

**TOWN OF ROYALTON, VERMONT**  
**AUDIT REPORT AND FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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**JUNE 30, 2019**

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# FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA  
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## INDEPENDENT AUDITOR'S REPORT

To the Selectboard  
Town of Royalton  
South Royalton, Vermont

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Royalton, Vermont as of and for the year ended June 30, 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 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 *Government 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 audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major

fund and the aggregate remaining fund information of the Town of Royalton, Vermont, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and Highway Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other-Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *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 Budget to Actual comparison for the General Fund and the Highway Fund in Schedules 1 and 2, and the combining and individual non-major fund financial statements (Schedules 3 and 4) are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019 on our consideration of the Town's internal control over financial reporting and 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

November 22, 2019

TOWN OF ROYALTON, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019

Our discussion and analysis of the Town of Royalton, Vermont's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2019. Please read it in conjunction with the Town's financial statements which begin on page 10.

### **Financial Highlights**

#### *Government-Wide Statements*

- Net position of our governmental activities increased by \$486,332 or about 6%, compared to an increase of \$212,070 in fiscal year 2018. The net position of our business-type activities increased by \$11,165, compared to an increase of \$692,524 in fiscal year 2018.
- The cost of all of the Town's programs was \$2,528,710 in fiscal year 2018, compared to \$2,599,060 in fiscal year 2018, with no new programs added this year.

#### *Fund Statements*

- The General Fund reported an improvement in fund balance this year of \$229,388, which was \$154,388 better than what was budgeted. This brings the fund balance to \$174,772 from a \$54,616 deficit at June 30, 2018. The General Fund nonspendable fund balance was \$34,707 and consists of prepaids and the unassigned fund balance is \$140,065.
- The Highway Fund reported a decrease in fund balance this year of \$147,019, which was \$2,981 better than what was budgeted. This brings the fund balance to \$227,488 from a balance of \$374,507 at June 30, 2018. The Highway Fund nonspendable fund balance is \$46,531, made up of \$12,408 in prepaids and \$34,123 of inventory. The assigned fund balance is \$180,957.
- The Library Fund reported a decrease in fund balance of \$161,517. This results in a fund deficit of \$165,383 at June 30, 2019.
- The Highway Improvement Fund reported an increase in fund balance this year of \$89,591. This brings the fund balance to \$756,334 from a balance of \$666,743.
- The nonmajor funds, as a whole, reported a net increase in fund balance this year of \$70,777, compared to an increase of \$197,313 in fiscal year 2018. This brings the combined fund balance from a balance of \$1,811,930 to \$1,882,707.
- The Wastewater Fund reported an increase in net position of \$11,165 in fiscal year 2019, compared to an increase of \$692,524 in fiscal year 2018, resulting in an ending net position of \$1,363,962.

### **Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits A and B) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

TOWN OF ROYALTON, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019  
(Continued)

*Reporting the Town as a Whole*

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and change in net position. You can think of the Town's net position – the difference between assets and liabilities – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall financial health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- Governmental activities – The Town's basic services are reported in the General Fund, including the highway department, general administration, revolving loans, and police, etc. Property taxes, charges for services and state and federal grants finance most of these activities.
- Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's wastewater activity is reported here.

*Reporting the Town's Most Significant Funds*

Our analysis of the Town's major funds begins on Exhibit C and provides detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. The Town's two categories of funds – governmental and proprietary – use different accounting approaches.

- Governmental fund – The Town's basic services are reported in the governmental fund, which focuses on how money flows into and out of that fund and the balance left at year-end that is available for spending. This fund is reported using a measurement focus called current financial resources, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental fund in Exhibits D and F that are included in the financial statements.

TOWN OF ROYALTON, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019  
(Continued)

- **Proprietary fund** – When the Town charges customers for the services it provides – whether to outside customers or to other funds of the Town – these services are generally reported in a proprietary fund. A proprietary fund is reported in the same way that all business-type activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise funds (a type of proprietary fund) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as the statement of cash flows.

**The Town as a Whole**

The Town's combined net position increased by \$497,497 from a year ago – increasing from a balance of \$9,167,619 to \$9,665,116. Net position for the governmental activities was increased from a balance of \$7,814,822 to \$8,301,154.

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

Table 1  
Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 3,477,704	\$ 3,046,305	\$ 393,465	\$ 540,888	\$ 3,871,169	\$ 3,587,193
Capital assets, net of depr	5,908,545	5,565,635	2,038,533	2,084,156	7,947,078	7,649,791
Total assets	9,386,249	8,611,940	2,431,998	2,625,044	11,818,247	11,236,984
Total deferred outflows of resources	11,120	0	0	0	11,120	0
Long-term liabilities	651,096	697,327	1,066,537	1,092,993	1,717,633	1,790,320
Other liabilities	445,119	99,791	1,499	179,254	446,618	279,045
Total liabilities	1,096,215	797,118	1,068,036	1,272,247	2,164,251	2,069,365
Net position:						
Invested in capital assets, net of debt	5,189,352	4,874,682	971,996	813,585	6,161,348	5,688,267
Restricted	1,573,996	1,477,164	16,270	16,270	1,590,266	1,493,434
Unrestricted	1,537,806	1,462,976	375,696	522,942	1,913,502	1,985,918
Total net position	\$ 8,301,154	\$ 7,814,822	\$ 1,363,962	\$ 1,352,797	\$ 9,665,116	\$ 9,167,619

Net position of the Town's governmental activities increased by about 6% in fiscal year 2019 (\$8,301,154 compared to a balance of \$7,814,822). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from a balance of \$1,462,976 to a balance of \$1,537,806 in fiscal year 2019. Restricted net position increased from a balance of \$1,477,164 to a balance of \$1,573,996 in fiscal year 2019.

The net position of our business-type activities increased by \$11,165 in fiscal year 2019 (\$1,363,962 compared to a balance of \$1,352,797).

TOWN OF ROYALTON, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019  
(Continued)

Table 2  
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2019	2018	Change	2019	2018	Change
REVENUES						
Program revenues:						
Charges for services	\$ 139,825	\$ 130,346	\$ 9,479	\$ 199,052	\$ 230,178	\$ (31,126)
Operating grants and contributions	315,047	387,598	(72,551)	0	0	0
Capital grants and contributions	428,990	108,401	320,589	25,473	808,901	(783,428)
General revenues:						
Property taxes/int/penalties	1,831,818	1,801,124	30,694	0	0	0
Investment income	77,939	71,091	6,848	973	1,461	(488)
Gain (loss) on asset disposal	7,090	(35,446)	42,536	0	0	0
Total revenues	<u>2,800,709</u>	<u>2,463,114</u>	<u>337,595</u>	<u>225,498</u>	<u>1,040,540</u>	<u>(815,042)</u>
PROGRAM EXPENSES						
Highway	1,089,613	1,072,124	17,489	0	0	0
General government	863,304	814,216	49,088	0	0	0
Public safety	218,195	154,231	63,964	0	0	0
Cemetery	25,883	26,743	(860)	0	0	0
Culture and recreation	64,873	75,901	(11,028)	0	0	0
Other services	31,029	84,270	(53,241)	0	0	0
Interest on debt	21,480	23,559	(2,079)	0	0	0
Wastewater	0	0	0	214,333	348,016	(133,683)
Total program expenses	<u>2,314,377</u>	<u>2,251,044</u>	<u>63,333</u>	<u>214,333</u>	<u>348,016</u>	<u>(133,683)</u>
CHANGE IN NET POSITION	<u>\$ 486,332</u>	<u>\$ 212,070</u>	<u>\$ 274,262</u>	<u>\$ 11,165</u>	<u>\$ 692,524</u>	<u>\$(681,359)</u>

#### Governmental Activities

The increase in net position for governmental activities was \$486,332 in fiscal year 2019, compared to \$212,070 in fiscal year 2018.

The cost of all governmental activities this year was \$2,314,377. However, as shown in the Statement of Activities on Exhibit B, the amount that our taxpayers ultimately financed for these activities through Town taxes was only \$1,430,515 because some of the cost was paid by those who directly benefited from the programs (\$139,825) or by other governments and organizations that subsidized certain programs with grants and contributions (\$744,037).



TOWN OF ROYALTON, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019  
(Continued)

*Business-Type Activities*

The net position for business-type activities increased by \$11,165 in fiscal year 2019. The cost of all business-type activities this year was \$214,333. However, these costs were covered by those who directly benefited from the programs (\$199,052) and by other governments and organizations that subsidized with grants and contributions (\$25,473)

Table 3 presents the cost of each of the Town's two largest programs – general government and highway – as well as each program's net cost (total cost less program revenues). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Highway	\$1,089,613	\$1,072,124	\$ 941,029	\$ 918,078
General government	863,304	814,216	278,497	433,425
All others	361,460	364,704	210,989	273,196
Totals	<u>\$2,314,377</u>	<u>\$2,251,044</u>	<u>\$1,430,515</u>	<u>\$1,624,699</u>

**The Town's Funds**

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$2,875,918, which is greater than last year's total fund balance of \$2,794,698. Included in this year's total increase in fund balance of \$81,220 was an increase of \$229,388 in the General Fund, a decrease of \$147,019 in the Highway Fund, a decrease of \$161,517 in the Library Fund, an increase of \$89,591 in the Highway Improvement Fund, and an increase of \$70,777 in the nonmajor governmental funds.

*General Fund Budgetary Highlights*

The Town's General Fund's activity compared to budget is reported on Schedule 1. Some of the larger variances were as follows:

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues and other financing sources:			
General Fund -			
State - land use	\$ 50,000	\$ 87,375	\$ 37,375
Expenditures:			
General Fund -			
Police department	218,850	159,835	59,015
Debt service	57,864	35,349	22,515

TOWN OF ROYALTON, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019  
(Continued)

State land use revenue was greater than budget due to receiving more funds from the State than anticipated. The debt service expenditures was under budget partly due to paying off debt ahead of schedule in the prior year.

Police department expenditures were under budget due to being short on police staff for most of the year.

### Capital Assets and Debt Administration

#### *Capital Assets*

At June 30, 2019, the Town had \$7,947,078 invested in a broad range of capital assets, including land, land improvements, buildings and improvements, vehicles, plant, furniture and equipment, and infrastructure, net of accumulated depreciation. (See Table 4 below) This amount represents a net increase (including additions and deductions) of \$297,287.

Table 4  
Capital Assets at Year-End  
(Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land and easements	\$ 771,413	\$ 771,413	\$ 30,811	\$ 30,811	\$ 802,224	\$ 802,224
Construction in progress	316,751	33,193	0	0	316,751	33,193
Plants, lines & improv.	0	0	1,960,348	2,029,611	1,960,348	2,029,611
Buildings	1,392,464	1,448,380	27,792	0	1,420,256	1,448,380
Building improvements	21,663	24,322	0	0	21,663	24,322
Land improvements	158,633	126,971	0	0	158,633	126,971
Infrastructure	2,471,825	2,357,184	0	0	2,471,825	2,357,184
Furniture and equipment	308,140	358,309	19,582	23,734	327,722	382,043
Vehicles	467,656	445,863	0	0	467,656	445,863
Totals	<u>\$ 5,908,545</u>	<u>\$ 5,565,635</u>	<u>\$ 2,038,533</u>	<u>\$ 2,084,156</u>	<u>\$ 7,947,078</u>	<u>\$ 7,649,791</u>

This year's major additions for governmental activities were Library building renovation costs, highway vehicle, police cruiser, Handy Memorial restoration, Town garage well, Riverview cemetery entrance paving, Happy Hollow Road culvert, widening of Oxbow Road, and paving (Happy Hollow Road, Dairy Hill Road and bridge deck, River Road, Bridge Street, Fox Stand bridge deck). The major addition to the business-type activities was a garage.

TOWN OF ROYALTON, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019  
(Continued)

*Debt Administration*

At June 30, 2019, the Town had \$1,706,537 in notes and bonds outstanding versus a balance of \$1,783,946 on June 30, 2018 – a decrease of \$77,409 – as shown in Table 5.

Table 5  
Outstanding Debt at Year-End

	Governmental Activities	Business-Type Activities	Total
Balance - June 30, 2018	\$ 690,953	\$ 1,092,993	\$ 1,783,946
Principal payments	(50,953)	(26,456)	(77,409)
Balance - June 30, 2019	<u>\$ 640,000</u>	<u>\$ 1,066,537</u>	<u>\$ 1,706,537</u>

**Economic Factors and Next Year's Budgets and Rates**

When adopting the budget for the fiscal year 2020 year, the Selectboard based their figures on previous year spending and departmental budget requests. The tax rate is set based on the voter approved budget amount for taxes divided by the Grand List.

**Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Manager's office at Town of Royalton, PO Box 680, Royalton, Vermont 05068.

TOWN OF ROYALTON, VERMONT  
STATEMENT OF NET POSITION  
JUNE 30, 2019

EXHIBIT A

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 1,459,982	\$ 280,680	\$ 1,740,662
Cash - restricted	679,386	0	679,386
Investments - restricted	1,039,257	0	1,039,257
Taxes/delinquent assessments, penalty and int. receivable	112,801	18,077	130,878
Grant receivables	41,896	0	41,896
Other receivables	2,945	92,461	95,406
Loan receivable - due within one year	15,237	0	15,237
Prepaid expenses	47,616	313	47,929
Inventory	34,123	0	34,123
Internal balances	(1,934)	1,934	0
Loans receivable - due after one year	46,395	0	46,395
Capital assets:			
Land and easements	771,413	30,811	802,224
Construction in process	316,751	0	316,751
Plant, buildings, equipment and vehicles	8,088,253	3,323,657	11,411,910
Accumulated depreciation	(3,267,872)	(1,315,935)	(4,583,807)
Total assets	9,386,249	2,431,998	11,818,247
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related	11,120	0	11,120
Total assets and deferred outflows of resources	9,397,369	2,431,998	11,829,367
<b>LIABILITIES</b>			
Accounts payable	29,441	1,438	30,879
Construction payable	79,193	0	79,193
Accrued payroll & related	10,483	61	10,544
Unearned grants	18,760	0	18,760
Accrued interest	7,242	0	7,242
Short-term debt	300,000	0	300,000
Notes and bonds payable due within one year	45,000	27,054	72,054
Compensated absences due after one year	11,096	0	11,096
Notes and bonds payable due after one year	595,000	1,039,483	1,634,483
Total liabilities	1,096,215	1,068,036	2,164,251
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	5,189,352	971,996	6,161,348
Restricted - expendable	463,442	16,270	479,712
Restricted - nonexpendable	1,110,554	0	1,110,554
Unrestricted	1,537,806	375,696	1,913,502
Total net position	\$ 8,301,154	\$ 1,363,962	\$ 9,665,116

TOWN OF ROYALTON, VERMONT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019

EXHIBIT B

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position		
					Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Highway	\$ 1,089,613	\$ 832	\$ 147,752	\$ 0	\$ (941,029)	\$ 0	\$ (941,029)
General government and administration	863,304	127,975	167,295	289,537	(278,497)	0	(278,497)
Public safety	218,195	4,009	0	0	(214,186)	0	(214,186)
Cemetery	25,883	750	0	0	(25,133)	0	(25,133)
Culture and recreation	64,873	2,947	0	139,453	77,527	0	77,527
Other services	31,029	3,312	0	0	(27,717)	0	(27,717)
Interest on long-term debt	21,480	0	0	0	(21,480)	0	(21,480)
Total governmental activities	<u>2,314,377</u>	<u>139,825</u>	<u>315,047</u>	<u>428,990</u>	<u>(1,430,515)</u>	<u>0</u>	<u>(1,430,515)</u>
Business-type Activities							
Wastewater	214,333	199,052	0	25,473	0	10,192	10,192
Total business-type activities	<u>214,333</u>	<u>199,052</u>	<u>0</u>	<u>25,473</u>	<u>0</u>	<u>10,192</u>	<u>10,192</u>
Total	<u>\$ 2,528,710</u>	<u>\$ 338,877</u>	<u>\$ 315,047</u>	<u>\$ 454,463</u>	<u>(1,430,515)</u>	<u>10,192</u>	<u>(1,420,323)</u>
General Revenues:							
Property taxes, interest and penalty					1,831,818	0	1,831,818
Earnings on investments					77,939	973	78,912
Gain on disposal of asset					7,090	0	7,090
Total general revenues and transfers					<u>1,916,847</u>	<u>973</u>	<u>1,917,820</u>
Change in net position					486,332	11,165	497,497
Net position - July 1, 2018					<u>7,814,822</u>	<u>1,352,797</u>	<u>9,167,619</u>
Net position - June 30, 2019					<u>\$ 8,301,154</u>	<u>\$ 1,363,962</u>	<u>\$ 9,665,116</u>

See Notes to Financial Statements.

TOWN OF ROYALTON, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

EXHIBIT C

	Major Funds					
	General Fund	Highway Fund	Library Fund	Highway Improvement Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 141,362	\$ 107,121	\$ 0	\$ 756,334	\$ 455,165	\$ 1,459,982
Cash - restricted	0	0	216,545	0	462,841	679,386
Investments - restricted	0	0	0	0	1,039,257	1,039,257
Taxes, penalty and interest receivable	112,801	0	0	0	0	112,801
Loans receivable	0	0	0	0	61,632	61,632
Grants receivable	0	0	0	0	41,896	41,896
Other receivables	2,945	0	0	0	0	2,945
Prepaid expenses	34,707	12,408	0	0	501	47,616
Inventory	0	34,123	0	0	0	34,123
Due from other funds	155	89,457	0	0	401	90,013
Total assets	<u>\$ 291,970</u>	<u>\$ 243,109</u>	<u>\$ 216,545</u>	<u>\$ 756,334</u>	<u>\$ 2,061,693</u>	<u>\$ 3,569,651</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)</b>						
<b>Liabilities</b>						
Accounts payable	\$ 7,973	\$ 12,251	\$ 0	\$ 0	\$ 9,217	\$ 29,441
Construction payable	0	0	79,193	0	0	79,193
Accrued payroll & related	6,948	3,370	0	0	165	10,483
Unearned grants	0	0	0	0	18,760	18,760
Due to other funds	0	0	2,735	0	89,212	91,947
Short-term debt	0	0	300,000	0	0	300,000
Total liabilities	<u>14,921</u>	<u>15,621</u>	<u>381,928</u>	<u>0</u>	<u>117,354</u>	<u>529,824</u>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - prop taxes/pen/int	102,277	0	0	0	0	102,277
Unavailable revenue - loans	0	0	0	0	61,632	61,632
Total deferred inflows of resources	<u>102,277</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>61,632</u>	<u>163,909</u>
<b>Fund Balance (Deficit)</b>						
Nonspendable - inventory	0	34,123	0	0	0	34,123
Nonspendable - prepaids	34,707	12,408	0	0	501	47,616
Nonspendable - permanent funds	0	0	0	0	1,110,554	1,110,554
Restricted	0	0	0	0	401,810	401,810
Committed	0	0	0	756,334	402,261	1,158,595
Assigned	0	180,957	0	0	0	180,957
Unassigned	140,065	0	(165,383)	0	(32,419)	(57,737)
Total fund balance (deficit)	<u>174,772</u>	<u>227,488</u>	<u>(165,383)</u>	<u>756,334</u>	<u>1,882,707</u>	<u>2,875,918</u>
Total liabilities and fund balance (deficit)	<u>\$ 291,970</u>	<u>\$ 243,109</u>	<u>\$ 216,545</u>	<u>\$ 756,334</u>	<u>\$ 2,061,693</u>	<u>\$ 3,569,651</u>

TOWN OF ROYALTON, VERMONT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019

EXHIBIT D

TOTAL FUND BALANCE (DEFICIT) - GOVERNMENTAL FUNDS \$ 2,875,918

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$9,176,417, and the accumulated depreciation is \$3,267,872. 5,908,545

Deferred inflows of resources are recognized on an accrual basis in the statement of net position, not the modified accrual basis. Deferred revenues at year end consist of:

Unearned revenue - property taxes	102,277	
Unearned revenue - loan receivable	<u>61,632</u>	163,909

Accrued interest on bonds and notes payable is recognized on an accrual basis in the statement of net position, not the modified accrual basis. (7,242)

Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. 11,120

Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Notes and bonds payable	640,000	
Accrued compensated absences	<u>11,096</u>	<u>(651,096)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 8,301,154

TOWN OF ROYALTON, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCE (DEFICIT)  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019

EXHIBIT E

	Major Funds					
	General Fund	Highway Fund	Library Fund	Highway Improvement Fund	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes, net	\$ 1,143,527	\$ 647,600	\$ 0	\$ 0	\$ 0	\$ 1,791,127
Penalty and interest	20,609	0	0	0	0	20,609
Charges for services	4,441	0	0	0	0	4,441
Rental income	0	0	0	0	24,764	24,764
Intergovernmental	94,624	147,752	0	0	11,535	253,911
Licenses, permits, fees and fines	24,324	0	0	480	0	24,804
Investment income	51	2,486	2	4,216	71,184	77,939
Grant income	0	0	0	104,168	185,369	289,537
Loan repayments and interest	0	0	0	0	18,959	18,959
Donations	0	0	123,453	0	79,151	202,604
Miscellaneous	9,594	352	0	0	70,543	80,489
Total revenues	<u>1,297,170</u>	<u>798,190</u>	<u>123,455</u>	<u>108,864</u>	<u>461,505</u>	<u>2,789,184</u>
<b>EXPENDITURES</b>						
Current:						
General government and administration	748,319	0	0	0	56,317	804,636
Public safety	159,835	0	0	0	43,886	203,721
Highway	0	668,141	0	0	0	668,141
Cemetery	8,199	0	0	0	17,287	25,486
Cultural and recreational	63,740	0	0	0	0	63,740
Other services	0	0	0	0	31,029	31,029
Debt service:						
Principal	30,953	0	0	0	20,000	50,953
Interest	4,396	0	0	0	17,500	21,896
Capital outlays	5,500	7,068	297,885	189,425	338,484	838,362
Total expenditures	<u>1,020,942</u>	<u>675,209</u>	<u>297,885</u>	<u>189,425</u>	<u>524,503</u>	<u>2,707,964</u>
EXCESS REVENUES (EXPENDITURES)	<u>276,228</u>	<u>122,981</u>	<u>(174,430)</u>	<u>(80,561)</u>	<u>(62,998)</u>	<u>81,220</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	0	0	12,913	210,000	162,357	385,270
Operating transfers out	(46,840)	(270,000)	0	(39,848)	(28,582)	(385,270)
Total other financing sources (uses)	<u>(46,840)</u>	<u>(270,000)</u>	<u>12,913</u>	<u>170,152</u>	<u>133,775</u>	<u>0</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	<u>229,388</u>	<u>(147,019)</u>	<u>(161,517)</u>	<u>89,591</u>	<u>70,777</u>	<u>81,220</u>
FUND BALANCE (DEFICIT) - JULY 1, 2018	<u>(54,616)</u>	<u>374,507</u>	<u>(3,866)</u>	<u>666,743</u>	<u>1,811,930</u>	<u>2,794,698</u>
FUND BALANCE (DEFICIT) - JUNE 30, 2019	<u>\$ 174,772</u>	<u>\$ 227,488</u>	<u>\$ (165,383)</u>	<u>\$ 756,334</u>	<u>\$ 1,882,707</u>	<u>\$ 2,875,918</u>



TOWN OF ROYALTON, VERMONT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT  
OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE (DEFICIT)  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019

EXHIBIT F

TOTAL NET CHANGE IN FUND BALANCE (DEFICIT) - GOVERNMENTAL FUNDS	\$	81,220
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation expense (\$502,542), net of disposals and trade ins (\$7,090), exceed capital outlays (\$838,362).

342,910

Repayment of bond and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

50,953

Some revenues are not collected for several months after the Town's year end; they are not considered "available" revenue in the fund statements. Change in unavailable revenue consisted of the following:

Property taxes

20,082

Loans

(15,647)

4,435

Governmental funds report pension contributions as expenditures. However in the statement of activities, the cost is deferred.

11,120

In the statement of activities, certain operating expenses - accrued compensated absences - are measured by the amounts earned during the year.

In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, compensated absences earned exceeded the amounts used by \$4,722.

(4,722)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

The interest reported in the statement of activities is higher because accrued interest on bonds and notes payable decreased by \$416.

416

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 486,332

TOWN OF ROYALTON, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE  
IN FUND BALANCE (DEFICIT)  
COMPARED TO BUDGET  
GENERAL FUND  
YEAR ENDED JUNE 30, 2019

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes, net	\$ 1,140,106	\$ 1,143,527	\$ 3,421
Penalty and interest	36,000	20,609	(15,391)
Charges for services	5,700	4,441	(1,259)
Intergovernmental	58,000	94,624	36,624
Licenses, permits, fees and fines	24,300	24,324	24
Investment income	200	51	(149)
Miscellaneous	2,845	9,594	6,749
Total revenues	<u>1,267,151</u>	<u>1,297,170</u>	<u>30,019</u>
EXPENDITURES			
Current:			
General government and administration	782,482	748,319	34,163
Public safety	218,850	159,835	59,015
Cultural and recreational	75,615	63,740	11,875
Cemetery	10,740	8,199	2,541
Debt service:			
Principal	30,714	30,953	(239)
Interest	27,150	4,396	22,754
Capital outlay	0	5,500	(5,500)
Total expenditures	<u>1,145,551</u>	<u>1,020,942</u>	<u>124,609</u>
EXCESS REVENUES (EXPENDITURES)	<u>121,600</u>	<u>276,228</u>	<u>154,628</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	(46,600)	(46,840)	(240)
Total other financing sources (uses)	<u>(46,600)</u>	<u>(46,840)</u>	<u>(240)</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	<u>\$ 75,000</u>	<u>229,388</u>	<u>\$ 154,388</u>
FUND DEFICIT - JULY 1, 2018		<u>(54,616)</u>	
FUND BALANCE - JUNE 30, 2019		<u>\$ 174,772</u>	

TOWN OF ROYALTON, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE  
IN FUND BALANCE COMPARED TO BUDGET  
HIGHWAY FUND  
YEAR ENDED JUNE 30, 2019

EXHIBIT H

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 647,600	\$ 647,600	\$ 0
State highway aid	145,000	147,752	2,752
Investment income	0	2,486	2,486
Miscellaneous	0	352	352
Total revenues	<u>792,600</u>	<u>798,190</u>	<u>5,590</u>
EXPENDITURES			
Current:			
Highway	672,600	668,141	4,459
Capital outlays	0	7,068	(7,068)
Total expenditures	<u>672,600</u>	<u>675,209</u>	<u>(2,609)</u>
EXCESS REVENUES (EXPENDITURES)	<u>120,000</u>	<u>122,981</u>	<u>2,981</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	<u>(270,000)</u>	<u>(270,000)</u>	<u>0</u>
Total other financing sources (uses)	<u>(270,000)</u>	<u>(270,000)</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	<u>\$ (150,000)</u>	<u>(147,019)</u>	<u>\$ 2,981</u>
FUND BALANCE - JULY 1, 2018		<u>374,507</u>	
FUND BALANCE - JUNE 30, 2019		<u>\$ 227,488</u>	

TOWN OF ROYALTON, VERMONT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2019

EXHIBIT I

	<u>Wastewater Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 280,680
Accounts receivable - user fees	92,461
Delinquent user fees, penalty and interest receivable	18,077
Prepaid expenses	313
Due from other funds	1,934
Capital assets:	
Land and easements	30,811
Treatment plant, lines and improvements	3,197,571
Building and improvements	29,000
Equipment and vehicles	97,086
Accumulated depreciation	<u>(1,315,935)</u>
Total assets	<u>2,431,998</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	1,438
Accrued payroll & related	61
Bond payable due within one year	<u>27,054</u>
Total current liabilities	28,553
Noncurrent Liabilities	
Bond payable due after one year	<u>1,039,483</u>
Total liabilities	<u>1,068,036</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	971,996
Restricted	16,270
Unrestricted	<u>375,696</u>
Total net position	<u><u>\$1,363,962</u></u>

TOWN OF ROYALTON, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGE IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2019

EXHIBIT J

	Wastewater Fund
OPERATING REVENUES	
Charges for services	\$ 187,920
Penalties and interest on delinquents	5,767
Miscellaneous income	5,365
Total operating revenues	<u>199,052</u>
OPERATING EXPENSES	
Operation and maintenance	48,994
Contract services	62,935
Administration fees	3,337
Depreciation	74,623
Total operating expenses	<u>189,889</u>
OPERATING INCOME	<u>9,163</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	973
Interest expense	(24,444)
Net nonoperating revenues (expenses)	<u>(23,471)</u>
LOSS BEFORE CONTRIBUTIONS	(14,308)
CAPITAL CONTRIBUTIONS	<u>25,473</u>
CHANGE IN NET POSITION	11,165
NET POSITION - JULY 1, 2018	<u>1,352,797</u>
NET POSITION - JUNE 30, 2019	<u>\$ 1,363,962</u>

TOWN OF ROYALTON, VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2019

EXHIBIT K

	Wastewater Fund
CASH FLOWS FROM (TO) OPERATING ACTIVITIES	
Cash received from customers	\$ 204,106
Other operating cash receipts	11,132
Cash payments to suppliers for goods and services	(115,490)
Cash payments to employees	31
Net cash flows from operating activities	<u>99,779</u>
CASH FLOWS TO NONCAPITAL FINANCING ACTIVITIES	
Cash to other funds	<u>(27,162)</u>
Net cash flows to noncapital financing activities	<u>(27,162)</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	235,724
Principal paid on capital debt	(26,456)
Interest paid on capital debt	(24,444)
Additions of capital assets, net of change in related payables	<u>(206,578)</u>
Net cash flows to capital and related financing activities	<u>(21,754)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>973</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	51,836
CASH AND CASH EQUIVALENTS - JULY 1, 2018	<u>228,844</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2019	<u><u>\$ 280,680</u></u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM (TO) OPERATING ACTIVITIES	
Income from operations	\$ 9,163
Adjustments to reconcile income from operations to net cash flow from operating activities	
Depreciation	74,623
Change in assets and liabilities:	
Decrease in accounts receivable	16,186
Increase in prepaids	(16)
Decrease in trade accounts payable	(208)
Increase in accrued payroll & related	31
Net cash flows from operating activities	<u><u>\$ 99,779</u></u>

TOWN OF ROYALTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

The Town operates under a Selectmen form of government. The Town's major operations include public safety, highways and streets, sewage treatment, community development, recreation, public improvements, planning and zoning and general administrative services.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). The more significant accounting policies used by the Town are discussed below.

*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, as 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 – Government-Wide Statements*

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). The government-wide financial statements categorize primary activities as either governmental or business-type.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's governmental functions and business-type activities. The functions are also supported by general government revenue (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, including operating and capital grants and contributions. Program revenue must be directly associated with the governmental function (highway, general government, cultural and recreational, etc.) or a business-type activity. Operating grants include operating-specific and discretionary grants while capital grants and contribution column reflects capital specific grants and contributions.

The net costs (by governmental function or business-type activity) are normally covered by general revenues (property taxes, intergovernmental revenue, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

TOWN OF ROYALTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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, fund equity, revenues and expenditures/expenses. The various funds are reported by major funds within the financial statements.

The General Fund, Highway Fund, Library Fund and Highway Improvement Fund are shown as major funds. The nonmajor funds are combined in a column in the fund financial statements.

The following fund types are used by the Town:

**Governmental Funds**

The focus of the governmental funds' measurement (in the fund 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 are descriptions of the major governmental funds of the Town:

General Fund is the main operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Highway Fund is used to account for the Town's highway activity.

Library Fund is used to account for the renovation of the Library building.

Highway Improvement Fund is used to account for future highway capital outlays for infrastructure.

**Proprietary Funds**

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, and cash flows. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Wastewater Fund is the Proprietary Fund of the Town.

*Measurement Focus*

The accounting and financial reporting applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net



TOWN OF ROYALTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

position). Fund equity is segregated into invested in capital assets, net of related debt; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

*Basis of Accounting*

Basis of accounting refers to the point at which revenues or expenditures/expenses 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.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when transactions occur and expenses are recognized when incurred.

Modified Accrual

The governmental funds 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 (grants and loans). 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, compensated absences, claims and judgments, and certain prepaids, which are recognized when due/paid.

*Government-wide and Proprietary Fund Net Position*

Net position represents the difference between assets and liabilities in the statement of net position. Net position is divided into three components:

Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consist of assets that are restricted by the Town's creditors, enabling legislation, by grantors, and by other contributors.

Unrestricted net position – all other net position is reported in this category.

*Unavailable Revenue*

Unavailable revenue consists of the following:

General Fund – Delinquent taxes not collected within sixty (60) days after year end and other receivables not collected within six months after year end.

Non-major Funds – Revolving loan fund loan receivable.

TOWN OF ROYALTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Pensions*

GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS) and additions to/deductions from VMERS's fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Since the Town did not implement the VMERS pension plan until October 2018, which is after the measurement date (6/30/18) used for measuring the Town's net pension liability, deferred outflows of resources and deferred inflows of resources, for fiscal year 2019 the Town is only reporting deferred outflows for the Town's contributions to the plan after the measurement date.

*Deferred Outflows of Resources*

The Town reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. Deferred outflows of resources reported in this year's financial statements are deferred outflow of resources for the Town's defined benefit pension plans between the measurement date (6/30/18) of the net pension liabilities from those plans and the end of the Town's fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

*Fund Equity*

GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" provides more 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, prepaids and long-term receivables) 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 Town's highest level of decision making authority, the voters, as a result of articles passed at Annual or Special Meetings.

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. 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.

TOWN OF ROYALTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied in the following order:

1. Committed
2. Assigned
3. Unassigned

*Cash and Cash Equivalents*

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent, and short-term investments with original maturities of three months or less from the date of acquisition.

*Investments*

Investments are stated at fair value (quoted market price).

*Inventory*

Inventory in the Highway Fund consists of expendable supplies held for consumption by the highway department and is valued at cost, using the first-in/first-out method. Inventory is recorded as an expenditure when consumed rather than when purchased.

*Capital Assets*

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	10 – 40 years
Buildings and bldg. improvements	10 – 50 years
Sewer system	20 – 30 years
Furniture and equipment	3 – 20 years
Vehicles	3 – 15 years
Other infrastructure	10 – 50 years

GASB No. 34 requires the Town to report and depreciate new infrastructure assets prospectively starting July 1, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

*Accrued Compensated Absences*

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these accounts. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

TOWN OF ROYALTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
(Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

*Budgetary Accounting*

The Town approves a budget for the General Fund and the Highway Fund at an annual Town Meeting and the Selectboard determines the rate based on the budget and Grand List. Formal budgetary accounting is employed as a management control device during the year for the General Fund and the Highway Fund. The budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

The Town is not legally required to adopt a budget for funds other than the General Fund and the Highway Fund. Therefore, a budgetary comparison is not presented for those funds.

*Prepaid Expenses*

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

*Interfund Activities*

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion) or “advances to/from other funds” (i.e., the non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds, as reported in the fund financial statements, are offset by a fund reserve account (nonspendable fund balance) in the applicable funds to indicate that they are not available for appropriation and are not expendable available financial resources.

*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 ROYALTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
(Continued)

**NOTE 2 – DEPOSITS AND INVESTMENTS**

The Treasurer invests excess cash and investments according to policies established by the Selectboard.

*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 June 30, 2019, \$1,415,145 of the government's bank balance of \$2,504,246 was exposed to custodial credit risk. A summary of the Town's custodial credit risk is as follows:

	<u>Bank Balance</u>
Insured by FDIC	\$ 1,089,101
Uninsured, collateralized by securities held by the pledging financial institution	1,415,145
Total	<u>\$ 2,504,246</u>

*Investments*

Investments at June 30, 2019 were as follows:

	<u>Fair Value</u>
Cash equivalents	\$ 39,178
Open end mutual funds	1,000,079
	<u>\$ 1,039,257</u>

*Credit Risk* – The Town has no 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.

**NOTE 3 - INTERFUND ACTIVITY**

The composition of due from/(to) other funds at June 30, 2019 are as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Governmental funds:		
General Fund	\$ 155	\$ 0
Highway Fund	89,457	0
Library Project Fund	0	2,735
Academy Operations	0	10,770
Community Betterment Fund	69	0
FEMA #4445	0	17,871
Misc. Grants Fund	0	19,479
HW Equipment Reserve Fund	0	41,092
Riverview Cemetery Fund	42	0
Village Cemetery	290	0
Proprietary fund:		
Wastewater Fund	1,934	0
	<u>\$ 91,947</u>	<u>\$ 91,947</u>

TOWN OF ROYALTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
(Continued)

**NOTE 3 - INTERFUND ACTIVITY (Continued)**

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 June 30, 2019 are as follows:

<u>Transfers to:</u>	<u>Transfer from:</u>				<u>Totals</u>
	<u>General Fund</u>	<u>Highway Fund</u>	<u>Highway Improvement Fund</u>	<u>Special Revenue Funds</u>	
Special Revenue Funds	\$ 46,840	\$ 60,000	\$ 39,848	\$ 15,669	\$ 162,357
Library Fund	0	0	0	12,913	12,913
Highway Improv. Fund	0	210,000	0	0	210,000
	<u>\$ 46,840</u>	<u>\$ 270,000</u>	<u>\$ 39,848</u>	<u>\$ 28,582</u>	<u>\$ 385,270</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 4 - RECEIVABLES**

Receivable balances as of June 30, 2019 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Net Receivables</u>
Delinquent taxes/user fees, penalty & int receivable	\$ 112,801	\$ 18,077	\$ 130,878
User fees	0	92,461	92,461
Grant receivable	41,896	0	41,896
Accts receivable - other	2,945	0	2,945
Revolving Fund loans	61,632	0	61,632
	<u>\$ 219,274</u>	<u>\$ 110,538</u>	<u>\$ 329,812</u>

TOWN OF ROYALTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
(Continued)

**NOTE 5 – CAPITAL ASSETS**

The following is a summary of the changes in capital assets for the year:

	Balance June 30, 2018	Additions	Reclassification	Disposals	(Depreciation)	Balance June 30, 2019
<i><u>Governmental activities</u></i>						
Capital assets not depreciated						
Land	\$ 771,413	\$ 0	\$ 0	\$ 0	\$ 0	\$ 771,413
Construction in progress	33,193	297,885	(14,327)	0	0	316,751
Total capital assets not deprec.	804,606	297,885	(14,327)	0	0	1,088,164
Capital assets being depreciated						
Buildings	2,157,233	0	0	0	0	2,157,233
Building improvements	43,389	0	0	0	0	43,389
Land improvements	145,478	46,655	0	0	0	192,133
Infrastructure	3,683,127	374,338	14,327	0	0	4,071,792
Furniture and equipment	813,068	0	0	0	0	813,068
Vehicles	799,515	189,484	0	(178,361)	0	810,638
Total capital assets being depr.	7,641,810	610,477	14,327	(178,361)	0	8,088,253
Less accumulated depreciation for:						
Buildings	(708,853)	0	0	0	(55,916)	(764,769)
Building improvements	(19,067)	0	0	0	(2,659)	(21,726)
Land improvements	(18,507)	0	0	0	(14,993)	(33,500)
Infrastructure	(1,325,943)	0	0	0	(274,024)	(1,599,967)
Furniture and equipment	(454,759)	0	0	0	(50,169)	(504,928)
Vehicles	(353,652)	0	0	115,451	(104,781)	(342,982)
Total accum. depreciation	(2,880,781)	0	0	115,451	(502,542)	(3,267,872)
Total capital assets, net of deprec.	4,761,029	610,477	14,327	(62,910)	(502,542)	4,820,381
Total gov't activities assets, net	\$ 5,565,635	\$ 908,362	\$ 0	\$ (62,910)	\$ (502,542)	\$ 5,908,545
<i><u>Business-type activities</u></i>						
Capital assets not depreciated						
Land	\$ 21,811	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,811
Easements	9,000	0	0	0	0	9,000
Total capital assets not deprec.	30,811	0	0	0	0	30,811
Capital assets being depreciated						
Plants, lines and improvements	3,197,571	0	0	0	0	3,197,571
Buildings	0	29,000	0	0	0	29,000
Equipment	90,666	0	0	0	0	90,666
Vehicles	6,420	0	0	0	0	6,420
Total capital assets being depr.	3,294,657	29,000	0	0	0	3,323,657
Less accumulated depreciation for:						
Plants, lines and improvements	(1,167,960)	0	0	0	(69,263)	(1,237,223)
Buildings	0	0	0	0	(1,208)	(1,208)
Equipment	(66,932)	0	0	0	(4,152)	(71,084)
Vehicles	(6,420)	0	0	0	0	(6,420)
Total accum. depreciation	(1,241,312)	0	0	0	(74,623)	(1,315,935)
Total capital assets, net of deprec.	\$ 2,084,156	\$ 29,000	\$ 0	\$ 0	\$ (74,623)	\$ 2,038,533

Depreciation for the governmental activities was charged to general government for \$64,055, highway for \$424,983, public safety for \$11,974, cemetery for \$397 and culture and recreation for \$1,133. Depreciation for the Wastewater Fund was \$74,623.

TOWN OF ROYALTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
(Continued)

**NOTE 6 – SHORT-TERM DEBT**

The Town received a promissory note for the Library project from Mascoma Bank for \$540,000 at 3.15% interest due December 31, 2019.

The following is a summary of changes in short-term debt for the year ended June 30, 2019 for the governmental activities:

Balance - July 1, 2018	\$ 0
Proceeds	<u>300,000</u>
Balance - June 30, 2019	<u><u>\$ 300,000</u></u>

Interest paid in fiscal year 2019 on short-term debt was \$-0-.

**NOTE 7 – LONG-TERM LIABILITIES**

Long-term liabilities at June 30, 2019 consisted of the following:

	<u>Total</u>	<u>Due within one year</u>
<i><u>Governmental Activities</u></i>		
Bond payable, Vermont Municipal Bond Bank, net interest cost rate is 4.19%, payable in 20 annual principal payments of \$30,000 until 2019 then \$25,000 until 2023. Semi-annual interest payments due June 1 and December 1.	\$ 100,000	\$ 25,000
Bond payable, U.S. Department of Agriculture, interest at 3.125%, annual principal payments of \$20,000 until February 2046. Semiannual interest payments due February 1 and August 1. Used to finance new town office building.	<u>540,000</u>	<u>20,000</u>
Total notes and bonds payable	640,000	45,000
Compensated absences	<u>11,096</u>	<u>0</u>
Total long-term liabilities	<u><u>\$ 651,096</u></u>	<u><u>\$ 45,000</u></u>
<i><u>Business-Type Activities</u></i>		
Note payable, USDA Rural Development, 2.25% interest, semi-annual principal and interest payments of \$25,450 beginning May 2018 through November 2047.	<u><u>\$ 1,066,537</u></u>	<u><u>\$ 27,054</u></u>



TOWN OF ROYALTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
(Continued)

**NOTE 7 – LONG TERM LIABILITIES (Continued)**

Notes and bonds payable maturities are as follows:

	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 45,000	\$ 19,984	\$ 64,984	\$ 27,054	\$ 23,846	\$ 50,900
2021	45,000	18,271	63,271	27,667	23,233	50,900
2022	45,000	10,885	55,885	28,292	22,608	50,900
2023	45,000	15,625	60,625	28,932	21,968	50,900
2024	20,000	14,375	34,375	29,587	21,313	50,900
2025-2029	100,000	62,500	162,500	158,285	96,115	254,400
2030-2034	100,000	46,875	146,875	177,025	77,478	254,503
2035-2039	100,000	31,250	131,250	197,977	56,523	254,500
2040-2044	100,000	15,625	115,625	221,409	33,091	254,500
2045-2049	40,000	1,875	41,875	170,309	7,844	178,153
Total	<u>\$ 640,000</u>	<u>\$ 237,265</u>	<u>\$ 877,265</u>	<u>\$ 1,066,537</u>	<u>\$ 384,019</u>	<u>\$ 1,450,556</u>

The following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

	Governmental Activities	Business-Type Activities	Total
Balance at July 1, 2018	\$ 697,327	\$ 1,092,993	\$ 1,790,320
Accrued vacation earned	6,044	0	6,044
Accrued vacation used	(1,322)	0	(1,322)
Principal payments	(50,953)	(26,456)	(77,409)
Balance at June 30, 2019	<u>\$ 651,096</u>	<u>\$ 1,066,537</u>	<u>\$ 1,717,633</u>

Interest of \$46,340 was paid on long-term debt in fiscal year 2019.

TOWN OF ROYALTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
(Continued)

**NOTE 8 – RESTRICTED AND COMMITTED FUND BALANCES**

At June 30, 2019, the Town's fund balances were restricted and committed as follows:

<i>Governmental Funds - major fund</i>	Restricted	Committed
Highway Improvement Fund	\$ 0	\$ 756,334
<i>Governmental Funds - non-major funds</i>		
Special Revenue Funds		
Reappraisal Reserve Fund	\$ 126,839	\$ 0
Community betterment	0	37,034
Revolving Loan Fund	202,176	0
Coogan Carpenter	594	0
Parcel maps	5,611	0
Lister education	860	0
Police vehicle reserve	0	3,000
Gravel pit operations	0	155,357
Gravel pit closure	49,341	0
Computer system upgrade	0	15,000
Records restoration	16,389	0
Capital Project Funds		
Academy building capital improvements	0	1,564
Capital projects	0	87,403
Highway equipment reserve fund	0	102,903
Total	<u>\$ 401,810</u>	<u>\$ 402,261</u>

**NOTE 9 – RESTRICTED NET POSITION**

At June 30, 2019, the Town's net position was restricted as follows:

<i>Governmental Activities</i>	
Special Revenue Funds	
Reappraisal Reserve Fund	\$ 126,839
Revolving Loan Fund	263,808
Coogan Carpenter	594
Parcel maps	5,611
Lister education	860
Gravel pit closure	49,341
Records restoration	16,389
Total expendable	<u>463,442</u>
Permanent Funds	
Riverview Cemetery	281,300
Village Cemetery	345,618
Pleasant Hill Cemetery	103,609
Branchview Cemetery	286,298
Haven Cemetery	24,685
Alexander Trust	51,609
Lovejoy Trust	9,240
Town Cemetery Trust	7,804
Academy Trust	391
Total nonexpendable	<u>1,110,554</u>
Total governmental activities	<u>\$ 1,573,996</u>
<i>Business-Type Activities</i>	
Wastewater Fund - Lagoon reserve	<u>\$ 16,270</u>

TOWN OF ROYALTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
(Continued)

**NOTE 10 – PROPERTY TAXES**

Property taxes are due November 1 and become delinquent on November 2. The Town of Royalton bills and collects property taxes for itself and also for the School District. For the fiscal year ended June 30, 2019, the tax rate is as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	\$1.4989	\$1.5536
Town	<u>0.6938</u>	<u>0.6938</u>
Total Tax Rate/per \$100 of Assessed Valuation	<u><u>\$2.1927</u></u>	<u><u>\$2.2474</u></u>

**NOTE 11 – BETHEL – ROYALTON LANDFILL**

The Town of Royalton participates with the adjacent Town of Bethel in a joint venture to operate a landfill. This joint venture is not included in the financial statements of the Town of Royalton, in part, because the Town has no equity interest in the net resources of the landfill other than the residual interest in assets that may (on dissolution) revert to the Town for lack of another equitable claimant. Financial records pertaining to the landfill operation are maintained by the Town of Bethel and year-end financial reports prepared by them are published in each Town's annual report. The landfill has been closed as required by State statutes. Monitoring of ground water quality for twenty years is required in accordance with State statutes. Payment of this cost is to be paid out of landfill revenues, not Town funds.

**NOTE 12 – RETIREMENT PLANS**

**DEFERRED COMPENSATION PLAN**

The Town offers its employees a deferred compensation plan through the International City Managers' Association's "ICMA" Retirement Corporation in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. Employee deferrals for the current year were \$90. The Town also contributed for all full-time eligible employees who have been employed for one full year, have 1,000 hours of service per year and who have been hired prior to age 60. Employer contributions for the year ended June 30, 2019 were \$400. The Town ceased contributing when participation in the Vermont Municipal Employees' Retirement System plan started in October 2018, although employee deferrals are still allowed. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Town has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

TOWN OF ROYALTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
(Continued)

**NOTE 12 - RETIREMENT PLANS (Continued)**

**VMERS**

*Plan description.* The Town contributes to the Vermont Municipal Employees' Retirement System (VMERS) which 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 school districts and other municipal 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. During the year ended June 30, 2018, the retirement system consisted of 402 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.

**Summary of System Provisions**

*Membership* is open to all full time employees of participating municipalities. The municipality elects coverage under Groups A, B, C, or D. The Town only has Group A members.

*Creditable service* is service as a member plus purchased service.

TOWN OF ROYALTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
(Continued)

**NOTE 12 - RETIREMENT PLANS (Continued)**

*Benefits provided and contributions*

Avg Final Compensation (AFC)	Group A Average annual compensation during highest 5 consecutive years	Group B Average annual compensation during highest 3 consecutive years	Group C Average annual compensation during highest 3 consecutive years	Group D Average annual compensation during highest 2 consecutive years
<b>Service Retirement Allowance</b>				
Eligibility	Earlier of age 65 with 5 years of service or age 55 with 35 years of service	Earlier of age 62 with 5 years of service or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Amount	1.4% of AFC times service	1.7% of AFC times service as Group B member plus percentage earned as a Group A member times AFC	2.5% of AFC times service as Group C member plus percentage earned as a Group A or B member times AFC	2.5% of AFC times service as Group D member plus percentage earned as a Group A, B, or C member times AFC
Maximum Benefit	60% of AFC, including portion of allowance provided by member contributions		50% of AFC, including portion of allowance provided by member contributions	
<b>Early Retirement Allowance</b>				
Eligibility	Age 55 with 5 years of service		n/a	Age 50 with 20 years of service
Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age		n/a	Normal allowance based on service and AFC at early retirement, without reduction
<b>Vested Retirement Allowance</b>				
Eligibility	5 years of service	5 years of service	5 years of service	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 CPI, subject to the limits on "Post-Retirement Adjustments" described below.			
<b>Disability Retirement Allowance</b>				
Eligibility	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.			
<b>Death Benefit</b>				
Eligibility	After 5 years of service	After 5 years of service	After 5 years of service	After 5 years of service
Amount	Reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as of the date of death.			70% of the unreduced accrued benefit plus children's benefit
<b>Optional Benefit and Death after Retirement</b>				
	Lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contributions guarantee.			Lifetime allowance or 70% contingent annuitant option with no reduction
<b>Refund of Contribution</b>	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.			
<b>Post-Retirement Adjustments</b>				
	Allowance in payment for at least one year, increased on each January 1 by one-half of the percentage increase in CPI but not more than the following percentage:			
	2%	3%	3%	3%
<b>Member Contributions</b>	2.5% for fiscal year ended 6/30/18. 2.625% eff. 7/1/18	4.875% for fiscal year ended 6/30/18. 5.0% eff. 7/1/18	10% for fiscal year ended 6/30/18. 10.125% eff. 7/1/18	11.35% for fiscal year ended 6/30/18. 11.475% eff. 7/1/18
<b>Employer Contributions</b>	4.0% for fiscal year ended 6/30/18. 4.125% eff. 7/1/18	5.5% for fiscal year ended 6/30/18. 5.625% eff. 7/1/18	7.25% for fiscal year ended 6/30/18. 7.375% eff. 7/1/18	9.85% for fiscal year ended 6/30/18. 9.975% eff. 7/1/18
<b>Retirement Stipend</b>	\$25 per month payable at the option of the Board of Retirees			

TOWN OF ROYALTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
(Continued)

**NOTE 12 – RETIREMENT PLANS (Continued)**

For the year ended June 30, 2019 the Town's contributions to the Plan were \$11,120.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.* At June 30, 2019, the Town reported a liability of \$-0- for its proportionate share of the net pension liability due to the net pension liability being measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. In the future, the Town's proportion of the net pension liability will be 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 entities, actuarially determined.

For the year ended June 30, 2019, the Town recognized pension expense of \$-0-. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Member contributions subsequent to the measurement date	<u>\$ 11,120</u>

The deferred outflows of resources of \$11,120 was from the Town's contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

**NOTE 13 – RISK MANAGEMENT**

The Town of Royalton is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Town maintains commercial insurance coverage covering each of these risks of loss through the Vermont League of Cities and Towns. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three years.

**NOTE 14 – OPERATING LEASES**

The Town has entered into four lease agreements to lease space in the Royalton Academy Building. New lease agreements were entered into as of July 1, 2019 for a one year period with the option to renew for an additional year. The Town will receive \$19,171 in fiscal year 2020 under the terms of these lease agreements. The lease payments received in fiscal year 2019 totaled \$24,764.

**NOTE 15 – CONTINGENCY**

The Town of Royalton participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2019 have not yet been reviewed by the grantor agencies. 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 ROYALTON, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019  
(Continued)

**NOTE 16 – WASTEWATER FACILITY AGREEMENT**

The Town has an agreement with Simon Operation Services, Inc. (SOS) for the operation and maintenance of the Town's wastewater facility which ended July 31, 2018, and was renewed for another three years. The monthly service fee charged by SOS was \$4,910 through July 31, 2018 and then \$5,275 starting August 2018. The monthly fee increases by 3% each of the two remaining years. During the year ended June 30, 2019, the total charges were \$62,935.

**NOTE 17 – BUDGETED DEFICIT**

The Town elected to budget expenditures in excess of revenues by \$150,000 in the Highway Fund in order to reduce the prior year fund balance. This is reflected as a budgeted deficiency in revenues over expenditures on Exhibit H.

**NOTE 18 – FUND DEFICITS**

One of the Town's major funds ended fiscal year 2019 with a fund deficit. The Library Fund deficit is expected to be eliminated by grant revenue in future years.

Three of the Town's nonmajor funds ended fiscal year 2019 with fund deficits. The Academy Operations Fund deficit is expected to be eliminated with future revenue and transfers from the General Fund. The FEMA #4445 Fund deficit is expected to be eliminated with receipt of grant funds. The Miscellaneous Grant Fund deficit is expected to be eliminated by a transfer from the General Fund.

**NOTE 19 – TAX ABATEMENTS**

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 fiscal year 2019, the amount of Town property taxes forgone as a result of the Current Use Program was approximately \$67,000. 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.

**NOTE 20 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 22, 2019, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure.

TOWN OF ROYALTON, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE (DEFICIT)  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2019

SCHEDULE 1

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 1,140,106	\$ 1,143,527	\$ 3,421
Delinquent tax - interest	20,000	7,173	(12,827)
Delinquent tax - penalties	16,000	13,436	(2,564)
State of Vermont			
Land use	50,000	87,375	37,375
Judicial fines	4,000	2,515	(1,485)
Railroad tax	4,000	4,734	734
Clerk fees	20,000	18,672	(1,328)
Fees	800	66	(734)
Local fines	1,000	2,947	1,947
Dog licenses	1,800	1,539	(261)
Interest earned	200	51	(149)
Liquor licenses	700	1,100	400
Police income	1,500	1,494	(6)
Recreation	4,200	2,947	(1,253)
Other income	2,845	9,594	6,749
Total revenues	<u>1,267,151</u>	<u>1,297,170</u>	<u>30,019</u>
<b>EXPENDITURES</b>			
Current:			
General Government			
Selectboard			
Wages	80,600	73,278	7,322
Social Security	6,200	5,524	676
Health insurance	16,740	18,289	(1,549)
Retirement	2,200	2,003	197
Mileage	50	0	50
Supplies/tools	300	409	(109)
Telephone	400	410	(10)
Education/meetings	150	0	150
Total selectboard	<u>106,640</u>	<u>99,913</u>	<u>6,727</u>
Town Clerk			
Wages	42,724	39,758	2,966
Social Security	3,268	3,042	226
Health insurance	10,800	8,199	2,601
Retirement	0	941	(941)
Mileage	200	170	30
Supplies/tools	2,000	1,776	224
Telephone	800	884	(84)
Technology/computer	750	0	750
Education/meetings	600	150	450
Total town clerk	<u>61,142</u>	<u>54,920</u>	<u>6,222</u>



TOWN OF ROYALTON, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE (DEFICIT)  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2019

SCHEDULE 1

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Treasurer			
Wages	7,000	6,569	431
Social Security	550	502	48
Mileage	100	0	100
Supplies/tools	500	581	(81)
Telephone	400	484	(84)
Technology/computer	300	0	300
Education/meetings	100	0	100
Total treasurer	8,950	8,136	814
Lister			
Wages	22,600	23,912	(1,312)
Social Security	1,690	1,829	(139)
Mileage	300	208	92
Supplies/tools	1,000	428	572
Telephone	500	483	17
Technology/computer	3,000	4,492	(1,492)
Subcontractors	2,000	0	2,000
Education/meetings	2,000	340	1,660
Postage	200	55	145
Total lister	33,290	31,747	1,543
Delinquent Tax Collector			
Wages	16,000	24,179	(8,179)
Social Security	1,300	1,849	(549)
Advertising	500	0	500
Legal fees	6,000	200	5,800
Total delinquent tax collector	23,800	26,228	(2,428)
Town Report			
Printing	3,500	2,784	716
Postage	500	788	(288)
Total town report	4,000	3,572	428
General Operations			
Supplies/tools	5,000	4,542	458
Miscellaneous	1,300	115	1,185
Technology/computer	9,000	5,279	3,721
Subcontractors	4,000	2,656	1,344
Advertising	1,100	619	481
Audit	20,500	21,525	(1,025)
Insurance (property/wc)	20,000	18,910	1,090
Postage	3,000	2,178	822
County taxes	18,860	18,733	127
Dues/fees/licenses/permits	4,231	4,902	(671)
Legal	8,000	9,227	(1,227)
Emergency management	1,500	576	924
E911	900	901	(1)
Old Schoolhouse	1,000	0	1,000
Townhouse	1,000	382	618
Solid Waste Alliance	25,900	25,817	83
Green Up Vermont	200	203	(3)

TOWN OF ROYALTON, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE (DEFICIT)  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2019

SCHEDULE 1

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
General Operations (Continued)			
Rental of equipment	3,000	2,417	583
Stipends	0	3,000	(3,000)
Hope property - general exp	400	163	237
Old Bank building	500	278	222
GMEDC dues	1,374	1,374	0
Conservation Commission	150	244	(94)
Total general operations	130,915	124,041	6,874
Appropriations			
One Planet Program	6,000	6,000	0
Fire Department	78,000	78,000	0
Library - Town	72,855	72,855	0
Rescue squad	155,210	155,210	0
Band concerts	2,400	2,400	0
Memorial Day	700	700	0
HIV/HCV Resource Center	500	500	0
CV Community Action	400	400	0
Council on Aging	1,500	1,500	0
Clara Martin Center	4,180	4,180	0
Family Place	200	200	0
Northern VT Resources C&D	100	100	0
Safeline	1,000	1,000	0
SR Area Senior Citizens	4,000	4,000	0
VT Adult Learning	500	500	0
Vt Assoc of Blind	750	750	0
Center for Independent Living	305	305	0
Visiting Nurse Alliance	7,000	7,000	0
WR Partnership	500	500	0
WC Partners	500	500	0
WC Youth Services	400	400	0
Health Care Rehab of VT	2,689	2,689	0
Stagecoach	3,800	3,800	0
Orange County Parent-Child Center	1,000	1,000	0
Royalton food shelf	10,000	10,000	0
S. Royalton School Health Hub	1,000	1,000	0
Total appropriations	355,489	355,489	0
Town Office Building			
Salary	1,500	660	840
Social Security	120	51	69
Supplies/tools	400	0	400
Subcontractors	13,500	13,958	(458)
Water assessments	2,000	633	1,367
Electricity	7,000	5,103	1,897
Heat	9,000	7,544	1,456
Repairs/maintenance	4,500	4,232	268
Mowing	2,500	1,710	790
Security system	1,500	2,897	(1,397)
Total town office building	42,020	36,788	5,232

TOWN OF ROYALTON, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE (DEFICIT)  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2019

SCHEDULE 1

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Planning Commission			
Salary	2,100	41	2,059
Social Security	160	3	157
Mileage	0	25	(25)
Miscellaneous	100	30	70
Subcontractor/consultant	1,500	0	1,500
Printing	250	0	250
Advertising	350	0	350
Education/meetings	350	75	275
Two-Rivers Ottauquechee Commission	4,021	4,021	0
Total planning commission	8,831	4,195	4,636
Meetings and Elections			
Social Security	155	157	(2)
Mileage	300	79	221
Supplies/tools	2,000	404	1,596
Miscellaneous	200	0	200
Printing	600	276	324
Education/meetings	600	60	540
Moderator	450	150	300
Ballot clerks	2,500	1,714	786
Presiding officer fee	600	450	150
Total meetings and elections	7,405	3,290	4,115
Total general government	782,482	748,319	34,163
Public Safety			
Police Department			
Salary	135,600	95,583	40,017
Social Security	10,400	7,288	3,112
Medical insurance	29,000	991	28,009
Retirement	4,200	2,428	1,772
Mileage	200	0	200
Supplies/tools	1,500	3,696	(2,196)
Telephone	1,000	3,781	(2,781)
Technology/computer	2,000	3,025	(1,025)
Subcontractor/consultants	0	2,089	(2,089)
Printing	200	0	200
Education/meetings	1,500	115	1,385
Insurance	18,000	14,673	3,327
Dues/fees/licenses/permits	50	482	(432)
Repairs/maintenance	5,000	4,740	260
Uniforms	1,200	3,751	(2,551)
Equipment	2,000	9,502	(7,502)
Dog control	1,000	207	793
Stipends	0	3,000	(3,000)
Miscellaneous	0	62	(62)
Fuel, oil, grease	6,000	4,422	1,578
Total police department	218,850	159,835	59,015

TOWN OF ROYALTON, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE (DEFICIT)  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2019

SCHEDULE 1

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Cultural and Recreation			
Recreation			
Salary	8,200	7,885	315
Social Security	650	627	23
Supplies/tools	500	16	484
Insurance	600	496	104
Dues/fees/licenses/permits	1,000	0	1,000
Water assessments	0	25	(25)
Repairs/maintenance	7,000	3,353	3,647
Mowing	8,000	6,054	1,946
Rental of equipment	1,500	1,230	270
Special activities	2,000	1,020	980
Concerts	3,000	1,730	1,270
Shed project	0	1,853	(1,853)
Total recreation	32,450	24,289	8,161
Sports Program			
Salary	800	0	800
Social Security	65	0	65
Supplies	100	0	100
Stipends	300	800	(500)
Baseball/softball	2,500	2,638	(138)
Soccer	1,000	680	320
Basketball	1,200	46	1,154
Babe Ruth	1,000	691	309
Total sports program	6,965	4,855	2,110
Parks and Streets			
Subcontractor/consultants	0	1,500	(1,500)
Repairs/maintenance	3,000	3,281	(281)
Mowing	8,500	9,858	(1,358)
Rental of equipment	700	2,040	(1,340)
Street lights electricity	24,000	17,839	6,161
So. Royalton Village Green	0	78	(78)
Total parks and streets	36,200	34,596	1,604
Total cultural and recreation	75,615	63,740	11,875
Cemeteries			
N. Royalton Cemetery	2,900	4,827	(1,927)
Powers Cemetery	4,020	1,828	2,192
Hickey Cemetery	900	1,060	(160)
Metcalf Cemetery	250	0	250
Perrin #1 Cemetery	20	25	(5)
Perrin #2 Cemetery	50	25	25
Howard lot	50	35	15
Lindley lot	50	25	25
Haven Cemetery	2,500	374	2,126
Total cemeteries	10,740	8,199	2,541

TOWN OF ROYALTON, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE (DEFICIT)  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2019

SCHEDULE 1

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Debt Service			
Principal	30,714	30,953	(239)
Interest	27,150	4,396	22,754
Total debt service	<u>57,864</u>	<u>35,349</u>	<u>22,515</u>
Capital outlays	0	5,500	(5,500)
Total expenditures	<u>1,145,551</u>	<u>1,020,942</u>	<u>124,609</u>
EXCESS REVENUES (EXPENDITURES)	<u>121,600</u>	<u>276,228</u>	<u>154,628</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	<u>(46,600)</u>	<u>(46,840)</u>	<u>(240)</u>
Total other financing sources (uses)	<u>(46,600)</u>	<u>(46,840)</u>	<u>(240)</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	<u>\$ 75,000</u>	229,388	<u>\$ 154,388</u>
FUND DEFICIT - JULY 1, 2018		<u>(54,616)</u>	
FUND BALANCE - JUNE 30, 2019		<u>\$ 174,772</u>	

TOWN OF ROYALTON, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - HIGHWAY FUND  
YEAR ENDED JUNE 30, 2019

SCHEDULE 2

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 647,600	\$ 647,600	\$ 0
State highway aid	145,000	147,752	2,752
Investment income	0	2,486	2,486
Miscellaneous	0	352	352
Total revenues	792,600	798,190	5,590
<b>EXPENDITURES</b>			
<b>Current:</b>			
<b>Highway</b>			
Wages - staff	185,000	161,713	23,287
Wages - staff OT	24,000	39,564	(15,564)
Wages - vacation	0	5,568	(5,568)
Sick, personal time	0	4,138	(4,138)
Social Security	16,000	15,577	423
Health insurance	42,000	46,483	(4,483)
Retirement	3,600	5,981	(2,381)
Mileage	500	269	231
Supplies/tools	4,150	5,908	(1,758)
Telephone	1,000	457	543
Miscellaneous	15,150	2,661	12,489
Technology/computer	0	955	(955)
Subcontractors/consultants	4,000	5,622	(1,622)
Advertising	150	275	(125)
Meetings/seminars	150	0	150
Insurance (property/wc)	30,000	30,675	(675)
Dues/fees/licenses/permits	2,000	1,797	203
Legal fees	4,000	0	4,000
Assessments	400	400	0
Electricity	3,000	2,878	122
Heat	12,000	7,718	4,282
Repairs/maintenance	3,000	3,703	(703)
Uniforms	3,000	2,734	266
Rentals/equipment	40,000	35,351	4,649
Paving/sidewalk/guardrail repair	0	8,715	(8,715)
Equipment miscellaneous	1,000	0	1,000
Fuel and oil	55,000	64,525	(9,525)
Salt	19,000	54,165	(35,165)
Sand	24,000	37,000	(13,000)
Gravel	35,000	25,713	9,287
Crawford pit	6,500	7,375	(875)
Cold patch	2,000	952	1,048
Hard pack	3,000	0	3,000
Calcium chloride	15,000	5,901	9,099
Culverts	5,000	3,443	1,557
Other materials	3,000	450	2,550
2 1/4 plant mix	15,000	19,809	(4,809)
1 1/4 plant mix	30,000	6,269	23,731

TOWN OF ROYALTON, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - HIGHWAY FUND  
YEAR ENDED JUNE 30, 2019

SCHEDULE 2

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
Street signs	5,000	683	4,317
2013 Freightliner	6,500	0	6,500
Chipper	1,025	188	837
Cat 143H Grader 05	11,225	717	10,508
2005 John Deere roadside mower	3,500	1,753	1,747
Vacuum leaf collector LCT 65	1,025	0	1,025
2010 John Deere 310 SSJ backhoe loader	3,075	518	2,557
John Deere snowplower/sweeper	3,000	4,161	(1,161)
2012 Dodge Ram 5500	5,000	5,632	(632)
2014 Freightliner AWD	5,000	22,779	(17,779)
2015 Freightliner L7500	5,000	5,647	(647)
2017 Int'l truck	6,500	5,636	864
2016 Dodge Ram 5500	5,125	970	4,155
1997 Ford F450 Bucket Truck	0	5	(5)
2018 Komatsu loader	5,025	2,336	2,689
2019 Freightliner 1145D	0	2,372	(2,372)
Total highway	672,600	668,141	4,459
Capital outlays			
Garage well	0	7,068	(7,068)
Total capital outlays	0	7,068	(7,068)
Total expenditures	672,600	675,209	(2,609)
EXCESS REVENUES (EXPENDITURES)	120,000	122,981	2,981
OTHER FINANCING SOURCES (USES)			
Transfers out	(270,000)	(270,000)	0
NET CHANGE IN FUND BALANCE	<u>\$ (150,000)</u>	<u>(147,019)</u>	<u>\$ 2,981</u>
FUND BALANCE - JULY 1, 2018		<u>374,507</u>	
FUND BALANCE - JUNE 30, 2019		<u>\$ 227,488</u>	

TOWN OF ROYALTON, VERMONT  
COMBINING AND INDIVIDUAL FUND BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

SCHEDULE 3

	Special Revenue Funds													
	Academy Operations Fund	Reappraisal Reserve Fund	Community Betterment Fund	Revolving Loan Fund	Coogan Carpenter Fund	FEMA #4445	Parcel Maps Fund	Miscellaneous Grants Fund	Lister Education Fund	Police Vehicle Reserve	Gravel Pit Operations	Gravel Pit Closure	Computer System Upgrade	Restoration Fund
<b>ASSETS</b>														
Cash	\$ 1,130	\$ 0	\$ 36,965	\$ 0	\$ 0	\$ 0	\$ 18	\$ 9	\$ 0	\$ 3,000	\$ 155,357	\$ 0	\$ 15,000	\$ 0
Cash - restricted	0	126,839	0	202,176	594	0	5,611	0	860	0	0	49,341	0	16,389
Investments - restricted	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepays	501	0	0	0	0	0	0	0	0	0	0	0	0	0
Grant receivable	0	0	0	0	0	18,751	0	23,145	0	0	0	0	0	0
Loans receivable	0	0	0	61,632	0	0	0	0	0	0	0	0	0	0
Due from other funds	0	0	69	0	0	0	0	0	0	0	0	0	0	0
Total assets	<u>\$ 1,631</u>	<u>\$ 126,839</u>	<u>\$ 37,034</u>	<u>\$ 263,808</u>	<u>\$ 594</u>	<u>\$ 18,751</u>	<u>\$ 5,629</u>	<u>\$ 23,154</u>	<u>\$ 860</u>	<u>\$ 3,000</u>	<u>\$ 155,357</u>	<u>\$ 49,341</u>	<u>\$ 15,000</u>	<u>\$ 16,389</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)</b>														
<b>Liabilities</b>														
Accounts payable	\$ 360	\$ 0	\$ 0	\$ 0	\$ 0	\$ 880	\$ 0	\$ 7,187	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accrued payroll	147	0	0	0	0	0	18	0	0	0	0	0	0	0
Unearned grants	0	0	0	0	0	18,751	0	9	0	0	0	0	0	0
Due to other funds	10,770	0	0	0	0	17,871	0	19,479	0	0	0	0	0	0
Total liabilities	<u>11,277</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,502</u>	<u>18</u>	<u>26,675</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Deferred Inflows of Resources</b>														
Unavailable revenue - loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>61,632</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>
<b>Fund Balance (Deficit)</b>														
Nonspendable - perm. funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nonspendable - prepaids	501	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted	0	126,839	0	202,176	594	0	5,611	0	860	0	0	49,341	0	16,389
Committed	0	0	37,034	0	0	0	0	0	0	3,000	155,357	0	15,000	0
Unassigned	(10,147)	0	0	0	0	(18,751)	0	(3,521)	0	0	0	0	0	0
Total fund balance (deficit)	<u>(9,646)</u>	<u>126,839</u>	<u>37,034</u>	<u>202,176</u>	<u>594</u>	<u>(18,751)</u>	<u>5,611</u>	<u>(3,521)</u>	<u>860</u>	<u>3,000</u>	<u>155,357</u>	<u>49,341</u>	<u>15,000</u>	<u>16,389</u>
<b>Total liabilities, deferred inflows of resources and fund balance (deficit)</b>	<u>\$ 1,631</u>	<u>\$ 126,839</u>	<u>\$ 37,034</u>	<u>\$ 263,808</u>	<u>\$ 594</u>	<u>\$ 18,751</u>	<u>\$ 5,629</u>	<u>\$ 23,154</u>	<u>\$ 860</u>	<u>\$ 3,000</u>	<u>\$ 155,357</u>	<u>\$ 49,341</u>	<u>\$ 15,000</u>	<u>\$ 16,389</u>



TOWN OF ROYALTON, VERMONT  
COMBINING AND INDIVIDUAL FUND BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

SCHEDULE 3

	Capital Project Funds				Permanent Funds									Total all
	Academy Capital Improvement	Capital Projects	Sidewalk Study	HW Equip Reserve Fund	Riverview Cemetery	Village Cemetery	Pleasant Hill Cemetery	Branchview Cemetery	Haven Cemetery	Alexander Trust	Lovejoy Trust	Town Cemetery Trust	Academy Trust	Non-major Funds
ASSETS														
Cash	\$ 1,564	\$ 87,403	\$ 0	\$ 143,995	\$ 0	\$ 10,724	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 455,165
Cash - restricted	0	0	0	0	9,953	0	8,378	1,194	24,685	7,423	1,203	7,804	391	462,841
Investments - restricted	0	0	0	0	271,580	334,804	95,346	285,304	0	44,186	8,037	0	0	1,039,257
Prepays	0	0	0	0	0	0	0	0	0	0	0	0	0	501
Grant receivable	0	0	0	0	0	0	0	0	0	0	0	0	0	41,896
Loans receivable	0	0	0	0	0	0	0	0	0	0	0	0	0	61,632
Due from other funds	0	0	0	0	42	290	0	0	0	0	0	0	0	401
Total assets	<u>\$ 1,564</u>	<u>\$ 87,403</u>	<u>\$ 0</u>	<u>\$ 143,995</u>	<u>\$ 281,575</u>	<u>\$ 345,818</u>	<u>\$ 103,724</u>	<u>\$ 286,498</u>	<u>\$ 24,685</u>	<u>\$ 51,609</u>	<u>\$ 9,240</u>	<u>\$ 7,804</u>	<u>\$ 391</u>	<u>\$ 2,061,693</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)														
Liabilities														
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 275	\$ 200	\$ 115	\$ 200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,217
Accrued payroll	0	0	0	0	0	0	0	0	0	0	0	0	0	165
Unearned grants	0	0	0	0	0	0	0	0	0	0	0	0	0	18,760
Due to other funds	0	0	0	41,092	0	0	0	0	0	0	0	0	0	89,212
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>41,092</u>	<u>275</u>	<u>200</u>	<u>115</u>	<u>200</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>117,354</u>
Deferred Inflows of Resources														
Unavailable revenue - loans	<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>0</u>	<u>61,632</u>
Fund Balance (Deficit)														
Nonspendable - perm. funds	0	0	0	0	281,300	345,618	103,609	286,298	24,685	51,609	9,240	7,804	391	1,110,554
Nonspendable - prepaids	0	0	0	0	0	0	0	0	0	0	0	0	0	501
Restricted	0	0	0	0	0	0	0	0	0	0	0	0	0	401,810
Committed	1,564	87,403	0	102,903	0	0	0	0	0	0	0	0	0	402,261
Unassigned	0	0	0	0	0	0	0	0	0	0	0	0	0	(32,419)
Total fund balance (deficit)	<u>1,564</u>	<u>87,403</u>	<u>0</u>	<u>102,903</u>	<u>281,300</u>	<u>345,618</u>	<u>103,609</u>	<u>286,298</u>	<u>24,685</u>	<u>51,609</u>	<u>9,240</u>	<u>7,804</u>	<u>391</u>	<u>1,882,707</u>
Total liabilities, deferred inflows of resources and fund balance (deficit)	<u>\$ 1,564</u>	<u>\$ 87,403</u>	<u>\$ 0</u>	<u>\$ 143,995</u>	<u>\$ 281,575</u>	<u>\$ 345,818</u>	<u>\$ 103,724</u>	<u>\$ 286,498</u>	<u>\$ 24,685</u>	<u>\$ 51,609</u>	<u>\$ 9,240</u>	<u>\$ 7,804</u>	<u>\$ 391</u>	<u>\$ 2,061,693</u>

TOWN OF ROYALTON, VERMONT  
COMBINING AND INDIVIDUAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE (DEFICIT)  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019

SCHEDULE 4

	Special Revenue Funds													
	Academy Operations Fund	Reappraisal Reserve Fund	Community Betterment Fund	Revolving Loan Fund	Coogan Carpenter Field Fund	FEMA #4445	Parcel Maps Fund	Misc. Grants Fund	Lister Education Fund	Police Vehicle Reserve	Gravel Pit Operations	Gravel Pit Closure	Computer System Upgrade	Restoration Fund
REVENUES														
Rental income - building	\$ 24,764	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Investment income	0	1,189	0	0	0	0	0	0	0	0	0	0	0	0
Intergovernmental	0	11,535	0	0	0	0	0	0	0	0	0	0	0	0
Donations	0	0	54,466	0	0	0	0	0	0	0	0	0	0	0
Grant income	0	0	0	0	0	0	0	170,200	0	0	0	0	0	0
Loan repayments and interest	0	0	0	18,959	0	0	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	59,000	7,375	0	3,418
Total revenues	24,764	12,724	54,466	18,959	0	0	0	170,200	0	0	59,000	7,375	0	3,418
Current:														
General government	28,957	0	25,357	0	0	0	1,943	0	0	0	0	0	0	60
Public safety	0	0	0	0	0	18,751	0	25,135	0	0	0	0	0	0
Cemetery	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other services	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt service:														
Principal	0	0	0	0	0	0	0	0	0	0	20,000	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0	17,500	0	0	0
Capital outlays	0	0	33,087	0	0	0	0	184,913	0	0	0	0	0	0
Total expenditures	28,957	0	58,444	0	0	18,751	1,943	210,048	0	0	37,500	0	0	60
EXCESS REVENUES (EXPENDITURES)	(4,193)	12,724	(3,978)	18,959	0	(18,751)	(1,943)	(39,848)	0	0	21,500	7,375	0	3,358
OTHER FINANCING SOURCES (USES)														
Operating transfers in	3,000	0	0	0	0	0	3,000	39,848	0	3,000	0	0	15,000	0
Operating transfers out	(500)	0	(28,082)	0	0	0	0	0	0	0	0	0	0	0
Total other financing sources (uses)	2,500	0	(28,082)	0	0	0	3,000	39,848	0	3,000	0	0	15,000	0
NET CHANGE IN FUND BALANCE (DEFICIT)	(1,693)	12,724	(32,060)	18,959	0	(18,751)	1,057	0	0	3,000	21,500	7,375	15,000	3,358
FUND BALANCE (DEFICIT) - JULY 1, 2018	(7,953)	114,115	69,094	183,217	594	0	4,554	(3,521)	860	0	133,857	41,966	0	13,031
FUND BALANCE (DEFICIT) - JUNE 30, 2019	\$ (9,646)	\$ 126,839	\$ 37,034	\$ 202,176	\$ 594	\$ (18,751)	\$ 5,611	\$ (3,521)	\$ 860	\$ 3,000	\$ 155,357	\$ 49,341	\$ 15,000	\$ 16,389

TOWN OF ROYALTON, VERMONT  
COMBINING AND INDIVIDUAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE (DEFICIT)  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019

SCHEDULE 4

	Capital Project Funds				Permanent Funds									Total all
	Academy Capital Improvement	Capital Projects	Sidewalk Study	HW Equip Reserve Fund	Riverview Cemetery	Village Cemetery	Pleasant Hill Cemetery	Branchview Cemetery	Haven Cemetery	Alexander Trust	Lovejoy Trust	Town Cemetery Trust	Academy Trust	Non-major Funds
EVENUES														
Rental income - building	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,764
Investment income	0	0	0	1,946	19,460	23,299	6,980	15,311	0	2,504	495	0	0	71,184
Intergovernmental	0	0	0	0	0	0	0	0	0	0	0	0	0	11,535
Donations	0	0	0	0	0	0	0	0	24,685	0	0	0	0	79,151
Grant income	0	0	15,169	0	0	0	0	0	0	0	0	0	0	185,369
Loan repayments and interest	0	0	0	0	0	0	0	0	0	0	0	0	0	18,959
Miscellaneous	0	0	0	0	375	0	0	375	0	0	0	0	0	70,543
Total revenues	0	0	15,169	1,946	19,835	23,299	6,980	15,686	24,685	2,504	495	0	0	461,505
Current:														
General government	0	0	0	0	0	0	0	0	0	0	0	0	0	56,317
Public safety	0	0	0	0	0	0	0	0	0	0	0	0	0	43,886
Cemetery	0	0	0	0	6,501	4,918	2,668	3,200	0	0	0	0	0	17,287
Other services	0	0	30,338	0	0	0	0	0	0	0	691	0	0	31,029
Debt service:														
Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	20,000
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	17,500
Capital outlays	0	0	0	113,984	6,500	0	0	0	0	0	0	0	0	338,484
Total expenditures	0	0	30,338	113,984	13,001	4,918	2,668	3,200	0	0	691	0	0	524,503
EXCESS REVENUES (EXPENDITURES)	0	0	(15,169)	(112,038)	6,834	18,381	4,312	12,486	24,685	2,504	(196)	0	0	(62,998)
OTHER FINANCING SOURCES (USES)														
Operating transfers in	500	22,840	15,169	60,000	0	0	0	0	0	0	0	0	0	162,357
Operating transfers out	0	0	0	0	0	0	0	0	0	0	0	0	0	(28,582)
Total other financing sources (uses)	500	22,840	15,169	60,000	0	0	0	0	0	0	0	0	0	133,775
NET CHANGE IN FUND BALANCE (DEFICIT)	500	22,840	0	(52,038)	6,834	18,381	4,312	12,486	24,685	2,504	(196)	0	0	70,777
FUND BALANCE (DEFICIT) - JULY 1, 2018	1,064	64,563	0	154,941	274,466	327,237	99,297	273,812	0	49,105	9,436	7,804	391	1,811,930
FUND BALANCE (DEFICIT) - JUNE 30, 2019	\$ 1,564	\$ 87,403	\$ 0	\$ 102,903	\$ 281,300	\$ 345,618	\$ 103,609	\$ 286,298	\$ 24,685	\$ 51,609	\$ 9,240	\$ 7,804	\$ 391	\$ 1,882,707

# FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA  
Michael L. Segale, CPA  
Sheila R. Valley, CPA  
Teresa H. Kajenski, CPA  
Donald J. Murray, CPA

## **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 Royalton  
South Royalton, 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 the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Royalton, Vermont, as of and for the year ended June 30, 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 November 22, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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  
Montpelier, Vermont  
Vermont Public Accountancy License #110

November 22, 2019