWN OF FAYSTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 14 - 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 15 - 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 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 21, 2020, 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, 2019

SCHEDULE 1

	MUNICIPAL	HOMESTEAD	NON-RESIDENTIAL	TOTAL
Total Grand List	\$ 3,799,970.00	\$ 1,412,258.00	\$ 2,320,508.00	
Tax rate	0.2652	1.6304	1.5978	
Taxes Billed	\$ 1,007,752.04	\$ 2,302,545.44	\$ 3,707,802.99	\$ 7,018,100
Various adjustments				41,645
Increase in unavailable revenue - taxes				(36,000)
Payment to Fayston School District				(2,984,924)
State adjustments - HS-122				(669,782)
Payment to State of Vermont				(2,352,820)
Net property taxes				\$ 1,016,219

Reconciliation of Delinquent Taxes

Years	Delinquent Taxes Due Jan. 1, 2019	Current Taxes Gone Delinquent	Collections	Delinquent Taxes Due Dec. 31, 2019
2016	\$ 170.21	\$ 0	\$ 170.21	\$ 0
2017	861.58	0	861.58	0
2018	91,743.59	0	86,360.75	5,382.84
2019	0	126,131.17	0	126,131.17
	\$ 92,775.38	\$ 126,131.17	\$ 87,392.54	\$ 131,514.01

TOWN OF FAYSTON, VERMONT
SUMMARY OF CASH RECEIPTS AND CASH EXPENDITURES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

SCHEDULE 2

CASH BALANCE - January 1, 2019		\$ 1,893,214
 CASH RECEIPTS		
Taxes collected	6,305,791	
Delinquent taxes collected	87,393	
Penalties and interest	23,787	
Interest and dividends	8,923	
State of Vermont - highway funds	67,994	
State and federal grants	18,706	
Other miscellaneous receipts	160,310	
Total cash receipts		6,672,904
 CASH EXPENDITURES		
Transfer to School District and State	5,338,343	
Highway	485,109	
Other General Fund	458,986	
Capital expenditures	155,581	
Debt service	40,071	
Nonmajor fund expenditures	63,296	
Total cash expenditures		6,541,386
 CASH BALANCE - December 31, 2019		 \$ 2,024,732

TOWN OF FAYSTON, VERMONT
 COMBINING AND INDIVIDUAL BALANCE SHEETS - NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2019

	Capital Projects								Special Revenue			Permanent Fund		Totals
	Fire Equipment	Bridge Reserve	Recreation Reserve	Other Equip./Assets	Road Construction	Town Garage	Municipal Building	Record Restoration	Culvert Reserve	Conservation Fund	Reappraisal	Cemetery Maintenance	Cemetery Perpetual Care	
ASSETS														
Cash	\$ 0	\$ 12,896	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,543	\$ 2,447	\$ 22,886
Investments	0	0	0	0	0	0	0	0	0	0	0	148,901	29,805	178,706
Due from other funds	14,907	140,959	12,000	197,839	35,507	35,643	13,167	17,112	22,529	41,936	94,974	8,288	0	634,861
Total assets	<u>\$ 14,907</u>	<u>\$ 153,855</u>	<u>\$ 12,000</u>	<u>\$ 197,839</u>	<u>\$ 35,507</u>	<u>\$ 35,643</u>	<u>\$ 13,167</u>	<u>\$ 17,112</u>	<u>\$ 22,529</u>	<u>\$ 41,936</u>	<u>\$ 94,974</u>	<u>\$ 164,732</u>	<u>\$ 32,252</u>	<u>\$ 836,455</u>
LIABILITIES														
Due to other funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,288	\$ 8,288
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,288</u>	<u>8,288</u>
FUND BALANCES														
Restricted	0	0	0	0	0	0	0	0	0	41,936	94,974	164,732	23,964	325,606
Assigned	14,907	153,855	12,000	197,839	35,507	35,643	13,167	17,112	22,529	0	0	0	0	502,559
Total fund balances	<u>14,907</u>	<u>153,855</u>	<u>12,000</u>	<u>197,839</u>	<u>35,507</u>	<u>35,643</u>	<u>13,167</u>	<u>17,112</u>	<u>22,529</u>	<u>41,936</u>	<u>94,974</u>	<u>164,732</u>	<u>23,964</u>	<u>828,165</u>
Total liabilities and fund balances	<u>\$ 14,907</u>	<u>\$ 153,855</u>	<u>\$ 12,000</u>	<u>\$ 197,839</u>	<u>\$ 35,507</u>	<u>\$ 35,643</u>	<u>\$ 13,167</u>	<u>\$ 17,112</u>	<u>\$ 22,529</u>	<u>\$ 41,936</u>	<u>\$ 94,974</u>	<u>\$ 164,732</u>	<u>\$ 32,252</u>	<u>\$ 836,453</u>

TOWN OF FAYSTON, VERMONT
 COMBINING AND INDIVIDUAL STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2019

	Capital Projects									Special Revenue			Permanent Fund	Totals
	Fire Equipment	Bridge Reserve	Recreation Reserve	Other Equip./Assets	Road Construction	Town Garage	Municipal Building	Record Restoration	Culvert Reserve	Conservation Fund	Reappraisal	Cemetery Maintenance	Cemetery Perpetual Care	
REVENUES														
Investment income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,152	\$ 3,936	\$ 24,088
State and federal grants	0	0	0	0	0	0	0	0	0	0	10,055	0	0	10,055
Other	0	0	0	0	0	0	0	0	0	1,000	0	9,950	0	10,950
Total revenues	0	0	0	0	0	0	0	0	0	1,000	10,055	30,102	3,936	45,093
EXPENDITURES														
Current expenditures														
Road and bridge construction	0	0	0	0	50,924	0	0	0	0	0	0	0	0	50,924
Equipment, furnishings, office expense	0	0	0	0	0	0	0	5,300	0	0	0	0	0	5,300
Cemetery	0	0	0	0	0	0	0	0	0	0	0	7,072	0	7,072
Capital Outlay	0	0	0	0	0	1,748	40,833	0	0	0	0	0	0	42,581
Debt Service														
Principal	0	0	0	37,484	0	0	0	0	0	0	0	0	0	37,484
Interest	0	0	0	2,587	0	0	0	0	0	0	0	0	0	2,587
Total expenditures	0	0	0	40,071	50,924	1,748	40,833	5,300	0	0	0	7,072	0	145,948
EXCESS REVENUES (EXPENDITURES)	0	0	0	(40,071)	(50,924)	(1,748)	(40,833)	(5,300)	0	1,000	10,055	23,030	3,936	(100,855)
OTHER FINANCING SOURCES														
Transfers from other funds	20,000	5,000	0	125,000	50,000	5,000	54,000	2,500	15,000	2,500	2,500	1,000	0	282,500
Transfers to other funds	0	(10,000)	0	0	0	0	0	0	0	0	(10,000)	0	(1,000)	(21,000)
TOTAL OTHER FINANCING SOURCES	20,000	(5,000)	0	125,000	50,000	5,000	54,000	2,500	15,000	2,500	(7,500)	1,000	(1,000)	261,500
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	20,000	(5,000)	0	84,929	(924)	3,252	13,167	(2,800)	15,000	3,500	2,555	24,030	2,936	160,645
FUND BALANCES - JANUARY 1, 2019	(5,093)	158,855	12,000	112,910	36,431	32,391	0	19,912	7,529	38,436	92,419	140,702	21,028	667,520
FUND BALANCES - DECEMBER 31, 2019	\$ 14,907	\$ 153,855	\$ 12,000	\$ 197,839	\$ 35,507	\$ 35,643	\$ 13,167	\$ 17,112	\$ 22,529	\$ 41,936	\$ 94,974	\$ 164,732	\$ 23,964	\$ 828,165

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Selectboard
Town of Fayston, Vermont

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund, and the aggregate remaining fund information of the Town of Fayston, Vermont, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 21, 2020. We expressed an adverse opinion on the Town's financial statements due to not presenting government-wide financial statements and not implementing GASB 68, related to pension disclosures.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

Fothergill Segale & Valley, CPAs

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

May 21, 2020