

TOWN OF ROYALTON, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page #</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 9
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	Exhibit A 10
Statement of Activities	Exhibit B 11
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	Exhibit C 12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	Exhibit D 13
Statement of Revenues, Expenditures and Change in Fund Balance (Deficit) - Governmental Funds	Exhibit E 14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Change in Fund Balance (Deficit) to the Statement of Activities	Exhibit F 15
Statement of Revenues, Expenditures and Change in Fund Balance Compared to Budget - General Fund	Exhibit G 16
Statement of Revenues, Expenditures and Change in Fund Balance Compared to Budget - Highway Fund	Exhibit H 17
Statement of Net Position – Proprietary Fund	Exhibit I 18
Statement of Revenues, Expenses and Change in Net Position – Proprietary Fund	Exhibit J 19
Statement of Cash Flows – Proprietary Funds	Exhibit K 20
NOTES TO FINANCIAL STATEMENTS	21 - 40

TOWN OF ROYALTON, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2020

TABLE OF CONTENTS
(Continued)

		<u>Page #</u>
SUPPLEMENTARY INFORMATION		
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual - General Fund	Schedule 1	41 – 46
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual – Highway Fund	Schedule 2	47 - 48
Combining and Individual Fund Balance Sheet – Non-major Governmental Funds	Schedule 3	49 - 50
Combining and Individual Fund Schedule of Revenues, Expenditures and Change in Fund Balance (Deficit) – Non-major Governmental Funds	Schedule 4	51 – 52
Schedules of Town’s Proportionate Share of Net Pension Liability and Town Contributions	Schedule 5	53
INTERNAL CONTROL AND COMPLIANCE REPORT		
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		54 - 55

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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, 2020, 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, 2020, 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 and the schedules of the Town's proportionate share of the net pension liability and Town contributions in Schedule 5 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 January 13, 2021 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 SEGAL & VALLEY, CPAs

Montpelier, Vermont

Vermont Public Accountancy License #110

January 13, 2021

TOWN OF ROYALTON, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

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, 2020. 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 \$556,066 or almost 7%, compared to an increase of \$486,332 in fiscal year 2019. The net position of our business-type activities decreased by \$2,284, compared to an increase of \$11,165 in fiscal year 2019.
- The cost of all of the Town's programs was \$2,686,685 in fiscal year 2020, compared to \$2,528,710 in fiscal year 2019, with no new programs added this year.

Fund Statements

- The General Fund reported an improvement in fund balance this year of \$111,698, which was \$111,698 better than what was budgeted. This brings the fund balance to \$286,470 from \$174,772 at June 30, 2019. The General Fund nonspendable fund balance was \$29,345 and consists of prepaids, the assigned fund balance was \$118,805 and is assigned for fiscal year 2021 expenditures, and the unassigned fund balance was \$138,320.
- The Highway Fund reported a decrease in fund balance this year of \$16,155, which was \$83,845 better than what was budgeted. This brings the fund balance to \$211,333 from a balance of \$227,488 at June 30, 2019. The Highway Fund nonspendable fund balance is \$84,329, made up of \$7,179 in prepaids and \$77,150 of inventory. The assigned fund balance is \$127,004.
- The Library Renovation Fund reported an increase in fund balance of \$130,805 compared to a decrease of \$161,517 in fiscal year 2019. This results in a fund deficit of \$34,578 at June 30, 2020, compared to a deficit of \$165,383 at June 30, 2019.
- The Highway Improvement Fund reported an increase in fund balance this year of \$153,424, compared to an increase of \$89,591 in fiscal year 2019. This brings the fund balance to \$909,758 from a balance of \$756,334.
- The nonmajor funds, as a whole, reported a net increase in fund balance this year of \$337,675, compared to an increase of \$70,777 in fiscal year 2019. This brings the combined fund balance from a balance of \$1,882,707 to \$2,220,382.
- The Wastewater Fund reported a decrease in net position of \$2,284 in fiscal year 2020, compared to an increase of \$11,165 in fiscal year 2019, resulting in an ending net position of \$1,361,678.

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, 2020
(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, 2020
(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 \$553,782 from a year ago – increasing from a balance of \$9,665,116 to \$10,218,898. Net position for the governmental activities was increased from a balance of \$8,301,154 to \$8,857,220.

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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 4,038,522	\$ 3,477,704	\$ 409,101	\$ 393,465	\$ 4,447,623	\$ 3,871,169
Capital assets, net of depr	6,193,522	5,908,545	1,993,344	2,038,533	8,186,866	7,947,078
Total assets	10,232,044	9,386,249	2,402,445	2,431,998	12,634,489	11,818,247
Total deferred outflows of resources	84,996	11,120	0	0	84,996	11,120
Long-term liabilities	1,053,242	651,096	1,039,483	1,066,537	2,092,725	1,717,633
Net pension liability	100,407	0	0	0	100,407	0
Other liabilities	305,303	445,119	1,284	1,499	306,587	446,618
Total liabilities	1,458,952	1,096,215	1,040,767	1,068,036	2,499,719	2,164,251
Total deferred inflows of resources	868	0	0	0	868	0
Net position:						
Invested in capital assets, net of debt	5,144,204	5,189,352	953,861	971,996	6,098,065	6,161,348
Restricted	1,589,051	1,573,996	16,270	16,270	1,605,321	1,590,266
Unrestricted	2,123,965	1,537,806	391,547	375,696	2,515,512	1,913,502
Total net position	\$ 8,857,220	\$ 8,301,154	\$ 1,361,678	\$ 1,363,962	\$ 10,218,898	\$ 9,665,116

Net position of the Town's governmental activities increased by almost 7% in fiscal year 2020 (\$8,857,220 compared to a balance of \$8,301,154). 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 \$1,537,806 to a balance of \$2,123,965 in fiscal year 2020. Restricted net position increased from a balance of \$1,573,996 to a balance of \$1,589,051 in fiscal year 2020.

The net position of our business-type activities decreased by \$2,284 in fiscal year 2020 (\$1,361,678 compared to a balance of \$1,363,962).

TOWN OF ROYALTON, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020
(Continued)

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2020	2019	Change	2020	2019	Change
REVENUES						
Program revenues:						
Charges for services	\$ 159,547	\$ 139,825	\$ 19,722	\$ 223,531	\$ 199,052	\$ 24,479
Operating grants and contributions	337,890	315,047	22,843	0	0	0
Capital grants and contributions	526,447	428,990	97,457	0	25,473	(25,473)
General revenues:						
Property taxes/int/penalties	1,979,072	1,831,818	147,254	0	0	0
Investment income	13,280	77,939	(64,659)	700	973	(273)
Gain (loss) on asset disposal	0	7,090	(7,090)	0	0	0
Total revenues	<u>3,016,236</u>	<u>2,800,709</u>	<u>215,527</u>	<u>224,231</u>	<u>225,498</u>	<u>(1,267)</u>
PROGRAM EXPENSES						
Highway	1,066,950	1,089,613	(22,663)	0	0	0
General government	934,240	863,304	70,936	0	0	0
Public safety	319,450	218,195	101,255	0	0	0
Cemetery	28,587	25,883	2,704	0	0	0
Culture and recreation	77,108	64,873	12,235	0	0	0
Other services	1,120	31,029	(29,909)	0	0	0
Interest on debt	32,715	21,480	11,235	0	0	0
Wastewater	0	0	0	226,515	214,333	12,182
Total program expenses	<u>2,460,170</u>	<u>2,314,377</u>	<u>145,793</u>	<u>226,515</u>	<u>214,333</u>	<u>12,182</u>
CHANGE IN NET POSITION	<u>\$ 556,066</u>	<u>\$ 486,332</u>	<u>\$ 69,734</u>	<u>\$ (2,284)</u>	<u>\$ 11,165</u>	<u>\$ (13,449)</u>

Governmental Activities

The increase in net position for governmental activities was \$556,066 in fiscal year 2020, compared to \$486,332 in fiscal year 2019.

The cost of all governmental activities this year was \$2,460,170. 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 \$1,436,286 because some of the cost was paid by those who directly benefited from the programs (\$159,547) or by other governments and organizations that subsidized certain programs with grants and contributions (\$864,337).

TOWN OF ROYALTON, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020
(Continued)

Business-Type Activities

The net position for business-type activities decreased by \$2,284 in fiscal year 2020. The cost of all business-type activities this year was \$226,515. However, these costs were not completely covered by those who directly benefited from the programs (\$223,531).

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	
	2020	2019	2020	2019
Highway	\$1,066,950	\$1,089,613	\$ 873,553	\$ 941,029
General government	934,240	863,304	295,502	278,497
All others	458,980	361,460	267,231	210,989
Totals	<u>\$2,460,170</u>	<u>\$2,314,377</u>	<u>\$1,436,286</u>	<u>\$1,430,515</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 \$3,593,365, which is greater than last year's total fund balance of \$2,875,918. Included in this year's total increase in fund balance of \$717,447 was an increase of \$111,698 in the General Fund, a decrease of \$16,155 in the Highway Fund, an increase of \$130,805 in the Library Renovation Fund, an increase of \$153,424 in the Highway Improvement Fund, and an increase of \$337,675 in the nonmajor governmental funds.

General Fund Budgetary Highlights

The Town's General Fund's activity compared to budget is reported on Exhibit G and 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	\$ 60,000	\$ 87,940	\$ 27,940
Other income	2,400	20,017	17,617
Expenditures:			
General Fund -			
Culture and recreation	81,015	66,828	14,187
Debt service	77,600	53,075	24,525

TOWN OF ROYALTON, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020
(Continued)

State land use revenue was greater than budget due to receiving more funds from the State than anticipated. Other income was greater than budget due to receiving funds for various purposes, such as insurance proceeds, which were not budgeted. The culture and recreation expenses were under budget mostly due to sports programming expenses that weren't incurred due to the Covid-19 pandemic. The debt service expenditure was under budget due to that budget line item having been over budgeted.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2020, the Town had \$8,186,866 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 \$239,789.

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

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land and easements	\$ 771,413	\$ 771,413	\$ 30,811	\$ 30,811	\$ 802,224	\$ 802,224
Construction in progress	0	316,751	0	0	0	316,751
Plants, lines & improv.	0	0	1,891,752	1,960,348	1,891,752	1,960,348
Buildings	1,337,468	1,392,464	54,082	27,792	1,391,550	1,420,256
Building improvements	916,218	21,663	0	0	916,218	21,663
Land improvements	142,810	158,633	0	0	142,810	158,633
Infrastructure	2,230,667	2,471,825	0	0	2,230,667	2,471,825
Furniture and equipment	262,920	308,140	16,699	19,581	279,619	327,721
Vehicles	532,026	467,656	0	0	532,026	467,656
Totals	<u>\$ 6,193,522</u>	<u>\$ 5,908,545</u>	<u>\$ 1,993,344</u>	<u>\$ 2,038,532</u>	<u>\$ 8,186,866</u>	<u>\$ 7,947,077</u>

This year's major additions for governmental activities were Library building renovation costs, and highway equipment. The major addition to the business-type activities was garage improvements.

TOWN OF ROYALTON, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020
(Continued)

Debt Administration

At June 30, 2020, the Town had \$2,083,359 in notes and bonds outstanding versus a balance of \$1,706,537 on June 30, 2019 – an increase of \$376,822 – as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Balance - June 30, 2019	\$ 640,000	\$ 1,066,537	\$ 1,706,537
Loan proceeds	461,765	0	461,765
Principal payments	<u>(57,889)</u>	<u>(27,054)</u>	<u>(84,943)</u>
Balance - June 30, 2020	<u><u>\$ 1,043,876</u></u>	<u><u>\$ 1,039,483</u></u>	<u><u>\$ 2,083,359</u></u>

Economic Factors and Next Year's Budgets and Rates

When adopting the budget for the fiscal year 2021 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, 2020

EXHIBIT A

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,890,001	\$ 250,186	\$ 2,140,187
Cash - restricted	713,085	16,270	729,355
Investments - restricted	1,053,647	0	1,053,647
Taxes/delinquent assessments, penalty and int. receivable	126,957	31,806	158,763
Grant receivables	89,860	0	89,860
Other receivables	2,461	108,608	111,069
Loan receivable - due within one year	15,769	0	15,769
Prepaid expenses	37,009	297	37,306
Inventory	77,150	0	77,150
Internal balances	(1,934)	1,934	0
Loans receivable - due after one year	34,517	0	34,517
Capital assets:			
Land and easements	771,413	30,811	802,224
Plant, buildings, equipment and vehicles	9,173,085	3,352,478	12,525,563
Accumulated depreciation	(3,750,976)	(1,389,945)	(5,140,921)
Total assets	10,232,044	2,402,445	12,634,489
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	84,996	0	84,996
Total assets and deferred outflows of resources	10,317,040	2,402,445	12,719,485
LIABILITIES			
Accounts payable	32,731	1,201	33,932
Construction payable	5,442	0	5,442
Accrued payroll & related	14,225	83	14,308
Unearned grants	5,009	0	5,009
Accrued interest	7,896	0	7,896
Short-term debt	240,000	0	240,000
Notes and bonds payable due within one year	134,952	27,667	162,619
Compensated absences due after one year	9,366	0	9,366
Net pension liability	100,407	0	100,407
Notes and bonds payable due after one year	908,924	1,011,816	1,920,740
Total liabilities	1,458,952	1,040,767	2,499,719
DEFERRED INFLOWS OF RESOURCES			
Pension related	868	0	868
Total liabilities and deferred inflows of resources	1,459,820	1,040,767	2,500,587
NET POSITION			
Invested in capital assets, net of related debt	5,144,204	953,861	6,098,065
Restricted - expendable	487,582	16,270	503,852
Restricted - nonexpendable	1,101,469	0	1,101,469
Unrestricted	2,123,965	391,547	2,515,512
Total net position	\$ 8,857,220	\$ 1,361,678	\$ 10,218,898

TOWN OF ROYALTON, VERMONT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

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	\$ 1,066,950	\$ 1,746	\$ 191,651	\$ 0	\$ (873,553)	\$ 0	\$ (873,553)
General government and administration	934,240	148,676	146,239	343,823	(295,502)	0	(295,502)
Public safety	319,450	4,484	0	0	(314,966)	0	(314,966)
Cemetery	28,587	250	0	0	(28,337)	0	(28,337)
Culture and recreation	77,108	2,372	0	182,624	107,888	0	107,888
Other services	1,120	2,019	0	0	899	0	899
Interest on long-term debt	32,715	0	0	0	(32,715)	0	(32,715)
Total governmental activities	<u>2,460,170</u>	<u>159,547</u>	<u>337,890</u>	<u>526,447</u>	<u>(1,436,286)</u>	<u>0</u>	<u>(1,436,286)</u>
Business-type Activities							
Wastewater	<u>226,515</u>	<u>223,531</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,984)</u>	<u>(2,984)</u>
Total business-type activities	<u>226,515</u>	<u>223,531</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,984)</u>	<u>(2,984)</u>
Total	<u>\$ 2,686,685</u>	<u>\$ 383,078</u>	<u>\$ 337,890</u>	<u>\$ 526,447</u>	<u>(1,436,286)</u>	<u>(2,984)</u>	<u>(1,439,270)</u>
General Revenues:							
Property taxes, interest and penalty					1,979,072	0	1,979,072
Earnings on investments					<u>13,280</u>	<u>700</u>	<u>13,980</u>
Total general revenues and transfers					<u>1,992,352</u>	<u>700</u>	<u>1,993,052</u>
Change in net position					556,066	(2,284)	553,782
Net position - July 1, 2019					<u>8,301,154</u>	<u>1,363,962</u>	<u>9,665,116</u>
Net position - June 30, 2020					<u>\$ 8,857,220</u>	<u>\$ 1,361,678</u>	<u>\$ 10,218,898</u>

See Notes to Financial Statements.

TOWN OF ROYALTON, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

EXHIBIT C

	Major Funds					Total Governmental Funds
	General Fund	Highway Fund	Library Renovation Fund	Highway Improvement Fund	Nonmajor Funds	
ASSETS						
Cash	\$ 80,080	\$ 187,003	\$ 0	\$ 909,758	\$ 713,160	\$ 1,890,001
Cash - restricted	0	0	239,793	0	473,292	713,085
Investments - restricted	0	0	0	0	1,053,647	1,053,647
Taxes, penalty and interest receivable	126,957	0	0	0	0	126,957
Loans receivable	0	0	0	0	50,286	50,286
Grants receivable	0	0	0	0	89,860	89,860
Other receivables	2,461	0	0	0	0	2,461
Prepaid expenses	29,345	7,179	0	0	485	37,009
Inventory	0	77,150	0	0	0	77,150
Due from other funds	173,823	0	0	0	401	174,224
Total assets	<u>\$ 412,666</u>	<u>\$ 271,332</u>	<u>\$ 239,793</u>	<u>\$ 909,758</u>	<u>\$ 2,381,131</u>	<u>\$ 4,214,680</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)						
Liabilities						
Accounts payable	\$ 19,530	\$ 9,753	\$ 0	\$ 0	\$ 3,448	\$ 32,731
Construction payable	0	0	5,442	0	0	5,442
Accrued payroll & related	9,202	4,881	0	0	142	14,225
Unearned grants	0	0	0	0	5,009	5,009
Due to other funds	0	45,365	28,929	0	101,864	176,158
Short-term debt	0	0	240,000	0	0	240,000
Total liabilities	<u>28,732</u>	<u>59,999</u>	<u>274,371</u>	<u>0</u>	<u>110,463</u>	<u>473,565</u>
Deferred Inflows of Resources						
Unavailable revenue - prop taxes/pen/int	97,464	0	0	0	0	97,464
Unavailable revenue - loans	0	0	0	0	50,286	50,286
Total deferred inflows of resources	<u>97,464</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,286</u>	<u>147,750</u>
Fund Balance (Deficit)						
Nonspendable - inventory	0	77,150	0	0	0	77,150
Nonspendable - prepaids	29,345	7,179	0	0	485	37,009
Nonspendable - permanent funds	0	0	0	0	1,101,469	1,101,469
Restricted	0	0	0	0	437,296	437,296
Committed	0	0	0	909,758	697,309	1,607,067
Assigned	118,805	127,004	0	0	0	245,809
Unassigned	138,320	0	(34,578)	0	(16,177)	87,565
Total fund balance (deficit)	<u>286,470</u>	<u>211,333</u>	<u>(34,578)</u>	<u>909,758</u>	<u>2,220,382</u>	<u>3,593,365</u>
Total liabilities and fund balance (deficit)	<u>\$ 412,666</u>	<u>\$ 271,332</u>	<u>\$ 239,793</u>	<u>\$ 909,758</u>	<u>\$ 2,381,131</u>	<u>\$ 4,214,680</u>

TOWN OF ROYALTON, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

EXHIBIT D

TOTAL FUND BALANCE (DEFICIT) - GOVERNMENTAL FUNDS \$ 3,593,365

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
\$9,944,498, and the accumulated depreciation is \$3,750,976. 6,193,522

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	97,464	
Unearned revenue - loan receivable	<u>50,286</u>	147,750

Accrued interest on bonds and notes payable is recognized on an
accrual basis in the statement of net position, not the modified
accrual basis. (7,896)

Some liabilities, including net pension obligations, are not due and
payable in the current period and, therefore, are not reported in the
governmental funds:

Net pension liability		(100,407)
-----------------------	--	-----------

Deferred outflows and inflows of resources related to pensions are applicable
to future periods and, therefore, are not reported in the governmental funds. 84,128

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	1,043,876	
Accrued compensated absences	<u>9,366</u>	<u>(1,053,242)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 8,857,220

TOWN OF ROYALTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE (DEFICIT)
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

EXHIBIT E

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General Fund	Highway Fund	Library Renovation Fund	Highway Improvement Fund		
REVENUES						
Property taxes, net	\$ 1,144,544	\$ 794,050	\$ 0	\$ 0	\$ 0	\$ 1,938,594
Penalty and interest	45,291	0	0	0	0	45,291
Charges for services	4,045	0	0	0	0	4,045
Rental income	0	0	0	0	24,211	24,211
Intergovernmental	95,485	151,651	0	0	11,543	258,679
Licenses, permits, fees and fines	23,830	0	0	390	0	24,220
Investment income	61	1,789	10	3,034	8,386	13,280
Grant income	0	0	237,782	0	106,041	343,823
Loan repayments and interest	0	0	0	0	13,365	13,365
Donations	0	40,000	182,624	0	37,936	260,560
Miscellaneous	20,017	1,356	0	0	84,954	106,327
Total revenues	<u>1,333,273</u>	<u>988,846</u>	<u>420,416</u>	<u>3,424</u>	<u>286,436</u>	<u>3,032,395</u>
EXPENDITURES						
Current:						
General government and administration	807,848	0	0	0	30,374	838,222
Public safety	214,169	0	0	0	92,955	307,124
Highway	0	677,234	0	0	0	677,234
Cemetery	13,809	0	0	0	14,345	28,154
Culture and recreation	66,828	0	0	0	0	66,828
Other services	0	0	0	0	1,120	1,120
Debt service:						
Principal	37,889	0	0	0	20,000	57,889
Interest	15,186	0	0	0	16,875	32,061
Capital outlays	0	11,205	589,611	0	167,265	768,081
Total expenditures	<u>1,155,729</u>	<u>688,439</u>	<u>589,611</u>	<u>0</u>	<u>342,934</u>	<u>2,776,713</u>
EXCESS REVENUES (EXPENDITURES)	<u>177,544</u>	<u>300,407</u>	<u>(169,195)</u>	<u>3,424</u>	<u>(56,498)</u>	<u>255,682</u>
OTHER FINANCING SOURCES (USES)						
Loan proceeds	0	0	300,000	0	161,765	461,765
Operating transfers in	0	0	0	150,000	232,408	382,408
Operating transfers out	(65,846)	(316,562)	0	0	0	(382,408)
Total other financing sources (uses)	<u>(65,846)</u>	<u>(316,562)</u>	<u>300,000</u>	<u>150,000</u>	<u>394,173</u>	<u>461,765</u>
NET CHANGE IN FUND BALANCE (DEFICIT)	<u>111,698</u>	<u>(16,155)</u>	<u>130,805</u>	<u>153,424</u>	<u>337,675</u>	<u>717,447</u>
FUND BALANCE (DEFICIT) - JULY 1, 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>
FUND BALANCE (DEFICIT) - JUNE 30, 2020	<u>\$ 286,470</u>	<u>\$ 211,333</u>	<u>\$ (34,578)</u>	<u>\$ 909,758</u>	<u>\$ 2,220,382</u>	<u>\$ 3,593,365</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, 2020

EXHIBIT F

TOTAL NET CHANGE IN FUND BALANCE (DEFICIT) - GOVERNMENTAL FUNDS	\$	717,447
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 capital outlays (\$768,081) exceed depreciation expense (\$483,104).		
		284,977
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.		
		57,889
Loan proceeds is other financing sources in the governmental funds, but the proceeds increases long-term liabilities in the statement of net position.		
		(461,765)
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	(4,813)	
Loans	(11,346)	(16,159)
Governmental funds report pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense:		
Town pension contributions	16,040	
Cost of benefits earned, net of employee contributions	(43,439)	(27,399)
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 used exceeded the amounts earned by \$1,730.		
		1,730
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 increased by \$654.		
		(654)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	556,066

TOWN OF ROYALTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE
COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2020

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes, net	\$ 1,135,585	\$ 1,144,544	\$ 8,959
Penalty and interest	36,000	45,291	9,291
Charges for services	4,700	4,045	(655)
Intergovernmental	69,000	95,485	26,485
Licenses, permits, fees and fines	24,200	23,830	(370)
Investment income	100	61	(39)
Miscellaneous	2,400	20,017	17,617
Total revenues	<u>1,271,985</u>	<u>1,333,273</u>	<u>61,288</u>
EXPENDITURES			
Current:			
General government and administration	808,030	807,848	182
Public safety	221,100	214,169	6,931
Culture and recreation	81,015	66,828	14,187
Cemetery	11,000	13,809	(2,809)
Debt service:			
Principal	68,000	37,889	30,111
Interest	9,600	15,186	(5,586)
Total expenditures	<u>1,198,745</u>	<u>1,155,729</u>	<u>43,016</u>
EXCESS REVENUES (EXPENDITURES)	<u>73,240</u>	<u>177,544</u>	<u>104,304</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	(73,240)	(65,846)	7,394
Total other financing sources (uses)	<u>(73,240)</u>	<u>(65,846)</u>	<u>7,394</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	111,698	<u>\$ 111,698</u>
FUND BALANCE - JULY 1, 2019		<u>174,772</u>	
FUND BALANCE - JUNE 30, 2020		<u>\$ 286,470</u>	

TOWN OF ROYALTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE COMPARED TO BUDGET
HIGHWAY FUND
YEAR ENDED JUNE 30, 2020

EXHIBIT H

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 794,050	\$ 794,050	\$ 0
State highway aid	145,000	151,651	6,651
Investment income	0	1,789	1,789
Donation	0	40,000	40,000
Miscellaneous	0	1,356	1,356
Total revenues	<u>939,050</u>	<u>988,846</u>	<u>49,796</u>
EXPENDITURES			
Current:			
Highway	729,050	677,234	51,816
Capital outlays	0	11,205	(11,205)
Total expenditures	<u>729,050</u>	<u>688,439</u>	<u>40,611</u>
EXCESS REVENUES (EXPENDITURES)	<u>210,000</u>	<u>300,407</u>	<u>90,407</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	<u>(310,000)</u>	<u>(316,562)</u>	<u>(6,562)</u>
Total other financing sources (uses)	<u>(310,000)</u>	<u>(316,562)</u>	<u>(6,562)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (100,000)</u>	<u>(16,155)</u>	<u>\$ 83,845</u>
FUND BALANCE - JULY 1, 2019		<u>227,488</u>	
FUND BALANCE - JUNE 30, 2020		<u>\$ 211,333</u>	

TOWN OF ROYALTON, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020

EXHIBIT I

	<u>Wastewater Fund</u>
ASSETS	
Cash and cash equivalents	\$ 250,186
Restricted cash	16,270
Accounts receivable - user fees	108,608
Delinquent user fees, penalty and interest receivable	31,806
Prepaid expenses	297
Due from other funds	1,934
Capital assets:	
Land and easements	30,811
Treatment plant, lines and improvements	3,197,571
Building and improvements	57,821
Equipment and vehicles	97,086
Accumulated depreciation	<u>(1,389,945)</u>
Total assets	<u>2,402,445</u>
LIABILITIES	
Current Liabilities	
Accounts payable	1,201
Accrued payroll & related	83
Bond payable due within one year	<u>27,667</u>
Total current liabilities	28,951
Noncurrent Liabilities	
Bond payable due after one year	<u>1,011,816</u>
Total liabilities	<u>1,040,767</u>
NET POSITION	
Invested in capital assets, net of related debt	953,861
Restricted	16,270
Unrestricted	<u>391,547</u>
Total net position	<u><u>\$1,361,678</u></u>

TOWN OF ROYALTON, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2020

EXHIBIT J

	Wastewater Fund
OPERATING REVENUES	
Charges for services	\$ 215,334
Penalties and interest on delinquents	4,542
Miscellaneous income	3,655
Total operating revenues	<u>223,531</u>
OPERATING EXPENSES	
Operation and maintenance	49,785
Contract services	74,845
Administration fees	4,030
Depreciation	74,009
Total operating expenses	<u>202,669</u>
OPERATING INCOME	<u>20,862</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	700
Interest expense	<u>(23,846)</u>
Net nonoperating revenues (expenses)	<u>(23,146)</u>
CHANGE IN NET POSITION	(2,284)
NET POSITION - JULY 1, 2019	<u>1,363,962</u>
NET POSITION - JUNE 30, 2020	<u><u>\$ 1,361,678</u></u>

TOWN OF ROYALTON, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

EXHIBIT K

	Wastewater Fund
CASH FLOWS FROM (TO) OPERATING ACTIVITIES	
Cash received from customers	\$ 185,458
Other operating cash receipts	8,198
Cash payments to suppliers for goods and services	(125,584)
Cash payments to employees	(3,275)
Net cash flows from operating activities	<u>64,797</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(27,054)
Interest paid on capital debt	(23,846)
Additions of capital assets, net of change in related payables	(28,821)
Net cash flows to capital and related financing activities	<u>(79,721)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>700</u>
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(14,224)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - JULY 1, 2019	<u>280,680</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - JUNE 30, 2020	<u><u>\$ 266,456</u></u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM (TO) OPERATING ACTIVITIES	
Income from operations	\$ 20,862
Adjustments to reconcile income from operations to net cash flow from operating activities:	
Depreciation	74,009
Change in assets and liabilities:	
Increase in accounts receivable	(29,875)
Decrease in prepaids	16
Decrease in trade accounts payable	(237)
Increase in accrued payroll & related	22
Net cash flows from operating activities	<u><u>\$ 64,797</u></u>

TOWN OF ROYALTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020
(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 Renovation 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 Renovation 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, 2020
(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 and related penalty and interest 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, 2020
(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.

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. The deferred outflows of resources reported in this year's financial statements are for 1) the difference between expected and actual experience 2) changes in assumptions 3) contributions made subsequent to the measurement date 4) differences between projected and actual investment earnings and 5) changes in proportion and differences between employer contributions and proportionate share of contributions. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows of Resources

The Town's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s).

Deferred inflows of resources are reported in the Town's statement of net position for differences between expected and actual experience. The deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year.

In its governmental funds, the deferred inflow of resources is for revenues that are not considered available. The Town has two items which occur because governmental fund revenues are not recognized until available (collected not later than sixty days after the end of the Town's fiscal year for property taxes, and six months for all other revenues) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, unavailable property tax revenue and Revolving Loan Fund loans are reported in the governmental funds balance sheet. The Town did not have deferred inflows of resources to report in its proprietary fund financial statements for the current year.

TOWN OF ROYALTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

TOWN OF ROYALTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

TOWN OF ROYALTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2020, \$1,933,703 of the government’s bank balance of \$2,900,485 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	\$ 966,782
Uninsured, collateralized by securities held by the pledging financial institution	<u>1,933,703</u>
Total	<u><u>\$ 2,900,485</u></u>

Investments

Investments at June 30, 2020 were as follows:

	<u>Fair Value</u>
Cash equivalents	\$ 50,822
Open end mutual funds	<u>1,002,825</u>
	<u><u>\$ 1,053,647</u></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.

TOWN OF ROYALTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

NOTE 3 - INTERFUND ACTIVITY

The composition of due from/(to) other funds at June 30, 2020 are as follows:

	Due from other funds	Due to other funds
Governmental funds:		
General Fund	\$ 173,823	\$ 0
Highway Fund	0	45,365
Library Renovation Fund	0	28,929
Academy Operations	0	11,544
Community Betterment Fund	69	0
FEMA #4445	0	61,281
Misc. Grants Fund	0	28,308
Riverview Cemetery Fund	42	0
Village Cemetery	290	0
Branchview Cemetery Fund	0	731
Proprietary fund:		
Wastewater Fund	1,934	0
	<u>\$ 176,158</u>	<u>\$ 176,158</u>

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, 2020 are as follows:

	Transfer from:		
<u>Transfers to:</u>	General Fund	Highway Fund	Totals
Special Revenue Funds	\$ 65,846	\$ 166,562	\$ 232,408
Highway Improv. Fund	0	150,000	150,000
	<u>\$ 65,846</u>	<u>\$ 316,562</u>	<u>\$ 382,408</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, 2020 were as follows:

	Governmental Activities	Business-Type Activities	Net Receivables
Delinquent taxes/user fees, penalty & int receivable	\$ 126,957	\$ 31,806	\$ 158,763
User fees	0	108,608	108,608
Grant receivable	89,860	0	89,860
Accts receivable - other	2,461	0	2,461
Revolving Fund loans	50,286	0	50,286
	<u>\$ 269,564</u>	<u>\$ 140,414</u>	<u>\$ 409,978</u>

TOWN OF ROYALTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

NOTE 5 – CAPITAL ASSETS

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

	Balance June 30, 2019	Additions	Reclassification	(Depreciation)	Balance June 30, 2020
<i><u>Governmental activities</u></i>					
Capital assets not depreciated					
Land	\$ 771,413	\$ 0	\$ 0	\$ 0	\$ 771,413
Construction in progress	316,751	0	(316,751)	0	0
Total capital assets not deprec.	1,088,164	0	(316,751)	0	771,413
Capital assets being depreciated					
Buildings	2,157,233	0	0	0	2,157,233
Building improvements	43,389	589,611	316,751	0	949,751
Land improvements	192,133	0	0	0	192,133
Infrastructure	4,071,792	0	0	0	4,071,792
Furniture and equipment	813,068	5,500	0	0	818,568
Vehicles	810,638	172,970	0	0	983,608
Total capital assets being depr.	8,088,253	768,081	316,751	0	9,173,085
Less accumulated depreciation for:					
Buildings	(764,769)	0	0	(54,996)	(819,765)
Building improvements	(21,726)	0	0	(11,807)	(33,533)
Land improvements	(33,500)	0	0	(15,823)	(49,323)
Infrastructure	(1,599,967)	0	0	(241,158)	(1,841,125)
Furniture and equipment	(504,928)	0	0	(50,720)	(555,648)
Vehicles	(342,982)	0	0	(108,600)	(451,582)
Total accum. depreciation	(3,267,872)	0	0	(483,104)	(3,750,976)
Total capital assets, net of deprec.	4,820,381	768,081	316,751	(483,104)	5,422,109
Total gov't activities assets, net	\$ 5,908,545	\$ 768,081	\$ 0	\$ (483,104)	\$ 6,193,522
<i><u>Business-type activities</u></i>					
Capital assets not depreciated					
Land	\$ 21,811	\$ 0	\$ 0	\$ 0	\$ 21,811
Easements	9,000	0	0	0	9,000
Total capital assets not deprec.	30,811	0	0	0	30,811
Capital assets being depreciated					
Plants, lines and improvements	3,197,571	0	0	0	3,197,571
Buildings	29,000	28,821	0	0	57,821
Equipment	90,666	0	0	0	90,666
Vehicles	6,420	0	0	0	6,420
Total capital assets being depr.	3,323,657	28,821	0	0	3,352,478
Less accumulated depreciation for:					
Plants, lines and improvements	(1,237,223)	0	0	(68,596)	(1,305,819)
Buildings	(1,208)	0	0	(2,531)	(3,739)
Equipment	(71,085)	0	0	(2,882)	(73,967)
Vehicles	(6,420)	0	0	0	(6,420)
Total accum. depreciation	(1,315,936)	0	0	(74,009)	(1,389,945)
Total capital assets, net of deprec.	\$ 2,038,532	\$ 28,821	\$ 0	\$ (74,009)	\$ 1,993,344

Depreciation for the governmental activities was charged to general government for \$63,871, highway for \$396,271, public safety for \$12,249, cemetery for \$433 and culture and recreation for \$10,280. Depreciation for the Wastewater Fund was \$74,009.

TOWN OF ROYALTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

NOTE 6 – SHORT-TERM DEBT

The Town's promissory note for the Library renovation project from Mascoma Bank was rewritten in January 2020 for \$240,000 at 3.15% and is due December 31, 2020.

The following is a summary of changes in short-term debt for the year ended June 30, 2020 for the governmental activities:

Balance - July 1, 2019	\$ 300,000
Payments	<u>(60,000)</u>
Balance - June 30, 2020	<u><u>\$ 240,000</u></u>

Interest paid in fiscal year 2020 on short-term debt was \$7,071.

NOTE 7 – LONG-TERM LIABILITIES

Long-term liabilities at June 30, 2020 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.	\$ 75,000	\$ 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.	520,000	20,000
Lease payable, John Deere Financial, interest at 3.2%, annual principal and interest payments of \$34,511 until April 2024.	161,765	64,607
Note payable, Mascoma Bank, variable interest starting at 3.5%, payable in semi-annual principal and interest payments of \$17,895 through June 2027 then interest changes to the 5 year federal home loan bank rate plus 2.25% and payments increase to \$18,124 through December 2029.	<u>287,111</u>	<u>25,345</u>
Total notes and bonds payable	1,043,876	134,952
Compensated absences	<u>9,366</u>	<u>0</u>
Total long-term liabilities	<u><u>\$ 1,053,242</u></u>	<u><u>\$ 134,952</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>\$ 1,039,483</u></u>	<u><u>\$ 27,667</u></u>

TOWN OF ROYALTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(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
2021	\$ 134,952	\$ 33,129	\$ 168,081	\$ 27,667	\$ 23,233	\$ 50,900
2022	102,652	23,534	126,186	28,292	22,608	50,900
2023	104,659	26,268	130,927	28,932	21,968	50,900
2024	81,733	22,945	104,678	29,587	21,313	50,900
2025	49,370	20,169	69,539	30,257	20,643	50,900
2026-2030	250,510	71,063	321,573	161,869	92,534	254,403
2031-2035	100,000	43,750	143,750	181,028	73,472	254,500
2036-2040	100,000	28,125	128,125	202,816	52,044	254,860
2041-2045	100,000	12,500	112,500	226,419	28,081	254,500
2046-2050	20,000	625	20,625	122,616	4,277	126,893
Total	<u>\$ 1,043,876</u>	<u>\$ 282,108</u>	<u>\$ 1,325,984</u>	<u>\$ 1,039,483</u>	<u>\$ 360,173</u>	<u>\$ 1,399,656</u>

The following is a summary of changes in long-term liabilities for the year ended June 30, 2020:

	Governmental Activities	Business-Type Activities	Total
Balance at July 1, 2019	\$ 651,096	\$ 1,066,537	\$ 1,717,633
Accrued vacation earned	752	0	752
Accrued vacation used	(2,482)	0	(2,482)
Loan proceeds	461,765	0	461,765
Principal payments	<u>(57,889)</u>	<u>(27,054)</u>	<u>(84,943)</u>
Balance at June 30, 2020	<u>\$ 1,053,242</u>	<u>\$ 1,039,483</u>	<u>\$ 2,092,725</u>

Interest of \$48,835 was paid on long-term debt in fiscal year 2020.

TOWN OF ROYALTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

NOTE 8 – RESTRICTED AND COMMITTED FUND BALANCES

At June 30, 2020, the Town's fund balances were restricted and committed as follows:

<i>Governmental Funds</i> - major fund	Restricted	Committed
Highway Improvement Fund	\$ 0	\$ 909,758
<i>Governmental Funds</i> - non-major funds		
Special Revenue Funds		
Reappraisal Reserve Fund	\$ 138,878	\$ 0
Community betterment	0	73,657
Revolving Loan Fund	215,541	0
Coogan Carpenter	594	0
Parcel maps	2,829	0
Lister education	860	0
Police vehicle reserve	0	18,000
Gravel pit operations	0	188,482
Gravel pit closure	58,091	0
Computer system upgrade	0	15,000
Records restoration	20,503	0
Capital Project Funds		
Academy building capital improvements	0	1,564
Capital projects	0	137,403
Highway equipment reserve fund	0	263,203
Total	<u>\$ 437,296</u>	<u>\$ 697,309</u>

NOTE 9 – RESTRICTED NET POSITION

At June 30, 2020, the Town's net position was restricted as follows:

<i>Governmental Activities</i>	
Special Revenue Funds	
Reappraisal Reserve Fund	\$ 138,878
Revolving Loan Fund	265,827
Coogan Carpenter	594
Parcel maps	2,829
Lister education	860
Gravel pit closure	58,091
Records restoration	20,503
Total expendable	<u>487,582</u>
Permanent Funds	
Riverview Cemetery	279,162
Village Cemetery	345,926
Pleasant Hill Cemetery	102,549
Branchview Cemetery	281,734
Haven Cemetery	24,460
Alexander Trust	51,107
Lovejoy Trust	8,336
Town Cemetery Trust	7,804
Academy Trust	391
Total nonexpendable	<u>1,101,469</u>
Total governmental activities	<u>\$ 1,589,051</u>
<i>Business-Type Activities</i>	
Wastewater Fund - Lagoon reserve	<u>\$ 16,270</u>

TOWN OF ROYALTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

NOTE 10 – PROPERTY TAXES

Property taxes are due November 5 and become delinquent on November 6. The Town of Royalton bills and collects property taxes for itself and also for the School District. For the fiscal year ended June 30, 2020, the tax rate is as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	\$1.6003	\$1.5937
Town	<u>0.7449</u>	<u>0.7449</u>
Total Tax Rate/per \$100 of Assessed Valuation	<u><u>\$2.3452</u></u>	<u><u>\$2.3386</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. There were no employee deferrals for the current year. The Town had been contributing for all full-time eligible employees who have been employed for one full year, that had 1,000 hours of service per year and who had been hired prior to age 60. 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, 2020
(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, 2019, the retirement system consisted of 379 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, 2020
(Continued)

NOTE 12 - RETIREMENT PLANS (Continued)

Benefits provided and contributions

Avg Final Compensation (AFC)	Group A	Group B	Group C	Group D
	Average annual compensation during highest 5 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 2 consecutive years
Service Retirement Allowance				
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	
Early Retirement Allowance				
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
Vested Retirement Allowance				
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.			
Disability Retirement Allowance				
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.			
Death Benefit				
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
Optional Benefit and Death after Retirement				
	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
Refund of Contribution	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.			
Post-Retirement Adjustments				
	Allowance in payment for at least one year, increased on each January 1 by one-half of the percentage increase in CPI but not more than the following percentage:			
	2%	3%	3%	3%
Member Contributions	2.625% eff. 7/1/18 2.75% eff 7/1/19	5.0% eff. 7/1/18 5.125% eff 7/1/19	10.125% eff. 7/1/18 10.25% eff 7/1/19	11.475% eff. 7/1/18 11.6% eff 7/1/19
Employer Contributions	4.125% eff. 7/1/18 4.25% eff 7/1/19	5.625% eff. 7/1/18 5.75% eff 7/1/19	7.375% eff. 7/1/18 7.5% eff 7/1/19	9.975% eff. 7/1/18 10.1% eff 7/1/19
Retirement Stipend	\$25 per month payable at the option of the Board of Retirees			

TOWN OF ROYALTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

NOTE 12 – RETIREMENT PLANS (Continued)

For the year ended June 30, 2020 the Town's contributions to the Plan were \$16,040.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the Town reported a liability of \$100,407 for its proportionate share of the net pension liability due to the net pension liability being measured as of June 30, 2019. 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. At June 30, 2019, the Town's proportion was .05787%.

For the year ended June 30, 2020, the Town recognized pension expense of \$43,439. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,009	\$ 868
Changes in proportion and differences between Town contributions and proportionate share of contributions	45,756	0
Changes in assumptions	3,352	0
Difference between projected and actual investment earnings	6,839	0
Member contributions subsequent to the measurement date	16,040	0
Total	<u>\$ 84,996</u>	<u>\$ 868</u>

The deferred outflows of resources of \$16,040 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, 2021. Other amounts (\$68,088) reported as deferred outflows of resources net of deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

2021	\$ 20,362
2022	16,195
2023	16,745
2024	14,786

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate of return – 7.5%, net of pension plan investment expenses, including inflation.

TOWN OF ROYALTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

NOTE 12 – RETIREMENT PLANS (Continued)

Salary increase - 5% per year

Mortality:

Death in Active Service:

Groups A, B, C – 98% of RP-2006 Mortality Tables blended 60% Blue Collar Employee, 40% Healthy Employee with generational projection using Scale SSA-2017.

Group D – 100% of RP-2006 Blue Collar Mortality Table with generational projection using Scale SSA-2017.

Healthy Post-retirement:

Groups A, B, C – 98% of RP-2006 Mortality Table, blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational projection using Scale SSA-2017.

Group D – 100% of RP-2006 Blue Collar Annuitant Table with generational projection using Scale SSA-2017.

Disabled Post-retirement:

All groups - RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017.

Spouse's age – females three years younger than males.

Cost of Living Adjustments – 1.15% for Group A members and 1.3% for Groups B, C and D members. The January 1, 2019 and January 1, 2020 COLAs are 1.3% and .8% respectively, for all groups.

Actuarial Cost Method – Entry Age Actuarial Cost Method. Entry Age is the age at date of employment or, if date is unknown, current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

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

Inflation – 2.5%

TOWN OF ROYALTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

NOTE 12 – RETIREMENT PLANS (Continued)

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	29.00%	6.90%
US Equity - Large Cap	4.00%	5.94%
US Equity - Small/Mid Cap	3.00%	6.72%
Non-US Equity - Large Cap	5.00%	6.81%
Non-US Equity - Small Cap	2.00%	7.31%
Emerging Markets Debt	4.00%	4.26%
Core Bond	14.00%	1.79%
Non-Core Bonds	6.00%	3.22%
Short Quality Credit	5.00%	1.81%
Private Credit	5.00%	6.00%
US TIPS	3.00%	1.45%
Core Real Estate	5.00%	4.26%
Non-Core Real Estate	3.00%	5.76%
Private Equity	10.00%	10.81%
Infrastructure/Farmland	2.00%	4.89%
	100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability calculated using the discount rate of 7.5%, as well as what the proportionate share would be if it were calculated using a discount rate that is 1 percent lower (6.5%) or 1 percent higher (8.5%) than the current rate:

1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
\$ 164,652	\$ 100,407	\$ 47,224

TOWN OF ROYALTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

NOTE 12 – RETIREMENT PLANS (Continued)

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website.

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. All of the leases were renewed in fiscal year 2021 under the same terms. The Town will receive \$19,171 in fiscal year 2021 under the terms of these lease agreements. The lease payments received in fiscal year 2020 totaled \$19,101.

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, 2020 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.

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 \$5,275 starting August 2018. The monthly fee increases by 3% each of the two remaining years. During the year ended June 30, 2020, the total charges were \$65,041.

NOTE 17 – BUDGETED DEFICIT

The Town elected to budget expenditures in excess of revenues by \$100,000 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.

TOWN OF ROYALTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

NOTE 18 – FUND DEFICITS

One of the Town's major funds ended fiscal year 2020 with a fund deficit. The Library Renovation Fund deficit is expected to be eliminated by a transfer from the General Fund.

Two of the Town's nonmajor funds ended fiscal year 2020 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 transfers from the Highway 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 2020, the amount of Town property taxes forgone as a result of the Current Use Program was approximately \$74,000. 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 January 13, 2021 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
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2020

SCHEDULE 1

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 1,135,585	\$ 1,144,544	\$ 8,959
Delinquent tax - interest	20,000	19,893	(107)
Delinquent tax - penalties	16,000	25,398	9,398
State of Vermont			
Land use	60,000	87,940	27,940
Judicial fines	5,000	2,811	(2,189)
Railroad tax	4,000	4,734	734
Clerk fees	20,000	20,249	249
Fees	200	513	313
Local fines	1,000	1,210	210
Dog licenses	1,800	868	(932)
Interest earned	100	61	(39)
Liquor licenses	1,200	990	(210)
Police income	1,000	1,673	673
Recreation	3,700	2,372	(1,328)
Other income	2,400	20,017	17,617
Total revenues	1,271,985	1,333,273	61,288
EXPENDITURES			
Current:			
General Government			
Selectboard			
Wages	83,600	85,259	(1,659)
Social Security	6,400	6,514	(114)
Health insurance	19,445	20,511	(1,066)
Retirement	2,500	2,233	267
Mileage	50	0	50
Supplies/tools	300	646	(346)
Telephone	400	1,183	(783)
Education/meetings	150	215	(65)
Total selectboard	112,845	116,561	(3,716)
Town Clerk			
Wages	43,044	42,172	872
Social Security	3,300	3,218	82
Health insurance	10,800	8,711	2,089
Retirement	1,300	1,291	9
Mileage	200	118	82
Supplies/tools	2,000	1,390	610
Telephone	800	915	(115)
Technology/computer	750	697	53
Education/meetings	600	250	350
Total town clerk	62,794	58,762	4,032

TOWN OF ROYALTON, VERMONT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2020

SCHEDULE 1

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Treasurer			
Wages	7,000	9,000	(2,000)
Social Security	550	697	(147)
Mileage	50	0	50
Supplies/tools	450	381	69
Telephone	525	476	49
Technology/computer	300	632	(332)
Education/meetings	50	0	50
Total treasurer	<u>8,925</u>	<u>11,186</u>	<u>(2,261)</u>
Lister			
Wages	26,600	22,645	3,955
Social Security	2,050	1,732	318
Mileage	300	133	167
Supplies/tools	500	140	360
Telephone	500	476	24
Technology/computer	4,500	2,608	1,892
Subcontractors	1,000	31	969
Education/meetings	1,000	168	832
Postage	100	14	86
Total lister	<u>36,550</u>	<u>27,947</u>	<u>8,603</u>
Delinquent Tax Collector			
Wages	16,000	21,827	(5,827)
Social Security	1,300	1,670	(370)
Advertising	500	848	(348)
Legal fees	6,000	3,058	2,942
Total delinquent tax collector	<u>23,800</u>	<u>27,403</u>	<u>(3,603)</u>
Town Report			
Printing	3,500	2,307	1,193
Postage	500	543	(43)
Total town report	<u>4,000</u>	<u>2,850</u>	<u>1,150</u>
General Operations			
Supplies/tools	5,000	4,772	228
Miscellaneous	200	1,430	(1,230)
Technology/computer	9,000	8,650	350
Subcontractors	4,000	3,695	305
Advertising	1,100	1,466	(366)
Audit	20,500	19,170	1,330
Insurance (property/wc)	22,000	19,405	2,595
Postage	2,000	2,307	(307)
County taxes	16,140	19,071	(2,931)
Dues/fees/licenses/permits	4,348	5,538	(1,190)
Legal	7,000	7,750	(750)
Emergency management	1,500	883	617
E911	350	534	(184)
Old Schoolhouse	200	0	200
Townhouse	500	368	132
Solid Waste Alliance	25,900	25,817	83
Green Up Vermont	200	150	50
Rental of equipment	3,000	2,554	446

TOWN OF ROYALTON, VERMONT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2020

SCHEDULE 1

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
General Operations (Continued)			
Stipends	4,000	3,500	500
Hope property - general exp	500	143	357
Old Bank building	300	273	27
Tax abatements, penalties, interest paid	0	4,196	(4,196)
GMEDC dues	1,406	0	1,406
Conservation Commission	250	89	161
Total general operations	129,394	131,761	(2,367)
Appropriations			
One Planet Program	6,000	6,000	0
Fire Department	96,325	96,325	0
Library - Town	75,405	74,405	1,000
Rescue squad	151,906	151,906	0
Band concerts	2,900	2,900	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	373,560	372,560	1,000
Town Office Building			
Salary	1,500	555	945
Social Security	120	42	78
Supplies/tools	400	1,365	(965)
Telephone	0	2,008	(2,008)
Subcontractors	13,500	13,333	167
Water assessments	2,000	991	1,009
Electricity	7,000	11,738	(4,738)
Heat	9,000	3,997	5,003
Repairs/maintenance	4,500	8,259	(3,759)
Mowing	2,500	2,285	215
Security system	1,500	7,164	(5,664)
Total town office building	42,020	51,737	(9,717)

TOWN OF ROYALTON, VERMONT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2020

SCHEDULE 1

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Planning Commission			
Salary	1,650	23	1,627
Social Security	130	2	128
Mileage	100	50	50
Miscellaneous	200	0	200
Subcontractor/consultant	430	0	430
Printing	1,500	1,595	(95)
Advertising	500	0	500
Education/meetings	350	0	350
Two-Rivers Ottauquechee Commission	4,132	4,132	0
Total planning commission	8,992	5,802	3,190
Meetings and Elections			
Social Security	150	11	139
Mileage	300	0	300
Supplies/tools	500	55	445
Miscellaneous	200	0	200
Printing	1,000	235	765
Education/meetings	600	422	178
Moderator	450	150	300
Ballot clerks	1,500	256	1,244
Presiding officer fee	450	150	300
Total meetings and elections	5,150	1,279	3,871
Total general government	808,030	807,848	182
Public Safety			
Police Department			
Salary	141,600	137,843	3,757
Social Security	10,850	10,546	304
Medical insurance	6,900	9,255	(2,355)
Retirement	4,500	3,229	1,271
Mileage	100	0	100
Supplies/tools	2,300	4,347	(2,047)
Telephone	3,800	3,189	611
Technology/computer	2,000	2,274	(274)
Printing	200	0	200
Education/meetings	1,500	1,595	(95)
Insurance	18,000	15,771	2,229
Dues/fees/licenses/permits	150	377	(227)
Repairs/maintenance	10,000	7,470	2,530
Uniforms	1,200	787	413
Equipment	4,000	5,014	(1,014)
Dog control	1,000	1,140	(140)
Stipends	4,000	5,000	(1,000)
Training	1,000	149	851
Miscellaneous	0	64	(64)
Fuel, oil, grease	8,000	6,119	1,881
Total police department	221,100	214,169	6,931

TOWN OF ROYALTON, VERMONT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2020

SCHEDULE 1

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Culture and Recreation			
Recreation			
Salary	8,200	8,263	(63)
Social Security	650	632	18
Supplies/tools	500	34	466
Insurance	600	607	(7)
Dues/fees/licenses/permits	500	0	500
Water assessments	50	0	50
Repairs/maintenance	5,000	9,178	(4,178)
Mowing	9,200	7,041	2,159
Rental of equipment	1,500	480	1,020
Special activities	2,550	1,200	1,350
Concerts	3,000	2,130	870
Capital purchases	0	800	(800)
Hope property	0	564	(564)
Ice Rink improvements	2,000	1,019	981
Total recreation	33,750	31,948	1,802
Sports Program			
Salary	800	0	800
Social Security	65	0	65
Supplies	100	0	100
Stipends	1,600	1,050	550
Baseball/softball	2,500	0	2,500
Soccer	1,000	528	472
Basketball	1,200	944	256
Babe Ruth	1,000	0	1,000
Soccer camp	1,000	0	1,000
Summer basketball camp	1,000	0	1,000
Total sports program	10,265	2,522	7,743
Parks and Streets			
Repairs/maintenance	3,000	5,339	(2,339)
Mowing	12,000	10,167	1,833
Rental of equipment	2,000	1,020	980
Street lights electricity	20,000	15,832	4,168
Total parks and streets	37,000	32,358	4,642
Total culture and recreation	81,015	66,828	14,187
Cemeteries			
N. Royalton Cemetery	3,000	4,755	(1,755)
Powers Cemetery	4,000	2,959	1,041
Hickey Cemetery	1,050	4,995	(3,945)
Metcalf Cemetery	250	110	140
Perrin #1 Cemetery	50	50	0
Perrin #2 Cemetery	50	25	25
Howard lot	50	35	15
Lindley lot	50	25	25
Haven Cemetery	2,500	855	1,645
Total cemeteries	11,000	13,809	(2,809)

TOWN OF ROYALTON, VERMONT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2020

SCHEDULE 1

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Debt Service			
Principal	68,000	37,889	30,111
Interest	9,600	15,186	(5,586)
Total debt service	<u>77,600</u>	<u>53,075</u>	<u>24,525</u>
Total expenditures	<u>1,198,745</u>	<u>1,155,729</u>	<u>43,016</u>
EXCESS REVENUES (EXPENDITURES)	<u>73,240</u>	<u>177,544</u>	<u>104,304</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers out	<u>(73,240)</u>	<u>(65,846)</u>	<u>7,394</u>
Total other financing sources (uses)	<u>(73,240)</u>	<u>(65,846)</u>	<u>7,394</u>
NET CHANGE IN FUND BALANCE	<u>\$ 0</u>	111,698	<u>\$ 111,698</u>
FUND BALANCE - JULY 1, 2019		<u>174,772</u>	
FUND BALANCE - JUNE 30, 2020		<u>\$ 286,470</u>	

TOWN OF ROYALTON, VERMONT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - HIGHWAY FUND
YEAR ENDED JUNE 30, 2020

SCHEDULE 2

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 794,050	\$ 794,050	\$ 0
State highway aid	145,000	151,651	6,651
Investment income	0	1,789	1,789
Donation	0	40,000	40,000
Miscellaneous	0	1,356	1,356
Total revenues	939,050	988,846	49,796
EXPENDITURES			
Current:			
Highway			
Wages - staff	190,000	165,029	24,971
Wages - staff OT	35,000	27,166	7,834
Wages - vacation	0	7,386	(7,386)
Sick, personal time	0	5,457	(5,457)
Social Security	17,250	15,963	1,287
Health insurance	47,000	34,167	12,833
Retirement	9,800	6,576	3,224
Mileage	500	0	500
Supplies/tools	4,150	2,299	1,851
Telephone	1,000	476	524
Miscellaneous	15,150	13,244	1,906
Technology/computer	800	1,116	(316)
Subcontractors/consultants	4,000	4,045	(45)
Advertising	350	156	194
Meetings/seminars	150	0	150
Insurance (property/wc)	32,000	30,708	1,292
Dues/fees/licenses/permits	1,400	1,350	50
Legal fees	4,000	0	4,000
Electricity	3,000	3,255	(255)
Heat	6,000	5,614	386
Repairs/maintenance	3,000	3,792	(792)
Uniforms	3,000	2,584	416
Rentals/equipment	40,000	63,631	(23,631)
Paving/sidewalk/guardrail repair	0	6,500	(6,500)
Equipment miscellaneous	1,000	4,026	(3,026)
Fuel and oil	55,000	51,995	3,005
Salt	30,000	48,502	(18,502)
Sand	35,000	3,000	32,000
Gravel	35,000	35,000	0
Asphalt grindings	0	40,000	(40,000)
Crawford pit	6,500	8,750	(2,250)
Cold patch	2,000	715	1,285
Hard pack	3,000	0	3,000
Calcium chloride	15,000	11,602	3,398
Culverts	5,000	4,925	75
Other materials	3,000	1,334	1,666
2 1/4 plant mix	5,000	0	5,000
1 1/4 plant mix	35,000	18,608	16,392

TOWN OF ROYALTON, VERMONT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - HIGHWAY FUND
YEAR ENDED JUNE 30, 2020

SCHEDULE 2

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
7 plant mix	15,000	(1,680)	16,680
Street signs	5,000	273	4,727
Chipper	1,025	0	1,025
Cat 143H Grader 05	11,225	10,114	1,111
2005 John Deere roadside mower	3,500	739	2,761
Vacuum leaf collector LCT 65	1,025	86	939
2010 John Deere 310 SSJ backhoe loader	3,075	(43)	3,118
John Deere snowplower/sweeper	3,000	4,282	(1,282)
2012 Dodge Ram 5500	5,000	1,194	3,806
2014 Freightliner AWD	5,000	5,174	(174)
2015 Freightliner L7500	5,000	4,453	547
2017 Int'l truck	6,500	6,823	(323)
2016 Dodge Ram 5500	5,125	6,366	(1,241)
1997 Ford F450 Bucket Truck	0	312	(312)
2018 Komatsu loader	5,025	3,826	1,199
2019 Freightliner 1145D	6,500	6,344	156
Total highway	<u>729,050</u>	<u>677,234</u>	<u>51,816</u>
Capital outlays			
Plow	0	11,205	(11,205)
Total capital outlays	<u>0</u>	<u>11,205</u>	<u>(11,205)</u>
Total expenditures	<u>729,050</u>	<u>688,439</u>	<u>40,611</u>
EXCESS REVENUES (EXPENDITURES)	210,000	300,407	90,407
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(310,000)</u>	<u>(316,562)</u>	<u>(6,562)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (100,000)</u>	<u>(16,155)</u>	<u>\$ 83,845</u>
FUND BALANCE - JULY 1, 2019		<u>227,488</u>	
FUND BALANCE - JUNE 30, 2020		<u>\$ 211,333</u>	

TOWN OF ROYALTON, VERMONT
COMBINING AND INDIVIDUAL FUND BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

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
ASSETS														
Cash	\$ 1,950	\$ 0	\$ 73,588	\$ 0	\$ 0	\$ 0	\$ 46	\$ 5,009	\$ 0	\$ 18,000	\$ 188,482	\$ 0	\$ 15,000	\$ 0
Cash - restricted	0	138,878	0	215,541	594	0	2,829	0	860	0	0	58,091	0	20,503
Investments - restricted	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepays	485	0	0	0	0	0	0	0	0	0	0	0	0	0
Grant receivable	0	0	0	0	0	55,103	0	30,357	0	0	0	0	0	0
Loans receivable	0	0	0	50,286	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>\$ 2,435</u>	<u>\$ 138,878</u>	<u>\$ 73,657</u>	<u>\$ 265,827</u>	<u>\$ 594</u>	<u>\$ 55,103</u>	<u>\$ 2,875</u>	<u>\$ 35,366</u>	<u>\$ 860</u>	<u>\$ 18,000</u>	<u>\$ 188,482</u>	<u>\$ 58,091</u>	<u>\$ 15,000</u>	<u>\$ 20,503</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)														
Liabilities														
Accounts payable	\$ 309	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,049	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accrued payroll	96	0	0	0	0	0	46	0	0	0	0	0	0	0
Unearned grants	0	0	0	0	0	0	0	5,009	0	0	0	0	0	0
Due to other funds	11,544	0	0	0	0	61,281	0	28,308	0	0	0	0	0	0
Total liabilities	<u>11,949</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>61,281</u>	<u>46</u>	<u>35,366</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources														
Unavailable revenue - loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,286</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>
Fund Balance (Deficit)														
Nonspendable - perm. funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nonspendable - prepaids	485	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted	0	138,878	0	215,541	594	0	2,829	0	860	0	0	58,091	0	20,503
Committed	0	0	73,657	0	0	0	0	0	0	18,000	188,482	0	15,000	0
Unassigned	(9,999)	0	0	0	0	(6,178)	0	0	0	0	0	0	0	0
Total fund balance (deficit)	<u>(9,514)</u>	<u>138,878</u>	<u>73,657</u>	<u>215,541</u>	<u>594</u>	<u>(6,178)</u>	<u>2,829</u>	<u>0</u>	<u>860</u>	<u>18,000</u>	<u>188,482</u>	<u>58,091</u>	<u>15,000</u>	<u>20,503</u>
Total liabilities, deferred inflows of resources and fund balance (deficit)	<u>\$ 2,435</u>	<u>\$ 138,878</u>	<u>\$ 73,657</u>	<u>\$ 265,827</u>	<u>\$ 594</u>	<u>\$ 55,103</u>	<u>\$ 2,875</u>	<u>\$ 35,366</u>	<u>\$ 860</u>	<u>\$ 18,000</u>	<u>\$ 188,482</u>	<u>\$ 58,091</u>	<u>\$ 15,000</u>	<u>\$ 20,503</u>

TOWN OF ROYALTON, VERMONT
COMBINING AND INDIVIDUAL FUND BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

SCHEDULE 3

	Capital Project Funds			Permanent Funds									
	Academy Capital Improvement	Capital Projects	HW Equip Reserve Fund	Riverview Cemetery	Village Cemetery	Pleasant Hill Cemetery	Branchview Cemetery	Haven Cemetery	Alexander Trust	Lovejoy Trust	Town Cemetery Trust	Academy Trust	Total all Non-major Funds
ASSETS													
Cash	\$ 1,564	\$ 137,403	\$ 258,803	\$ 0	\$ 13,315	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 713,160
Cash - restricted	0	0	0	9,607	0	7,641	1,125	0	8,765	663	7,804	391	473,292
Investments - restricted	0	0	0	269,788	332,521	95,023	281,840	24,460	42,342	7,673	0	0	1,053,647
Prepays	0	0	0	0	0	0	0	0	0	0	0	0	485
Grant receivable	0	0	4,400	0	0	0	0	0	0	0	0	0	89,860
Loans receivable	0	0	0	0	0	0	0	0	0	0	0	0	50,286
Due from other funds	0	0	0	42	290	0	0	0	0	0	0	0	401
Total assets	<u>\$ 1,564</u>	<u>\$ 137,403</u>	<u>\$ 263,203</u>	<u>\$ 279,437</u>	<u>\$ 346,126</u>	<u>\$ 102,664</u>	<u>\$ 282,965</u>	<u>\$ 24,460</u>	<u>\$ 51,107</u>	<u>\$ 8,336</u>	<u>\$ 7,804</u>	<u>\$ 391</u>	<u>\$ 2,381,131</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)													
Liabilities													
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 275	\$ 200	\$ 115	\$ 500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,448
Accrued payroll	0	0	0	0	0	0	0	0	0	0	0	0	142
Unearned grants	0	0	0	0	0	0	0	0	0	0	0	0	5,009
Due to other funds	0	0	0	0	0	0	731	0	0	0	0	0	101,864
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>275</u>	<u>200</u>	<u>115</u>	<u>1,231</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>110,463</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>50,286</u>
Fund Balance (Deficit)													
Nonspendable - perm. funds	0	0	0	279,162	345,926	102,549	281,734	24,460	51,107	8,336	7,804	391	1,101,469
Nonspendable - prepaids	0	0	0	0	0	0	0	0	0	0	0	0	485
Restricted	0	0	0	0	0	0	0	0	0	0	0	0	437,296
Committed	1,564	137,403	263,203	0	0	0	0	0	0	0	0	0	697,309
Unassigned	0	0	0	0	0	0	0	0	0	0	0	0	(16,177)
Total fund balance (deficit)	<u>1,564</u>	<u>137,403</u>	<u>263,203</u>	<u>279,162</u>	<u>345,926</u>	<u>102,549</u>	<u>281,734</u>	<u>24,460</u>	<u>51,107</u>	<u>8,336</u>	<u>7,804</u>	<u>391</u>	<u>2,220,382</u>
Total liabilities, deferred inflows of resources and fund balance (deficit)	<u>\$ 1,564</u>	<u>\$ 137,403</u>	<u>\$ 263,203</u>	<u>\$ 279,437</u>	<u>\$ 346,126</u>	<u>\$ 102,664</u>	<u>\$ 282,965</u>	<u>\$ 24,460</u>	<u>\$ 51,107</u>	<u>\$ 8,336</u>	<u>\$ 7,804</u>	<u>\$ 391</u>	<u>\$ 2,381,131</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, 2020

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	\$ 24,211	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Investment income	0	856	0	0	0	0	0	0	0	0	0	0	0	0
Intergovernmental	0	11,543	0	0	0	0	0	0	0	0	0	0	0	0
Donations	0	0	37,936	0	0	0	0	0	0	0	0	0	0	0
Grant income	0	0	0	0	0	55,103	0	46,538	0	0	0	0	0	0
Loan repayments and interest	0	0	0	13,365	0	0	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	70,000	8,750	0	5,954
Total revenues	24,211	12,399	37,936	13,365	0	55,103	0	46,538	0	0	70,000	8,750	0	5,954
Current:														
General government	24,079	360	1,313	0	0	0	2,782	0	0	0	0	0	0	1,840
Public safety	0	0	0	0	0	42,530	0	50,425	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	16,875	0	0	0
Capital outlays	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total expenditures	24,079	360	1,313	0	0	42,530	2,782	50,425	0	0	36,875	0	0	1,840
EXCESS REVENUES (EXPENDITURES)	132	12,039	36,623	13,365	0	12,573	(2,782)	(3,887)	0	0	33,125	8,750	0	4,114
OTHER FINANCING SOURCES (USES)														
Loan proceeds	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating transfers in	0	0	0	0	0	0	0	7,408	0	15,000	0	0	0	0
Total other financing sources (uses)	0	0	0	0	0	0	0	7,408	0	15,000	0	0	0	0
NET CHANGE IN FUND BALANCE (DEFICIT)	132	12,039	36,623	13,365	0	12,573	(2,782)	3,521	0	15,000	33,125	8,750	0	4,114
FUND BALANCE (DEFICIT) - JULY 1, 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
FUND BALANCE (DEFICIT) - JUNE 30, 2020	\$ (9,514)	\$ 138,878	\$ 73,657	\$ 215,541	\$ 594	\$ (6,178)	\$ 2,829	\$ 0	\$ 860	\$ 18,000	\$ 188,482	\$ 58,091	\$ 15,000	\$ 20,503

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, 2020

SCHEDULE 4

	Capital Project Funds			Permanent Funds									
	Academy Capital Improvement	Capital Projects	HW Equip Reserve Fund	Riverview Cemetery	Village Cemetery	Pleasant Hill Cemetery	Branchview Cemetery	Haven Cemetery	Alexander Trust	Lovejoy Trust	Town Cemetery Trust	Academy Trust	Total all Non-major Funds
REVENUES													
Rental income - building	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,211
Investment income	0	0	1,400	3,877	4,598	1,630	(3,464)	(225)	(502)	216	0	0	8,386
Intergovernmental	0	0	0	0	0	0	0	0	0	0	0	0	11,543
Donations	0	0	0	0	0	0	0	0	0	0	0	0	37,936
Grant income	0	0	4,400	0	0	0	0	0	0	0	0	0	106,041
Loan repayments and interest	0	0	0	0	0	0	0	0	0	0	0	0	13,365
Miscellaneous	0	0	0	0	0	0	250	0	0	0	0	0	84,954
Total revenues	0	0	5,800	3,877	4,598	1,630	(3,214)	(225)	(502)	216	0	0	286,436
Current:													
General government	0	0	0	0	0	0	0	0	0	0	0	0	30,374
Public safety	0	0	0	0	0	0	0	0	0	0	0	0	92,955
Cemetery	0	0	0	6,015	4,290	2,690	1,350	0	0	0	0	0	14,345
Other services	0	0	0	0	0	0	0	0	0	1,120	0	0	1,120
Debt service:													
Principal	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	16,875
Capital outlays	0	0	167,265	0	0	0	0	0	0	0	0	0	167,265
Total expenditures	0	0	167,265	6,015	4,290	2,690	1,350	0	0	1,120	0	0	342,934
EXCESS REVENUES (EXPENDITURES)	0	0	(161,465)	(2,138)	308	(1,060)	(4,564)	(225)	(502)	(904)	0	0	(56,498)
OTHER FINANCING SOURCES (USES)													
Loan proceeds	0	0	161,765	0	0	0	0	0	0	0	0	0	161,765
Operating transfers in	0	50,000	160,000	0	0	0	0	0	0	0	0	0	232,408
Total other financing sources (uses)	0	50,000	321,765	0	0	0	0	0	0	0	0	0	394,173
NET CHANGE IN FUND BALANCE (DEFICIT)	0	50,000	160,300	(2,138)	308	(1,060)	(4,564)	(225)	(502)	(904)	0	0	337,675
FUND BALANCE (DEFICIT) - JULY 1, 2019	1,564	87,403	102,903	281,300	345,618	103,609	286,298	24,685	51,609	9,240	7,804	391	1,882,707
FUND BALANCE (DEFICIT) - JUNE 30, 2020	\$ 1,564	\$ 137,403	\$ 263,203	\$ 279,162	\$ 345,926	\$ 102,549	\$ 281,734	\$ 24,460	\$ 51,107	\$ 8,336	\$ 7,804	\$ 391	\$ 2,220,382

TOWN OF ROYALTON, VERMONT
 SCHEDULES OF TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
 AND TOWN CONTRIBUTIONS
 YEAR ENDED JUNE 30, 2020

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 VERMONT EMPLOYEES MUNICIPAL RETIREMENT PLAN
 AS OF MEASUREMENT DATE JUNE 30,

	<u>2019</u>
Town's proportion of the net pension liability (asset)	0.05787%
Town's proportionate share of the net pension liability (asset)	\$ 100,407
Town's covered-employee payroll	\$ 269,563
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.25%
Plan fiduciary net position as a percentage of the total pension liability	80.35%

SCHEDULE OF TOWN CONTRIBUTIONS
 VERMONT EMPLOYEES MUNICIPAL RETIREMENT PLAN
 YEARS ENDED JUNE 30,

	<u>2020</u>	<u>2019</u>
Contractually required contributions	\$ 16,040	\$ 11,120
Contributions in relation to the contractually required contribution	<u>(16,040)</u>	<u>(11,120)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
Town's covered-employee payroll	\$ 377,410	\$ 269,563
Contributions as a percentage of covered-employee payroll	4.250%	4.125%

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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

To the Selectboard
Town of 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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 13, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Montpelier, Vermont

Vermont Public Accountancy License #110

January 13, 2021