

**TOWN OF FAYSTON, VERMONT**

**AUDIT REPORT**

**DECEMBER 31, 2022**

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AUDIT REPORT  
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## Independent Auditor's Report

Selectboard  
Town of Fayston, Vermont  
866 North Fayston Rd  
Fayston, VT 05660

### *Report on the Audit of the Financial Statements*

#### *Qualified and Unmodified Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Fayston, Vermont as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town of Fayston, Vermont's basic financial statements as listed in the Table of Contents.

#### *Summary of Opinions*

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Unmodified
Other Equipment/Assets Fund	Unmodified
ARPA Fund	Unmodified
Aggregate Remaining Fund Information	Qualified

#### *Qualified Opinions on the Governmental Activities and the Aggregate Remaining Fund Information*

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities and the aggregate remaining fund information of the Town of Fayston, Vermont, as of December 31, 2022, and the changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting, as described in Note I.D.

***Unmodified Opinions on the General Fund, the Other Equipment/Assets Fund, and the ARPA Fund***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund, the Other Equipment/Assets Fund, and the ARPA Fund of the Town of Fayston, Vermont, as of December 31, 2022, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with the modified cash basis of accounting, as described in Note I.D.

***Basis for Qualified and Unmodified Opinions***

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 “Government Auditing Standards”, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Fayston, Vermont, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

***Matter Giving Rise to the Qualified Opinions on the Governmental Activities and the Aggregate Remaining Fund Information***

The modified cash basis of accounting requires the Town to record its investments at historical cost. Currently, certain investments in the governmental activities and the aggregate remaining fund information are recorded at current market value. The amount by which this departure would affect the assets, net position, fund balance and revenues of the governmental activities and the aggregate remaining fund information has not been determined.

***Change in Accounting Principles***

As described in Note II.D., in previous years, the Town prepared its financial statements using the modified accrual basis of accounting. This year, the Town prepared its financial statements using the modified cash basis of accounting. As described in Note I.E. to the financial statements, effective December 31, 2022, the Town implemented GASB Statement No. 84, “Fiduciary Activities”.

***Basis of Accounting***

We draw attention to Note I.D. to the financial statements, which describes the basis of accounting. The financial statements are prepared primarily on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Fayston, Vermont's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and "Government Auditing Standards" will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and "Government Auditing Standards", we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Fayston, Vermont's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Fayston, Vermont's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Fayston, Vermont’s basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

***Other Reporting Required by “Government Auditing Standards”***

In accordance with “Government Auditing Standards”, we have also issued our report dated March 2, 2023 on our consideration of the Town of Fayston, Vermont’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 of Fayston, Vermont’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 of Fayston, Vermont’s internal control over financial reporting and compliance.

*Sullivan, Powers & Co.*

March 2, 2023  
Montpelier, Vermont  
VT Lic. #92-000180

TOWN OF FAYSTON, VERMONT  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
DECEMBER 31, 2022

	Governmental Activities
<u>ASSETS</u>	
Cash	\$ 2,597,867
Investments	244,275
Total Assets	2,842,142
<u>LIABILITIES</u>	
Payroll Withholdings Payable	984
Due to Education Tax Fund	1,332,617
Due to Delinquent Tax Collector	304
Total Liabilities	1,333,905
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Prepaid Property Taxes	2,624
Total Deferred Inflows of Resources	2,624
<u>NET POSITION</u>	
Restricted:	
Cemetery	204,445
Eligible ARPA Uses	226,203
Other	25,064
Unrestricted	1,049,901
Total Net Position	\$ 1,505,613

The accompanying notes are an integral part of this financial statement.



TOWN OF FAYSTON, VERMONT  
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Cash Receipts				Net (Disbursements)/ Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants/Loans and Contributions	Governmental Activities
<b>Functions/Programs:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 538,191	\$ 55,267	\$ 11,334	\$ 0	\$ (471,590)
Public Safety	72,641	0	0	0	(72,641)
Highways and Streets	982,064	11,174	86,633	0	(884,257)
Culture and Recreation	67,151	0	0	0	(67,151)
Cemetery	9,647	14,800	0	0	5,153
Sanitation	9,548	0	0	0	(9,548)
	<u>\$ 1,679,242</u>	<u>\$ 81,241</u>	<u>\$ 97,967</u>	<u>\$ 0</u>	<u>(1,500,034)</u>
<b>Total Governmental Activities</b>					
<b>General Receipts:</b>					
Property Taxes					1,210,943
Penalties and Interest on Delinquent Taxes					15,622
General State Grants					72,514
ARPA Funds					198,880
Unrestricted Investment Earnings/(Loss)					(16,012)
Proceeds from Sale of Vehicle					1,600
Other					8,436
					<u>1,491,983</u>
<b>Total General Receipts</b>					
Change in Net Position					(8,051)
Net Position - January 1, 2022, As Restated					<u>1,513,664</u>
Net Position - December 31, 2022					<u>\$ 1,505,613</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FAYSTON, VERMONT  
STATEMENT OF MODIFIED CASH BASIS ASSETS, LIABILITIES AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022

	General Fund	Other Equipment/Assets Fund	ARPA Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 2,577,592	\$ 0	\$ 0	\$ 20,275	\$ 2,597,867
Investments	60,105	0	0	184,170	244,275
Due from Other Funds	<u>0</u>	<u>0</u>	<u>226,551</u>	<u>848,776</u>	<u>1,075,327</u>
Total Assets	<u>\$ 2,637,697</u>	<u>\$ 0</u>	<u>\$ 226,551</u>	<u>\$ 1,053,221</u>	<u>\$ 3,917,469</u>
<u>LIABILITIES</u>					
Payroll Withholdings Payable	\$ 984	\$ 0	\$ 0	\$ 0	\$ 984
Due to Other Funds	2,389,143	7,996	0	10,805	2,407,944
Due to Delinquent Tax Collector	<u>304</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>304</u>
Total Liabilities	<u>2,390,431</u>	<u>7,996</u>	<u>0</u>	<u>10,805</u>	<u>2,409,232</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Prepaid Property Taxes	<u>2,624</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,624</u>
Total Deferred Inflows of Resources	<u>2,624</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,624</u>
<u>FUND BALANCES</u>					
Restricted	0	0	226,203	229,509	455,712
Committed	0	0	0	660,210	660,210
Assigned	0	0	348	155,214	155,562
Unassigned/(Deficit)	<u>244,642</u>	<u>(7,996)</u>	<u>0</u>	<u>(2,517)</u>	<u>234,129</u>
Total Fund Balances/(Deficit)	<u>244,642</u>	<u>(7,996)</u>	<u>226,551</u>	<u>1,042,416</u>	<u>1,505,613</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,637,697</u>	<u>\$ 0</u>	<u>\$ 226,551</u>	<u>\$ 1,053,221</u>	<u>\$ 3,917,469</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FAYSTON, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Other Equipment/Assets Fund	ARPA Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Cash Receipts:</b>					
Property Taxes	\$ 1,210,943	\$ 0	\$ 0	\$ 0	\$ 1,210,943
Penalties and Interest on Delinquent Taxes	15,622	0	0	0	15,622
Intergovernmental	163,647	0	198,880	11,334	373,861
Charges for Services	11,174	0	0	14,800	25,974
Permits, Licenses and Fees	50,767	0	0	0	50,767
Investment Income/(Loss)	5,317	0	348	(21,677)	(16,012)
Other	4,436	0	0	4,000	8,436
<b>Total Cash Receipts</b>	<u>1,461,906</u>	<u>0</u>	<u>199,228</u>	<u>8,457</u>	<u>1,669,591</u>
<b>Cash Disbursements:</b>					
General Government	504,432	0	29,909	3,850	538,191
Public Safety	55,296	0	0	17,345	72,641
Highways and Streets	425,639	2,135	31,554	66,003	525,331
Culture and Recreation	66,164	0	0	987	67,151
Cemetery	0	0	0	9,647	9,647
Sanitation	9,548	0	0	0	9,548
Capital Outlay:					
Highways and Streets	0	263,368	110,000	83,365	456,733
<b>Total Cash Disbursements</b>	<u>1,061,079</u>	<u>265,503</u>	<u>171,463</u>	<u>181,197</u>	<u>1,679,242</u>
<b>Excess/(Deficiency) of Cash Receipts Over Cash Disbursements</b>	<u>400,827</u>	<u>(265,503)</u>	<u>27,765</u>	<u>(172,740)</u>	<u>(9,651)</u>
<b>Other Financing Sources/(Uses):</b>					
Transfers In	0	200,000	0	176,125	376,125
Transfers Out	(373,500)	0	0	(2,625)	(376,125)
Proceeds from Sale of Vehicle	0	0	0	1,600	1,600
<b>Total Other Financing Sources/(Uses)</b>	<u>(373,500)</u>	<u>200,000</u>	<u>0</u>	<u>175,100</u>	<u>1,600</u>
<b>Net Change in Fund Balances</b>	27,327	(65,503)	27,765	2,360	(8,051)
<b>Fund Balances - January 1, 2022, As Restated/Reclassified</b>	<u>217,315</u>	<u>57,507</u>	<u>198,786</u>	<u>1,040,056</u>	<u>1,513,664</u>
<b>Fund Balances/(Deficit) - December 31, 2022</b>	<u>\$ 244,642</u>	<u>\$ (7,996)</u>	<u>\$ 226,551</u>	<u>\$ 1,042,416</u>	<u>\$ 1,505,613</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FAYSTON, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Cash Receipts:</b>			
Property Taxes	\$ 1,176,285	\$ 1,210,943	\$ 34,658
Interest on Delinquent Taxes	12,000	6,709	(5,291)
Penalties on Delinquent Taxes	9,000	8,913	(87)
State Highway Aid	72,000	76,151	4,151
Green Mountain Valley School	4,500	4,500	0
Liquor Licenses	1,000	805	(195)
Marriage Licenses	100	0	(100)
Dog Licenses	1,500	679	(821)
Record Preservation	4,000	7,039	3,039
Other Income	3,000	4,436	1,436
Hall Rental	500	0	(500)
Fees	24,000	27,255	3,255
Permits-EW	400	425	25
Zoning Fees	10,000	14,564	4,564
Waitsfield Road Work	11,174	11,174	0
Interest	4,500	5,317	817
Current Use	45,000	56,922	11,922
Payment in Lieu of Taxes	15,000	15,592	592
Grant Income	0	10,482	10,482
	<u>1,393,959</u>	<u>1,461,906</u>	<u>67,947</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
<b>Administrative:</b>			
Pound	2,000	2,000	0
Legal	5,000	4,906	94
Audit Expense	8,000	8,000	0
Fire Warden	300	300	0
Public Safety	300	0	300
MRV Solid Waste Alliance	9,548	9,548	0
Leagues of Cities & Towns	2,802	2,802	0
	<u>27,950</u>	<u>27,556</u>	<u>394</u>
<b>Total Administrative</b>			
<b>Benefits:</b>			
Hospitalization	108,000	93,232	14,768
Retirement	21,246	22,122	(876)
Taxes - Payroll	29,054	29,032	22
Uniforms	1,800	1,659	141
Dental	7,500	7,236	264
Vision	0	220	(220)
	<u>167,600</u>	<u>153,501</u>	<u>14,099</u>
<b>Total Benefits</b>			
<b>Elections:</b>			
Elections Clerks	1,500	805	695
Supplies	5,000	1,871	3,129
Town Report	4,200	4,685	(485)
	<u>10,700</u>	<u>7,361</u>	<u>3,339</u>
<b>Total Elections</b>			

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF FAYSTON, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable)</u>
Highway Equipment:			
Blades	\$ 5,000	\$ 3,208	\$ 1,792
Diesel	32,000	50,080	(18,080)
Repairs	25,000	62,873	(37,873)
Gasoline	4,000	6,229	(2,229)
Oil	3,000	2,486	514
Other Parts	7,000	6,641	359
Rental	12,000	1,350	10,650
Tires	11,000	7,615	3,385
	<u>99,000</u>	<u>140,482</u>	<u>(41,482)</u>
Total Highway Equipment			
Highway Garage:			
Electricity	2,500	1,843	657
Heat	7,000	6,651	349
Maintenance and Repairs	9,000	6,475	2,525
Telephone	2,000	1,852	148
	<u>20,500</u>	<u>16,821</u>	<u>3,679</u>
Total Highway Garage			
Highway Salaries:			
Salaries	189,000	205,747	(16,747)
Highway Administration	8,000	24	7,976
	<u>197,000</u>	<u>205,771</u>	<u>(8,771)</u>
Total Highway Salaries			
Highway Supplies:			
Calcium	12,000	18,643	(6,643)
Sand	17,000	16,110	890
Other Supplies	1,500	1,671	(171)
Salt	25,000	26,141	(1,141)
	<u>55,500</u>	<u>62,565</u>	<u>(7,065)</u>
Total Highway Supplies			
Insurance:			
Property and Casualty	13,889	10,523	3,366
Public Officials	1,803	1,803	0
Workers Compensation	12,268	4,585	7,683
Employment Practices	1,750	1,750	0
VLCT Unemployment	632	438	194
	<u>30,342</u>	<u>19,099</u>	<u>11,243</u>
Total Insurance			
Municipal Buildings:			
Cleaning	1,900	880	1,020
Electricity	3,000	4,576	(1,576)
Heat	3,800	2,658	1,142
Maintenance	5,000	2,838	2,162
Telephone	3,200	3,288	(88)
	<u>16,900</u>	<u>14,240</u>	<u>2,660</u>
Total Municipal Buildings			

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF FAYSTON, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Office:</b>			
Computer Expenses	\$ 16,000	\$ 12,260	\$ 3,740
Equipment Purchase	3,000	0	3,000
Listers Expenses	750	477	273
911 Wages	1,500	882	618
Tax Mapping	2,500	750	1,750
Selectboard	2,250	2,250	0
Selectboard Minutes	1,800	2,125	(325)
Postage	3,200	2,719	481
Equipment Rental	2,100	1,917	183
Supplies	3,500	3,588	(88)
Seminars/Dues	3,500	1,095	2,405
Bank Fees	0	10	(10)
<b>Total Office</b>	<b>40,100</b>	<b>28,073</b>	<b>12,027</b>
<b>Planning:</b>			
Advertising	2,000	3,077	(1,077)
CVRPC	1,814	1,814	0
FCC	1,000	589	411
ZA Miscellaneous	1,500	1,226	274
Planning Supplies	500	183	317
MRVPD	45,317	45,317	0
Planning/DRB Resources	500	0	500
Zoning Administration	39,320	30,257	9,063
<b>Total Planning</b>	<b>91,951</b>	<b>82,463</b>	<b>9,488</b>
<b>Salaries:</b>			
Clerk, Treasurer & Tax Collector	63,892	63,891	1
Selectboard Assistant	11,382	11,403	(21)
Listers	25,700	18,948	6,752
Assistant Town Clerk and Assistant Treasurer	42,500	36,761	5,739
<b>Total Salaries</b>	<b>143,474</b>	<b>131,003</b>	<b>12,471</b>
<b>Taxes:</b>			
Joslin Library Donation	26,244	26,164	80
Washington County	30,996	30,996	0
Donations	16,988	21,988	(5,000)
Recreation District	30,000	40,000	(10,000)
<b>Total Taxes</b>	<b>104,228</b>	<b>119,148</b>	<b>(14,920)</b>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF FAYSTON, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget	Actual	Variance Favorable/ (Unfavorable)
Transfers:			
Equipment	\$ 200,000	\$ 200,000	\$ 0
Bridge	5,000	5,000	0
Fire Equipment	65,000	65,000	0
Road Construction	50,000	50,000	0
Reappraisal	25,000	25,000	0
FCC Conservation Fund	3,500	3,500	0
Town Garage Reserve	5,000	5,000	0
Culvert Reserve	5,000	5,000	0
Town Forest Reserve	15,000	15,000	0
Total Transfers	373,500	373,500	0
Waitsfield/Fayston Contract:	61,714	52,996	8,718
Total Cash Disbursements	1,440,459	1,434,579	5,880
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	\$ (46,500)	27,327	\$ 73,827
Fund Balance - January 1, 2022, As Restated/Reclassified		217,315	
Fund Balance - December 31, 2022		\$ 244,642	

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF FAYSTON, VERMONT  
 STATEMENT OF FIDUCIARY MODIFIED CASH BASIS NET POSITION  
 FIDUCIARY FUND  
 DECEMBER 31, 2022

	Custodial Fund Education Tax Fund
<u>ASSETS</u>	
Due from Other Funds	\$ <u>1,332,617</u>
Total Assets	<u>1,332,617</u>
<u>LIABILITIES</u>	
Due to State of Vermont	<u>1,332,617</u>
Total Liabilities	<u>1,332,617</u>
<u>NET POSITION</u>	
Restricted	<u>0</u>
Total Net Position	\$ <u><u>0</u></u>

The accompanying notes are an integral part of this financial statement.



TOWN OF FAYSTON, VERMONT  
 STATEMENT OF CHANGES IN FIDUCIARY MODIFIED CASH BASIS NET POSITION  
 FIDUCIARY FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2022

	Custodial Fund Education Tax Fund
<u>ADDITIONS</u>	
Education Taxes Collected for Other Governments	\$ <u>5,776,074</u>
Total Additions	<u>5,776,074</u>
<u>DEDUCTIONS</u>	
Education Taxes Distributed to Other Governments	<u>5,776,074</u>
Total Deductions	<u>5,776,074</u>
Change in Net Position	0
Net Position - January 1, 2022	<u>0</u>
Net Position - December 31, 2022	\$ <u><u>0</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF FAYSTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

The Town of Fayston, Vermont operates under a Selectboard form of government and provides the following services: highways and streets, culture and recreation, cemetery, planning and zoning and general administrative services.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note I.D., these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

### **A. The Financial Reporting Entity**

This report includes all of the funds of the Town of Fayston, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other entities that should be combined with the financial statements of the Town.

### **B. Basis of Presentation**

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows of resources, fund equity, receipts, and disbursements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town.

TOWN OF FAYSTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. Governmental activities generally are financed through property taxes, intergovernmental receipts, and other nonexchange transactions.

The statement of activities presents a comparison between direct disbursements and program receipts for each function of the Town's governmental activities. Direct disbursements are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function or program. Program receipts include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants, contributions and loans that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program receipts, including all property taxes, are presented as general receipts.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental funds:

General Fund – This is the Town's main operating fund. It accounts for all financial resources of the Town except those accounted for in another fund.

Other Equipment/Assets Fund – This fund accounts for the resources to be used or saved for capital equipment.

ARPA Fund – This fund accounts for the resources from Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program used to support the Town's response to and recovery from the COVID-19 public health emergency.

Additionally, the Town reports the following fund type:

Custodial Fund – This fund is used to report resources held by the Town in a purely custodial capacity for other governments, private organizations or individuals

TOWN OF FAYSTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**C. Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus within the limitations of the modified cash basis of accounting. Equity (i.e., modified cash basis net position) is segregated into restricted and unrestricted net position. Operating statements present increases (i.e., receipts) and decreases (i.e., disbursements) in modified cash basis net position.

Governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Their reported fund balances (modified cash basis fund balances) are considered a measure of available spendable resources and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., receipts and other financing sources) and decreases (i.e., disbursements and other financing uses) in modified cash basis fund balances.

**D. Basis of Accounting**

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Town's policy is to prepare its financial statements generally on the basis of cash receipts and disbursements; consequently, certain revenue and related assets are recognized when received rather than when earned and certain expenditures and related liabilities are recognized when paid rather than when the obligation is incurred. The exceptions to this are that the Town records its certificates of deposit at cost, mutual funds and unit trusts at market value, amounts due to the School District for property taxes, payroll withholdings payable and amounts due to the delinquent tax collector for delinquent property tax penalties collected but not remitted as liabilities and property taxes paid in advance as deferred inflows of resources.

General capital asset acquisitions are reported as expenditures. Proceeds of general long-term debt are reported as other financing sources.

**E. New Pronouncement – Fiduciary Activities**

Effective December 31, 2022, the Town implemented GASB Statement No. 84, “Fiduciary Activities”. GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This required moving certain items previously recorded through a General Fund liability account to the newly established custodial fund that reports additions and deductions for these activities. No restatement of beginning net position/fund balance was required in either fund. As a result, the collection and remittance of education taxes on behalf of other governments are now presented in a Custodial Fund.

TOWN OF FAYSTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**F. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity**

**1. Cash**

Cash balances of Town funds are deposited with and invested by the Town Treasurer. The Town considers all short-term investments of ninety (90) days or less to be cash equivalents.

Excess cash of individual funds are shown as due from other funds and excess cash withdrawals are shown as due to other funds.

**2. Investments**

The Town invests in investments as allowed by State Statute. Investments in certificates of deposit are reported at cost and investments in mutual funds and unit trusts are reported at current market value. The modified cash basis of accounting requires that all investments be reported at cost.

**3. Fund Equity**

Fund Equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in the government-wide and fiduciary fund financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances in governmental fund financial statements are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

**4. Interfund Receivables/Payables**

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as "advances to/from other funds". All other outstanding balances between funds are reported as "due from/to other funds".

**5. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows of resources", represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related.

TOWN OF FAYSTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The expenditures budget for the General Fund is approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget amendments during the year. The voters are presented estimated revenue projections, however, do not approve them. The Selectboard modifies the revenue projections prior to setting the tax rate if more accurate projections are available.

**B. Budgeted Deficit**

The Town elected to budget expenditure in excess of revenues by \$46,500 in the General Fund to reduce fund balance.

**C. Change in Accounting Principles and Restatement/Reclassification of Fund Balances**

In previous years, the Town prepared its financial statements using the modified accrual basis of accounting. This year, however, the Town prepared its financial statements using the modified cash basis of accounting. Management believes the modified cash basis provides the information needed by the primary users of the financial statements.

	<u>Governmental Activities</u>
Net Position - December 31, 2021, As Originally Reported	\$ 1,339,503
Net Effect of Change in Accounting Principle	<u>174,161</u>
Net Position - December 31, 2021, As Restated	\$ <u><u>1,513,664</u></u>

TOWN OF FAYSTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

	General Fund	ARPA Fund
Fund Balance - December 31, 2021, As Originally Reported	\$ 241,940	\$ 0
Net Effect of Change in Accounting Principle	174,161	0
Reclassification	(198,786)	198,786
Fund Balance - December 31, 2021, As Restated/Reclassified	\$ 217,315	\$ 198,786

The ARPA fund, previously reported as part of the General Fund, has been reclassified as a special revenue fund as of December 31, 2022.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Cash and Investments

Cash and investments as of December 31, 2022 consist of the following:

Cash:

Deposits with Financial Institutions	\$2,584,069
Deposits Held by Investment Company	13,798
Total Cash	2,597,867

Investments:

Unit Trusts	5,566
Mutual Funds – Mixed Holdings	178,604
Certificates of Deposit	60,105
Total Investments	244,275
Total Cash and Investments	\$2,842,142

The Town has one (1) certificate of deposit with Northfield Savings Bank in the amount of \$60,105 with an interest rate of 0.50%, maturing in June, 2023.

TOWN OF FAYSTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit the exposure to custodial credit risk. The following table reflects the custodial credit risk of the Town's cash and certificates of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$ 323,903	\$ 323,903
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	<u>2,334,069</u>	<u>2,412,977</u>
Total	<u>\$2,657,972</u>	<u>\$2,736,880</u>

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$2,584,069
Cash – Deposits with Investment Company	13,798
Investments – Certificates of Deposit	<u>60,105</u>
Total	<u>\$2,657,972</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. The Town's certificates of deposit and unit trusts are not subject to interest rate risk disclosure. The mutual funds are open-ended and, therefore, are exempt from interest rate risk disclosure.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. These organizations look at a number of factors in order to evaluate the risk of an obligation and rate the risk. The rating allows the investor to make informed buying and selling decisions. The Town does not have any policy to limit the exposure to credit risk. The Town's certificates of deposit and unit trusts are not subject to credit risk. The mutual funds are open-ended and, therefore, are exempt from credit rate risk disclosure.



TOWN OF FAYSTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**Concentration of Credit Risk**

Concentration of credit risk is the risk that a large percentage of the Town’s investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town has no investments subject to concentration of credit risk disclosure.

**Fair Value**

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application.” The hierarchy is based on the valuation inputs used to measure fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 – Unadjusted quoted prices for identical instruments in active markets

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Description	Total	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Unit Trusts	\$ 5,566	\$ 5,566	\$ 0	\$ 0
Mutual Funds - Mixed Holdings	178,604	178,604	0	0
Total	\$ 184,170	\$ 184,170	\$ 0	\$ 0

**B. Interfund Balances and Transfers**

Interfund balances as of December 31, 2022 are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$2,389,143
Other Equipment/Assets Fund	0	7,996
ARPA Fund	226,551	0
Non-Major Governmental Funds	848,776	10,805
Custodial Fund – Education Tax Fund	1,332,617	0
Total	\$2,407,944	\$2,407,944

TOWN OF FAYSTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Interfund transfers during the year ended December 31, 2022 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Equipment/Assets Fund	\$ 200,000	Annual Appropriation
General Fund	Reappraisal Fund	25,000	Annual Appropriation
General Fund	Conservation Fund	3,500	Annual Appropriation
General Fund	Fire Equipment Fund	65,000	Annual Appropriation
General Fund	Bridge Reserve Fund	5,000	Annual Appropriation
General Fund	Road Construction Fund	50,000	Annual Appropriation
General Fund	Town Garage Fund	5,000	Annual Appropriation
General Fund	Culvert Reserve Fund	5,000	Annual Appropriation
General Fund	Town Forest Reserve Fund	15,000	Annual Appropriation
Cemetery Maintenance Fund	Cemetery Perpetual Care Fund	<u>2,625</u>	Perpetual Care Funds
Total		<u>\$ 376,125</u>	

**C. Deferred Inflows of Resources**

Deferred inflows of resources consist of \$2,624 of prepaid property taxes.

**D. Due to State of Vermont**

The Town has billed and collected education taxes for the State of Vermont as of December 31, 2022 but had not remitted them all to the State of Vermont. The amount of education taxes owed by the Town to the State of Vermont as of December 31, 2022 was \$1,332,617.

**E. Fund Balances**

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard’s intended use of the resources); and unassigned.

Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

TOWN OF FAYSTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. Governments are required to disclose in the notes key information about their stabilization arrangements, including the authority by which they were established, provisions for additions to the stabilization amount, and circumstances under which those amounts may be spent.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Town does not have any minimum fund balance policies.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

The fund balances in the following funds are restricted as follows:

Major Funds

ARPA Fund:

Restricted for Eligible Uses of the Coronavirus Local Fiscal Recovery Funding by Grant Agreement (Source of Revenue is Grant Revenue)	<u>\$226,203</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Preservation of Records Expenses by Statute (Source of Revenue is Restoration Fees)	25,064
Restricted for Cemetery Maintenance by Sale of Lots and/or Donations	<u>175,674</u>
Total Special Revenue Funds	<u>200,738</u>

Permanent Fund:

Restricted for Cemetery Expenses by Sale of Lots	<u>28,771</u>
Total Non-Major Funds	<u>229,509</u>
Total Restricted Fund Balances	<u>\$455,712</u>

TOWN OF FAYSTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2022

The fund balances in the following funds are committed as follows:

Non-Major Funds

Special Revenue Funds:	
Committed for Conservation Expenses by the Voters	\$ 56,436
Capital Projects Funds:	
Committed for Fire Equipment Expenditures by the Voters	127,745
Committed for Bridge Reserve Expenditures by the Voters	168,855
Committed for Recreation Reserve Expenditures by the Voters	12,000
Committed for Road Construction Expenditures by the Voters	110,121
Committed for Town Garage Expenditures by the Voters	48,012
Committed for Town Forest Reserve Expenditures by the Voters	28,563
Committed for Road Retreatment Expenditures by the Voters	<u>108,478</u>
Total Non-Major Funds	<u>660,210</u>
Total Committed Fund Balances	<u>\$660,210</u>

The fund balances in the following funds are assigned as follows:

Major Funds

ARPA Fund:	
Assigned for Eligible ARPA Expenses	\$ <u>    348</u>

Non-Major Funds

Special Revenue Funds:	
Assigned for Reappraisal Expenses	<u>155,214</u>
Total Assigned Fund Balances	<u>\$155,562</u>

The unassigned deficit of \$7,996 in the Other Equipment/Assets Fund will be funded with a future transfer from the General Fund.

The unassigned deficit of \$1,922 in the Municipal Building Fund will be funded with a future transfer from the General Fund.

The unassigned deficit of \$595 in the Culvert Reserve Fund will be funded with a future transfer from the General Fund.

**F. Restricted Net Position**

The restricted net position in the Governmental Activities includes the restricted fund balances of \$455,712.

TOWN OF FAYSTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

#### **IV. OTHER INFORMATION**

##### **A. Pension Plan**

###### **Defined Benefit Plan**

###### **Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. As of June 30, 2021, the measurement date selected by the State of Vermont, the retirement system consisted of 353 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

###### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

As of June 30, 2021, the measurement date selected by the State of Vermont, VMERS was funded at 86.29% and had a plan fiduciary net position of \$926,034,330 and a total pension liability of \$1,073,218,528 resulting in a net position liability of \$147,184,198. As of June 30, 2022, the Town's proportionate share of this was 0.0849% resulting in a net pension liability of \$124,967. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Town's proportion of 0.0849% was a decrease of 0.0017 from its proportion measured as of the prior year.

TOWN OF FAYSTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**Summary of System Provisions**

Membership – Full time employees of participating municipalities. Municipalities can elect coverage under Groups A, B, C or D provisions. The Town elected coverage under Group B.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Group A – Average annual compensation during highest five (5) consecutive years. Groups B and C – Average annual compensation during highest three (3) consecutive years. Group D – Average annual compensation during highest two (2) consecutive years.

**Service Retirement Allowance:**

Eligibility – Group A – The earlier of age 65 with five (5) years of service or age 55 with thirty-five (35) years of service. Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service. Groups C and D – Age 55 with five (5) years of service.

Amount – Group A – 1.4% of AFC times service. Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC. Group D – 2.5% of AFC times service as a Group D member plus percentage earned as a Group A, B or C member times AFC.

Maximum benefit is 60% of AFC for Groups A and B and 50% of AFC for Groups C and D. The previous amounts include the portion of the allowance provided by member contributions.

**Early Retirement Allowance:**

Eligibility – Age 55 with five (5) years of service for Groups A and B. Age 50 with twenty (20) years of service for Group D.

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Groups A and B members, and payable without reduction to Group D members.

**Vested Retirement Allowance:**

Eligibility – Five (5) years of service.

Amount – Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

TOWN OF FAYSTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Disability Retirement Allowance:

Eligibility – Five (5) years of service and disability as determined by Retirement Board.

Amount – Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

Death Benefit:

Eligibility – Death after five (5) years of service.

Amount – For Groups A, B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.

Optional Benefit and Death after Retirement – For Groups A, B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.

Refund of Contribution – Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

Post-Retirement Adjustments – Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 2% for Group A and 3% for Groups B, C and D.

Member Contributions – Group A – 3.25%. Group B – 5.625%. Group C – 10.75%. Group D – 12.10%.

Employer Contributions – Group A – 4.75%. Group B – 6.25%. Group C – 8.00%. Group D – 10.60%.

Retirement Stipend – \$25 per month payable at the option of the Board of Trustees.

**Significant Actuarial Assumptions and Methods**

Investment Rate of Return: 7.00%, net of pension plan investment expenses, including inflation.

Salary increases: Varying service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.

TOWN OF FAYSTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

Mortality:

Pre-Retirement: Groups A, B and C – 40% PubG-2010 General Employee Amount-Weighted below-median and 60% of PubG-2010 General Employee Amount-Weighted, with generational projection using scale MP-2019. Group D – PubG-2010 General Employee Amount-Weighted above-median, with generational projection using scale MP-2019.

Healthy Post-retirement – Retirees: Groups A, B and C – 104% of 40% PubG-2010 General Healthy Retiree Amount-Weighted below-median and 60% of PubG-2010 General Healthy Retiree Amount-Weighted, with generational projection using scale MP-2019. Group D – PubG-2010 General Healthy Retiree Amount-Weighted, with generational projection using scale MP-2019.

Healthy Post-retirement – Beneficiaries: Groups A, B and C – 70% Pub-2010 Contingent Survivor Amount-Weighted below-median and 30% of Pub-2010 Contingent Survivor Amount-Weighted, with generational projection using scale MP-2019. Group D – Pub-2010 Contingent Survivor Amount-Weighted, with generational projection using scale MP-2019.

Disabled Post-retirement: All Groups – PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2019.

Spouse's Age: Females three years younger than males.

Cost-of-Living Adjustments: 1.10% for Group A members and 1.20% for Groups B, C and D members. The January 1, 2021 COLA is 0.40% for all groups. The January 1, 2022 COLA is 2.00% for Group A members and 2.30% for Groups B, C and D members.

Actuarial Cost Method: Entry age actuarial cost method. Entry age is the age at date of employment or, if date is unknown, current age minus years of service. Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary, with normal cost determined using the plan of benefits applicable to each participant.

Assets: The valuation is based on the market value of assets as of the valuation date, as provided by the System. The System uses an “actuarial value of assets” that differs from market value to gradually reflect year-to-year changes in the market value of assets in determine the contribution requirements.

Inflation: 2.30%



TOWN OF FAYSTON, VERMONT  
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Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Passive Global Equities	24%	5.05%
Active Global Equities	5%	5.05%
Large Cap US Equities	4%	4.00%
Small/Mid Cap US Equities	3%	4.50%
Non-US Developed Market Equities	7%	5.50%
Private Equity	10%	6.75%
Emerging Market Debt	4%	3.00%
Private & Alternate Credit	10%	4.75%
Non-Core Real Estate	4%	5.75%
Core Fixed Income	19%	0.00%
Core Real Estate	4%	3.75%
US TIPS	3%	(0.50)%
Infrastructure/Farmland	3%	4.25%

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members). The Board voted to authorize employer contribution rate increases of 0.50% each year for a period of four years beginning July 1, 2022, to be offset by any increases in the employee contribution rates as negotiated with employee groups and approved by Legislature. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF FAYSTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2022

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.00%) or one percent higher (8.00%):

<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$247,004	\$124,967	\$24,616

**Additional Information**

Additional information regarding the State of Vermont Municipal Employees' Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

**B. Risk Management**

The Town 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 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. Settled claims have not exceeded this coverage in any of the past three 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 ratesetting 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.

The Town is also a member of the Vermont League of Cities and Towns Employment Resource and Benefits Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employment benefits for Vermont municipalities and is owned by the participating members. The agreement does not permit the Trust to make additional assessments to its members. The Town has only elected unemployment coverage with the Trust.

**C. Contingent Liabilities**

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

TOWN OF FAYSTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2022

**D. Property Taxes**

The Town is responsible for assessing and collecting its own property taxes as well as education taxes for the State of Vermont. The tax rate is set by the Selectboard based on the voter approved budget, the estimated grand list and the State education property tax liability. Property taxes are due in one installment on August 22<sup>nd</sup> but do not go delinquent until November 1<sup>st</sup>. The penalty is eight percent (8%). Interest is charged at one percent (1%) per month for the first three months and one and one-half percent (1-1/2%) per month thereafter. The tax rates for 2022 are as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Town	.3100	.3100
Veterans Exemption	.0002	.0002
Education	<u>1.6978</u>	<u>1.6336</u>
Total	<u>2.0080</u>	<u>1.9438</u>

TOWN OF FAYSTON, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH BASIS  
 ASSETS, LIABILITIES AND FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2022

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Cemetery Perpetual Care Fund	Total
<u>ASSETS</u>				
Cash	\$ 9,660	\$ 0	\$ 10,615	\$ 20,275
Investments	157,726	0	26,444	184,170
Due from Other Funds	<u>245,002</u>	<u>603,774</u>	<u>0</u>	<u>848,776</u>
Total Assets	<u>\$ 412,388</u>	<u>\$ 603,774</u>	<u>\$ 37,059</u>	<u>\$ 1,053,221</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to Other Funds	\$ <u>0</u>	\$ <u>2,517</u>	\$ <u>8,288</u>	\$ <u>10,805</u>
Total Liabilities	<u>0</u>	<u>2,517</u>	<u>8,288</u>	<u>10,805</u>
Fund Balances:				
Restricted	200,738	0	28,771	229,509
Committed	56,436	603,774	0	660,210
Assigned	155,214	0	0	155,214
Unassigned/(Deficit)	<u>0</u>	<u>(2,517)</u>	<u>0</u>	<u>(2,517)</u>
Total Fund Balances	<u>412,388</u>	<u>601,257</u>	<u>28,771</u>	<u>1,042,416</u>
Total Liabilities and Fund Balances	<u>\$ 412,388</u>	<u>\$ 603,774</u>	<u>\$ 37,059</u>	<u>\$ 1,053,221</u>

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TOWN OF FAYSTON, VERMONT  
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
 CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Cemetery Perpetual Care Fund	Total
Cash Receipts:				
Intergovernmental	\$ 11,334	\$ 0	\$ 0	\$ 11,334
Investment Income/(Loss)	(18,814)	0	(2,863)	(21,677)
Charges for Service	14,800	0	0	14,800
Other	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>4,000</u>
Total Cash Receipts	<u>9,320</u>	<u>2,000</u>	<u>(2,863)</u>	<u>8,457</u>
Cash Disbursements:				
General Government	3,850	0	0	3,850
Public Safety	0	17,345	0	17,345
Highways and Streets	0	66,003	0	66,003
Culture and Recreation	0	987	0	987
Cemetery	9,647	0	0	9,647
Capital Outlay:				
Highways and Streets	<u>0</u>	<u>83,365</u>	<u>0</u>	<u>83,365</u>
Total Cash Disbursements	<u>13,497</u>	<u>167,700</u>	<u>0</u>	<u>181,197</u>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>(4,177)</u>	<u>(165,700)</u>	<u>(2,863)</u>	<u>(172,740)</u>
Other Financing Sources:				
Transfers In	28,500	145,000	2,625	176,125
Transfers Out	(2,625)	0	0	(2,625)
Proceeds from Sale of Vehicle	<u>0</u>	<u>1,600</u>	<u>0</u>	<u>1,600</u>
Total Other Financing Sources	<u>25,875</u>	<u>146,600</u>	<u>2,625</u>	<u>175,100</u>
Net Change in Fund Balances	21,698	(19,100)	(238)	2,360
Fund Balances - January 1, 2022,	<u>390,690</u>	<u>620,357</u>	<u>29,009</u>	<u>1,040,056</u>
Fund Balances - December 31, 2022	<u>\$ 412,388</u>	<u>\$ 601,257</u>	<u>\$ 28,771</u>	<u>\$ 1,042,416</u>

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TOWN OF FAYSTON, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH BASIS  
 ASSETS, LIABILITIES AND FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2022

	Preservation of Records Fund	Reappraisal Fund	Conservation Fund	Cemetery Maintenance Fund	Total
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 9,660	\$ 9,660
Investments	0	0	0	157,726	157,726
Due from Other Funds	<u>25,064</u>	<u>155,214</u>	<u>56,436</u>	<u>8,288</u>	<u>245,002</u>
Total Assets	<u>\$ 25,064</u>	<u>\$ 155,214</u>	<u>\$ 56,436</u>	<u>\$ 175,674</u>	<u>\$ 412,388</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:					
Restricted	25,064	0	0	175,674	200,738
Committed	0	0	56,436	0	56,436
Assigned	<u>0</u>	<u>155,214</u>	<u>0</u>	<u>0</u>	<u>155,214</u>
Total Fund Balances	<u>25,064</u>	<u>155,214</u>	<u>56,436</u>	<u>175,674</u>	<u>412,388</u>
Total Liabilities and Fund Balances	<u>\$ 25,064</u>	<u>\$ 155,214</u>	<u>\$ 56,436</u>	<u>\$ 175,674</u>	<u>\$ 412,388</u>

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TOWN OF FAYSTON, VERMONT  
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
 CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

	Preservation of Records Fund	Reappraisal Fund	Conservation Fund	Cemetery Maintenance Fund	Total
Cash Receipts:					
Intergovernmental	\$ 0	\$ 11,334	\$ 0	\$ 0	\$ 11,334
Investment Income/(Loss)	0	0	0	(18,814)	(18,814)
Charges for Service	0	0	0	14,800	14,800
Other	0	0	2,000	0	2,000
Total Cash Receipts	<u>0</u>	<u>11,334</u>	<u>2,000</u>	<u>(4,014)</u>	<u>9,320</u>
Cash Disbursements:					
General Government	3,850	0	0	0	3,850
Cemetery	0	0	0	9,647	9,647
Total Cash Disbursements	<u>3,850</u>	<u>0</u>	<u>0</u>	<u>9,647</u>	<u>13,497</u>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>(3,850)</u>	<u>11,334</u>	<u>2,000</u>	<u>(13,661)</u>	<u>(4,177)</u>
Other Financing Sources:					
Transfers In	0	25,000	3,500	0	28,500
Transfers Out	0	0	0	(2,625)	(2,625)
Total Other Financing Sources	<u>0</u>	<u>25,000</u>	<u>3,500</u>	<u>(2,625)</u>	<u>25,875</u>
Net Change in Fund Balances	(3,850)	36,334	5,500	(16,286)	21,698
Fund Balances - January 1, 2022,	<u>28,914</u>	<u>118,880</u>	<u>50,936</u>	<u>191,960</u>	<u>390,690</u>
Fund Balances - December 31, 2022	<u>\$ 25,064</u>	<u>\$ 155,214</u>	<u>\$ 56,436</u>	<u>\$ 175,674</u>	<u>\$ 412,388</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF FAYSTON, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH BASIS  
 ASSETS, LIABILITIES AND FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 DECEMBER 31, 2022

	Fire Equipment Fund	Bridge Reserve Fund	Recreation Reserve Fund	Road Construction Fund	Town Garage Fund	Municipal Building Fund	Culvert Reserve Fund	Town Forest Reserve Fund	Road Retreatment Fund	Total
<u>ASSETS</u>										
Due from Other Funds	\$ <u>127,745</u>	\$ <u>168,855</u>	\$ <u>12,000</u>	\$ <u>110,121</u>	\$ <u>48,012</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>28,563</u>	\$ <u>108,478</u>	\$ <u>603,774</u>
Total Assets	\$ <u>127,745</u>	\$ <u>168,855</u>	\$ <u>12,000</u>	\$ <u>110,121</u>	\$ <u>48,012</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>28,563</u>	\$ <u>108,478</u>	\$ <u>603,774</u>
<u>LIABILITIES AND FUND BALANCES</u>										
Liabilities:										
Due to Other Funds	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>1,922</u>	\$ <u>595</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>2,517</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,922</u>	<u>595</u>	<u>0</u>	<u>0</u>	<u>2,517</u>
Fund Balances/(Deficit):										
Committed	127,745	168,855	12,000	110,121	48,012	0	0	28,563	108,478	603,774
Unassigned/(Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,922)</u>	<u>(595)</u>	<u>0</u>	<u>0</u>	<u>(2,517)</u>
Total Fund Balances/(Deficit)	<u>127,745</u>	<u>168,855</u>	<u>12,000</u>	<u>110,121</u>	<u>48,012</u>	<u>(1,922)</u>	<u>(595)</u>	<u>28,563</u>	<u>108,478</u>	<u>601,257</u>
Total Liabilities and Fund Balances	\$ <u>127,745</u>	\$ <u>168,855</u>	\$ <u>12,000</u>	\$ <u>110,121</u>	\$ <u>48,012</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>28,563</u>	\$ <u>108,478</u>	\$ <u>603,774</u>

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TOWN OF FAYSTON, VERMONT  
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
 CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

	Fire Equipment Fund	Bridge Reserve Fund	Recreation Reserve Fund	Road Construction Fund	Town Garage Fund	Municipal Building Fund	Culvert Reserve Fund	Town Forest Reserve Fund	Road Retreatment Fund	Total
Cash Receipts:										
Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,000	\$ 0	\$ 2,000
Total Cash Receipts	0	0	0	0	0	0	0	2,000	0	2,000
Cash Disbursements:										
Public Safety	17,345	0	0	0	0	0	0	0	0	17,345
Highways and Streets	0	0	0	60,382	0	0	5,621	0	0	66,003
Culture and Recreation	0	0	0	0	0	0	0	987	0	987
Capital Outlay:										
Highways and Streets	0	0	0	0	0	0	0	0	83,365	83,365
Total Cash Disbursements	17,345	0	0	60,382	0	0	5,621	987	83,365	167,700
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	(17,345)	0	0	(60,382)	0	0	(5,621)	1,013	(83,365)	(165,700)
Other Financing Sources:										
Transfers In	65,000	5,000	0	50,000	5,000	0	5,000	15,000	0	145,000
Proceeds from Sale of Vehicle	1,600	0	0	0	0	0	0	0	0	1,600
Total Other Financing Sources	66,600	5,000	0	50,000	5,000	0	5,000	15,000	0	146,600
Net Change in Fund Balances	49,255	5,000	0	(10,382)	5,000	0	(621)	16,013	(83,365)	(19,100)
Fund Balances/(Deficit) - January 1, 2022	78,490	163,855	12,000	120,503	43,012	(1,922)	26	12,550	191,843	620,357
Fund Balances/(Deficit) - December 31, 2022	\$ 127,745	\$ 168,855	\$ 12,000	\$ 110,121	\$ 48,012	\$ (1,922)	\$ (595)	\$ 28,563	\$ 108,478	\$ 601,257

See Disclaimer in Accompanying Independent Auditor's Report.

# Sullivan, Powers & Co., P.C.

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## 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"

Selectboard  
Town of Fayston, Vermont  
866 North Fayston Rd  
Fayston, VT 05660

We have audited, in accordance with the 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 the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fayston, Vermont, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town of Fayston, Vermont's basic financial statements, and have issued our report thereon dated March 2, 2023. Our opinion on the Governmental Activities and the Aggregate Remaining Fund Information was qualified because of the recording of certain investments at market value rather than at cost.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of Fayston, Vermont's internal control over financial reporting (internal control) as a basis for designing 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 of Fayston, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Fayston, Vermont's internal control.

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified certain deficiencies that we consider to be material weaknesses and another that we consider to be a significant deficiency.

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 Town of Fayston, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2022-01 through 2022-02 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2022-03 to be a significant deficiency.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of Fayston, Vermont's financial statements are free from 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 financial statements. 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".

### ***Town of Fayston, Vermont's Response to Findings***

"Government Auditing Standards" requires the auditor to perform limited procedures on the Town of Fayston, Vermont's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Deficiencies in Internal Control. The Town of Fayston, Vermont's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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 Town of Fayston, Vermont'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 Town of Fayston, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sullivan, Powers & Co.*

March 2, 2023  
Montpelier, Vermont  
VT Lic. #92-000180

TOWN OF FAYSTON, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
DECEMBER 31, 2022

Deficiencies in Internal Control:

Material Weaknesses:

2022-01 Property Tax Reconciliation

*Criteria:*

Internal controls should be in place to ensure property taxes have been reconciled to the general ledger at year-end.

*Condition:*

The Town did not have controls in place to ensure property taxes were reconciled to the general ledger at year-end.

*Cause:*

Unknown.

*Effect:*

The Town's property tax account balances were not completely reconciled which resulted in various adjustments to correct account balances.

*Recommendation:*

We recommend that the Town implement controls to ensure property taxes are reconciled to the general ledger at year-end.

2022-02 Reserve Accounts Fund Balance Entries

*Criteria:*

Internal controls should be in place to ensure that all revenues and expenses are recorded correctly. Separate revenue and expense accounts should be utilized to record the Town's revenues and expenses for the reserve accounts. Fund balance should only be posted to in the event of a correction of an error.

*Condition:*

The Town posted transfers in and out and revenues and expenses related to the reserves to fund balance rather than to separate revenue and expense accounts in an attempt to track the reserve account balances.

*Cause:*

Unknown.

TOWN OF FAYSTON, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
DECEMBER 31, 2022

*Effect:*

Adjustments were required to correct the fund balance accounts and revenue and expense accounts.

*Recommendation:*

We recommend that the Town implement controls to ensure all revenues and expenses are recorded correctly.

Significant Deficiency:

2022-03 Authorization of General Journal Entries

*Criteria:*

Internal controls should be in place that requires an appropriate official to authorize and review all adjustments to the books of original entry. Also, internal controls should be in place to ensure that supporting documentation is maintained to support all journal entries.

*Condition:*

The Town does not have a policy in place to require authorization or review of adjustments to the books of original entry.

*Cause:*

Unknown.

*Effect:*

This deficiency in the internal control structure could allow other working control policies to be circumvented.

*Recommendation:*

We recommend that the Town require appropriate officials to review all general journal entries to ensure that they are valid and appropriate.

Town of Fayston  
866 North Fayston Road  
Fayston, Vermont 05660  
802-496-2454

March 2, 2023

Sullivan, Powers & Company  
77 Barre Street  
Montpelier, Vermont 05601

This letter serves as a response to the deficiencies noted in the Audit Report for December 31, 2022.


2022-01 Property Tax Reconciliation. Sullivan notes that the Town "did not have controls in place to ensure property taxes are reconciled in the general ledger at year-end". Sullivan has provided a spreadsheet they would like to see utilized. Treasurer historically reconciled property taxes to the penny for current and delinquent years with separate line items. Treasurer looks forward to working with Sullivan to understand what is necessary from an audit point of view.

2022-02 Reserve Accounts Fund Balance Entries. Sullivan recommends "the Town implement controls to ensure all revenue and expenses are recorded correctly". Treasurer agrees if the current tracking systems is not sufficient then working with Sullivan to understand what is necessary from an audit point of view will be appreciated.

2022-03 Authorization of General Journal Entries. Treasurer has already implemented a procedure to have Assistant Treasurer review and sign off on all journal entries. Supporting documentation has always, and will always, be maintained.

Other Recommendations: Selectboard and Treasurer have many of the fraud/risk/investment policies drafted and will look for adoption of the same spring or summer 2023.

Very truly yours,

  
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Patti Lewis  
Treasurer

Date: 3/2/23