

TOWN OF GROTON, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 2019
TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT		<u>Page #</u> 1 - 2
BASIC FINANCIAL STATEMENTS		
FUND FINANCIAL STATEMENTS		
Balance Sheet – Governmental Funds	Exhibit A	3
Statement of Revenues, Expenditures and Change in Fund Balances – Governmental Funds	Exhibit B	4
Statement of Revenues, Expenditures and Change in Fund Balance Compared to Budget – General Fund	Exhibit C	5 - 7
Statement of Revenues, Expenditures and Change in Fund Balance Compared to Budget – Highway Fund	Exhibit D	8
NOTES TO FINANCIAL STATEMENTS		9 - 17
SUPPLEMENTARY INFORMATION		
Combining and Individual Fund Balance Sheet – Other Governmental Funds	Schedule 1	18
Combining and Individual Fund Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficit) – Other Governmental Funds	Schedule 2	19
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		20 – 21
Schedule of Findings and Responses		22 - 23

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



INDEPENDENT AUDITOR'S REPORT

To the Selectboard
Town of Groton
Groton, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Town of Groton, Vermont, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise a portion of 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 error or fraud.

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 opinion.

Basis for Adverse Opinion on Financial Statements as a Whole

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

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

Adverse Opinion

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

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis and the Schedules of the Town's Proportionate Share of Net Pension Liability and the Town's Pension Contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Groton, Vermont's basic financial statements. The accompanying combining and individual other governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020 on our consideration of the Town of Groton, Vermont'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 SEGAL & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

October 15, 2020

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

	Major Funds			Nonmajor Funds Other Governmental Funds	Totals
	General Fund	Highway Fund	Reserve Fund		
ASSETS					
Cash and cash equivalents	\$ 494,646	\$ 0	\$ 542,398	\$ 196,233	\$ 1,233,277
Investments	0	0	0	52,915	52,915
Taxes, int. and penalty receivable, net of allow.	148,668	0	0	0	148,668
Due from school	34,549	0	0	0	34,549
Accounts receivable	1	3,241	0	0	3,242
Inventory	0	18,063	0	0	18,063
Note receivable	610,000	0	0	0	610,000
Due from other funds	0	125,051	0	173	125,224
Total assets	<u>\$ 1,287,864</u>	<u>\$ 146,355</u>	<u>\$ 542,398</u>	<u>\$ 249,321</u>	<u>\$ 2,225,938</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 15,969	\$ 0	\$ 0	\$ 0	\$ 15,969
Due to other funds	98,734	0	21,119	5,371	125,224
Total liabilities	<u>114,703</u>	<u>0</u>	<u>21,119</u>	<u>5,371</u>	<u>141,193</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes	129,707	0	0	0	129,707
Unavailable revenue - loans	610,000	0	0	0	610,000
Total deferred inflows of resources	<u>739,707</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>739,707</u>
Fund Balances					
Nonspendable	0	18,063	0	0	18,063
Restricted	0	0	73,370	94,188	167,558
Committed	0	0	447,909	0	447,909
Assigned	0	128,292	0	150,775	279,067
Unassigned	433,454	0	0	(1,013)	432,441
Total fund balances	<u>433,454</u>	<u>146,355</u>	<u>521,279</u>	<u>243,950</u>	<u>1,345,038</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,287,864</u>	<u>\$ 146,355</u>	<u>\$ 542,398</u>	<u>\$ 249,321</u>	<u>\$ 2,225,938</u>

TOWN OF GROTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	Major Funds			Other	
	General	Highway	Reserve	Governmental	Totals
	Fund	Fund	Fund	Funds	
Revenues					
Property taxes	\$ 366,212	\$ 345,886	\$ 0	\$ 0	\$ 712,098
Delinquent tax penalties & interest	19,318	0	0	0	19,318
Intergovernmental	152,626	65,442	19,247	39,408	276,723
Fines, fees & licenses	10,419	0	0	0	10,419
Other charges for services	7,600	3,241	4,040	0	14,881
Donations	0	0	0	9,101	9,101
Investment income	4,801	0	1,382	3,831	10,014
Miscellaneous	16,678	0	0	4,050	20,728
Total revenues	<u>577,654</u>	<u>414,569</u>	<u>24,669</u>	<u>56,390</u>	<u>1,073,282</u>
Expenditures					
Current:					
General government	257,834	0	46,036	44,750	348,620
Highways	0	268,751	7,399	0	276,150
Public works	58,412	0	260	0	58,672
Public safety	107,931	0	4,924	0	112,855
Appropriations	9,570	0	0	0	9,570
Total current	<u>433,747</u>	<u>268,751</u>	<u>58,619</u>	<u>44,750</u>	<u>805,867</u>
Debt service:					
Principal	16,734	0	0	0	16,734
Interest	3,587	0	0	0	3,587
Total debt service	<u>20,321</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,321</u>
Capital outlays:					
Public safety	73,205	0	0	0	73,205
Highways	0	0	87,365	0	87,365
Total capital outlays	<u>73,205</u>	<u>0</u>	<u>87,365</u>	<u>0</u>	<u>160,570</u>
Total expenditures	<u>527,273</u>	<u>268,751</u>	<u>145,984</u>	<u>44,750</u>	<u>986,758</u>
Excess Revenues (Expenditures)	<u>50,381</u>	<u>145,818</u>	<u>(121,315)</u>	<u>11,640</u>	<u>86,524</u>
Other Financing Sources (Uses)					
Transfers in	6,843	0	243,005	0	249,848
Transfers out	(76,088)	(166,917)	(6,843)	0	(249,848)
Total other financing sources (uses)	<u>(69,245)</u>	<u>(166,917)</u>	<u>236,162</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>(18,864)</u>	<u>(21,099)</u>	<u>114,847</u>	<u>11,640</u>	<u>86,524</u>
Fund Balances - January 1, 2019	<u>452,318</u>	<u>167,454</u>	<u>406,432</u>	<u>232,310</u>	<u>1,258,514</u>
Fund Balances - December 31, 2019	<u>\$ 433,454</u>	<u>\$ 146,355</u>	<u>\$ 521,279</u>	<u>\$ 243,950</u>	<u>\$ 1,345,038</u>

TOWN OF GROTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

EXHIBIT C

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 385,911	\$ 366,212	\$ (19,699)
Delinquent taxes - penalty & interest	19,000	19,318	318
Intergovernmental	128,001	152,626	24,625
Fines, fees & licenses	7,030	10,419	3,389
Other charges for services	6,950	7,600	650
Investment income	200	4,801	4,601
Miscellaneous	16,000	16,678	678
Total revenues	<u>563,092</u>	<u>577,654</u>	<u>14,562</u>
EXPENDITURES			
General Government			
Administration			
Selectboard	9,807	6,273	3,534
Town Clerk	53,282	51,688	1,594
Town Treasurer	62,662	60,022	2,640
Office - Clerk & Treasurer	10,309	8,026	2,283
Delinquent tax collection	12,378	10,096	2,282
Town report	2,714	2,118	596
Elections	1,541	361	1,180
Listers	32,613	37,344	(4,731)
Insurance	12,032	12,087	(55)
Legal & professional	5,800	3,319	2,481
Dues	3,013	3,013	0
Short term interest & fees	430	150	280
Caledonia County tax	14,826	13,521	1,305
Total administration	<u>221,407</u>	<u>208,018</u>	<u>13,389</u>
Planning & Zoning			
Planning commission	541	0	541
Zoning	1,704	1,052	652
Total planning & zoning	<u>2,245</u>	<u>1,052</u>	<u>1,193</u>
Committees			
Community & Economic Development	330	0	330
Recreation committee	1,875	1,955	(80)
Total committees	<u>2,205</u>	<u>1,955</u>	<u>250</u>
Other			
Cemeteries	9,478	9,358	120
Library	37,801	37,451	350
Total other	<u>47,279</u>	<u>46,809</u>	<u>470</u>
Total general government	<u>273,136</u>	<u>257,834</u>	<u>15,302</u>

TOWN OF GROTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

EXHIBIT C

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Public Works			
Town clock	450	450	0
Environment care	8,250	9,435	(1,185)
Streetlights	7,550	7,582	(32)
Community building	16,700	15,822	878
Town maintenance personnel	30,121	24,104	6,017
Tree warden	770	569	201
Miscellaneous	0	450	(450)
Total public works	<u>63,841</u>	<u>58,412</u>	<u>5,429</u>
Public Safety			
Animal control	600	209	391
Health Officer	964	538	426
Emergency Service - insurance	13,333	13,110	223
Emergency Service - general	31,454	30,395	1,059
FAST	30,835	18,125	12,710
Fire Dept.	36,911	24,415	12,496
Forest fire	1,808	472	1,336
First constable	15,278	15,184	94
Second constable	3,500	267	3,233
Cruiser	3,050	1,234	1,816
Constable - insurance	3,903	3,982	(79)
Total public safety	<u>141,636</u>	<u>107,931</u>	<u>33,705</u>
Appropriations			
Caledonia Home Health & Hospice	1,350	1,350	0
NEK Learning Services	200	200	0
NEK Human Services, Inc.	920	920	0
NEK Youth Services	200	200	0
NEK Council on Aging	700	700	0
Rural Community Transportation	800	800	0
Little Rivers Health Care	2,000	2,000	0
Green Up Vermont	100	100	0
Groton Lunches with Friends	2,400	2,400	0
Umbrella	650	650	0
Comm. Restorative Justice	250	250	0
Total appropriations	<u>9,570</u>	<u>9,570</u>	<u>0</u>
Debt service			
Principal	16,734	16,734	0
Interest	3,587	3,587	0
Total debt service	<u>20,321</u>	<u>20,321</u>	<u>0</u>
Capital outlays			
Cilley house	0	73,205	(73,205)
Total capital outlays	<u>0</u>	<u>73,205</u>	<u>(73,205)</u>
Total expenditures	<u>508,504</u>	<u>527,273</u>	<u>(18,769)</u>

See Notes to Financial Statements.

TOWN OF GROTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

EXHIBIT C

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Excess Revenues (Expenditures)	<u>54,588</u>	<u>50,381</u>	<u>(4,207)</u>
Other Financing Sources (Uses)			
Transfers in	0	6,843	6,843
Transfers (out)	<u>(76,088)</u>	<u>(76,088)</u>	<u>0</u>
Total other financing sources (uses)	<u>(76,088)</u>	<u>(69,245)</u>	<u>6,843</u>
Net Change in Fund Balance	<u>\$ (21,500)</u>	<u>(18,864)</u>	<u>\$ 2,636</u>
Fund Balance - January 1, 2019		<u>452,318</u>	
Fund Balance - December 31, 2019		<u>\$ 433,454</u>	

TOWN OF GROTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
HIGHWAY FUND
YEAR ENDED DECEMBER 31, 2019

EXHIBIT D

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 345,886	\$ 345,886	\$ 0
Intergovernmental revenue	64,000	65,442	1,442
Other charges for services	0	3,241	3,241
	<u>409,886</u>	<u>414,569</u>	<u>4,683</u>
EXPENDITURES			
Highways			
Wages and benefits	141,539	140,230	1,309
Insurance	22,789	20,981	1,808
Contracted work	11,200	10,641	559
Infrastructure	10,100	3,076	7,024
Materials	66,836	48,185	18,651
Operating expenses	20,250	25,270	(5,020)
Repairs and maintenance	25,000	9,783	15,217
Garage expenses	6,250	7,758	(1,508)
Public works	3,603	2,827	776
Total expenditures	<u>307,567</u>	<u>268,751</u>	<u>38,816</u>
Excess Revenues (Expenditures)	<u>102,319</u>	<u>145,818</u>	<u>43,499</u>
Other Financing Sources (Uses)			
Transfers in (out)	<u>(102,319)</u>	<u>(166,917)</u>	<u>(64,598)</u>
Total other financing sources (uses)	<u>(102,319)</u>	<u>(166,917)</u>	<u>(64,598)</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>(21,099)</u>	<u>\$ (21,099)</u>
Fund Balance - January 1, 2019		<u>167,454</u>	
Fund Balance - December 31, 2019		<u>\$ 146,355</u>	

TOWN OF GROTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

The Town of Groton (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town is governed by a three member Select Board. The Town provides various services as authorized and funded by State government or Town voters.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 established in GAAP and used by the Town are discussed below.

The Town's management has elected to present only the financial statements of the major funds and the aggregate remaining fund information, which is not in conformity with generally accepted accounting principles, specifically GASB 34 and GASB 37. Therefore, government-wide financial statements that include accounting for capital assets and notes payable are not included in the financial statements.

Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity are set forth in GASB 14 as amended by GASB 39, and Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards. Based on the criteria, the Town has no component units.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

In these financial statements the modified accrual basis of accounting is used. 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 six months for other revenue (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.

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. The various funds are reported by major fund within the financial statements.

The Town's major funds consist of the General Fund, the Highway Fund and the Reserve Fund. The non-major funds of the Town consist of the Cemetery Fund, Library Fund, Grant Fund, Food Shelf Fund and the FAST Fund. The General Fund is the main operating fund of the

TOWN OF GROTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Town. The Highway Fund accounts for activities of the Highway Department. The Reserve Fund includes amounts set aside for capital expenditures and other expenditures that are not incurred on an annual basis.

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.

For the classification of governmental fund balances, the Town does not have a formal policy regarding which classification should be reduced first when more than one classification is available. However, the Town has generally considered an expenditure to be made from the most restrictive first when more than one classification is available.

Deferred Inflows of Resources

The Town has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which reports a separate section for deferred inflows of resources in the Town's governmental funds. This separate financial statement element reflects an increase in net position that applies to a future period(s). The Town will recognize the related revenues when a future event occurs. 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 Towns' 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 (formerly deferred property taxes), unavailable grants, and long-term loan receivables are reported in the governmental funds balance sheet.

TOWN OF GROTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Investments

Investments are recorded at fair value. Unrealized gains and losses in the value of investments are included in investment income revenue.

Accounts Receivable

The Town has not recorded an allowance for doubtful accounts. Management estimates that all receivables are collectible.

Prepaid Expenses

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

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.

Budgetary Accounting

The Town employs a formal budgetary process as a management control device during the year for the General Fund and the Highway Fund. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual, present comparisons of the budget with actual data for both the General Fund and the Highway Fund. The budget numbers shown are on the same basis as the financial statements.

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.

Interfund Activities

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the 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).

TOWN OF GROTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of December 31, 2019, the Town's bank balances were exposed to custodial credit risk as follows:

	Bank Balance
Insured by FDIC	\$ 453,236
Uninsured, collateralized by securities held by the pledging financial institution	783,653
Total	<u>\$ 1,236,889</u>

Investments

Credit Risk – investments. The Town does not have a formal investment policy that limits its investment choices. Investments at December 31, 2019 are recorded at cost and are as follows:

	Cost	Fair Value	Unrealized Gain/(Loss)
CD	\$ 31,380	\$ 31,380	\$ 0
Mutual funds	11,309	21,535	10,226
Total	<u>\$ 42,689</u>	<u>\$ 52,915</u>	<u>\$ 10,226</u>

Fair Value Measurements – All of the Town's investments are considered Level 1 inputs, which are unadjusted, quoted prices in active markets for identical assets at the measurement date. The types of assets carried at Level 1 fair value generally are securities listed in active markets. The Town has valued their investments listed on national exchanges at the last sales price as of the day of valuation using the market valuation approach.

Concentration of Credit Risk – The Town places no limit on the amount the Town may invest in any one issuer.

TOWN OF GROTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019
(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 3 - PROPERTY TAXES AND ABATEMENTS

Property taxes in the Town of Groton support the School District as well as Town operations. Property taxes attach as an enforceable lien on property owned as of April 1st. Listers establish a grand list of all property and the Selectboard sets the tax rate required to raise the tax revenue authorized by Town and School District voters and the Vermont Agency of Education. Taxes are payable in November. All late payments are subject to an 8% penalty and interest.

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 2019, the amount of Town property taxes forgone as a result of the Current Use Program was approximately \$51,000. 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 4 - INTERFUND ACTIVITY

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them in accordance with budgetary authorizations. Transfers in 2019 consisted of the following:

	Transfer in	Transfer out
General Fund	\$ 6,843	\$ 76,088
Highway Fund	0	166,917
Reserve Fund	243,005	6,843
	<u>\$ 249,848</u>	<u>\$ 249,848</u>

TOWN OF GROTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019
(Continued)

NOTE 4 - INTERFUND ACTIVITY (Continued)

The composition of due from (to) other funds at December 31, 2019 are as follows:

	Due from other funds	Due to other funds
General Fund	\$ 0	\$ 98,734
Highway Fund	125,051	0
Cemetery Fund	173	0
Library Fund	0	4,358
Reserve Fund	0	21,119
Grant Fund	0	1,013
	<u>\$ 125,224</u>	<u>\$ 125,224</u>

NOTE 5 - RECEIVABLES

Receivable balances as of December 31, 2019 were as follows:

Delinquent taxes, penalty & interest receivable	\$ 148,668
Due from School	34,549
Highway plowing	3,241
Accts receivable - other	1
	<u>\$ 186,459</u>

NOTE 6 – LOANS AND NOTES RECEIVABLE

The Town has a non-interest bearing loan receivable from Groton Community Housing, L.P. for \$610,000 due May 2035. The note is secured by a mortgage on real property.

NOTE 7 – UNAVAILABLE REVENUE

Unavailable revenue in the General Fund of \$610,000 consist of loan repayments to be received in future years and \$129,707 for property taxes not received within sixty days after year end.

NOTE 8 - SHORT-TERM DEBT

In January 2019, the Town signed a tax anticipation note from Union Bank for \$375,000 with an interest rate of 2.02%, due December 31, 2019. The Town did not draw any funds on the note during the year.

TOWN OF GROTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Continued)

NOTE 9 - LONG-TERM LIABILITIES

Long-term liabilities at December 31, 2019 consisted of the following:

Lease payable to Municipal Leasing Consultants for fire truck. Annual principal and interest payments of \$20,321 due through March 2024. Interest at 3.29%.	\$ 92,297
Amount due within one year	<u>(17,284)</u>
Amount due after one year	<u><u>\$ 75,013</u></u>

Long-term debt will mature approximately as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 17,284	\$ 3,037	\$ 20,321
2021	17,853	2,468	20,321
2022	18,440	1,880	20,320
2023	19,047	1,274	20,321
2024	<u>19,673</u>	<u>647</u>	<u>20,320</u>
Total	<u><u>\$ 92,297</u></u>	<u><u>\$ 9,306</u></u>	<u><u>\$ 101,603</u></u>

The following is a summary of changes of long-term liabilities for the year ended December 31, 2019:

Balance at December 31, 2018	\$ 109,031
Principal payments	<u>(16,734)</u>
Balance at December 31, 2019	<u><u>\$ 92,297</u></u>

Interest of \$3,587 was paid on long-term debt in 2019.

TOWN OF GROTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019
(Continued)

NOTE 10 – FUND BALANCES

The fund balances other than amounts unassigned are as follows:

	Nonspendable Fund Balance	Restricted Net Position & Fund Balance	Committed Fund Balance	Assigned Fund Balance
Highway operations	\$ 0	\$ 0	\$ 0	\$ 128,292
Highway inventory	18,063	0	0	0
Community building improv.	0	0	72,233	0
Emergency services - bldg	0	0	35,298	0
Emergency services - vehicles	0	0	46,432	0
Recreation	0	0	13,164	0
Town Emergency	0	0	9,718	0
Emergency Service Durable Equip.	0	0	13,509	0
Professional fees	0	0	5,614	0
Highway equipment	0	0	162,328	0
Highway paving	0	0	42,488	0
Highway infrastructure	0	0	44,643	0
Sidwalk	0	0	2,482	0
Reappraisal	0	39,138	0	0
Records restoration	0	34,232	0	0
Cemeteries	0	10,551	0	108,370
Library	0	72,758	0	42,405
Food Shelf	0	10,375	0	0
FAST	0	504	0	0
Totals	<u>\$ 18,063</u>	<u>\$ 167,558</u>	<u>\$ 447,909</u>	<u>\$ 279,067</u>

NOTE 11 - PENSION PLAN

Vermont Municipal Employees' Retirement System

The employees of the Town of Groton, Vermont are eligible for coverage by the Vermont Municipal Employees' Retirement System (VMERS). VMERS is a cost sharing multiple-employer public employees' retirement system. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The Town and the employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

The Town participates in Group A. Employee contributions were 2.5% of gross pay through 6/30/19 and 2.75% effective 7/1/19 and employer contributions are 4% of gross pay through 6/30/19 and 4.25% effective 7/1/19.

Of the Town's total payroll of \$304,145, \$187,953 was covered under the Vermont Municipal Employees' Retirement System. Total employer contributions to the Vermont Municipal Employees' Retirement Plan were \$7,871 for 2019.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

TOWN OF GROTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019
(Continued)

NOTE 12 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

NOTE 13 - CONTINGENCY

The Town participates in 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 December 31, 2019 have not yet been reviewed by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenses 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 14 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2019, expenditures exceeded appropriations in the General Fund by \$18,769. The excess expenditures were funded by additional revenues and a transfer in from the reserve fund.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 15, 2020, the date which the financial statements were available for issue.

In January, 2020, the Town signed a \$300,000 tax anticipation note with Union Bank at a rate of 2.20%, due December 31, 2020. As of October 15, 2020, no funds have been drawn on the note.

TOWN OF GROTON, VERMONT
 COMBINING AND INDIVIDUAL FUND BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 DECEMBER 31, 2019

	Special Revenue Funds					
	Cemetery Fund	Library Fund	Grant Fund	Food Shelf Fund	FAST Fund	Total
ASSETS						
Current assets						
Cash and cash equivalents	\$ 118,748	\$ 66,606	\$ 0	\$ 10,375	\$ 504	\$ 196,233
Investments	0	52,915	0	0	0	52,915
Due from other funds	173	0	0	0	0	173
Total assets	<u>\$ 118,921</u>	<u>\$ 119,521</u>	<u>\$ 0</u>	<u>\$ 10,375</u>	<u>\$ 504</u>	<u>\$ 249,321</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)						
LIABILITIES						
Due to other funds	<u>\$ 0</u>	<u>\$ 4,358</u>	<u>\$ 1,013</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,371</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES (DEFICIT)						
Restricted	10,551	72,758	0	10,375	504	94,188
Assigned	108,370	42,405	0	0	0	150,775
Unassigned	0	0	(1,013)	0	0	(1,013)
Total fund balances (deficit)	<u>118,921</u>	<u>115,163</u>	<u>(1,013)</u>	<u>10,375</u>	<u>504</u>	<u>243,950</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 118,921</u>	<u>\$ 119,521</u>	<u>\$ 0</u>	<u>\$ 10,375</u>	<u>\$ 504</u>	<u>\$ 249,321</u>

TOWN OF GROTON, VERMONT
 COMBINING AND INDIVIDUAL FUND SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES (DEFICIT)
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2019

	Special Revenue Funds					Total
	Cemetery Fund	Library Fund	Grant Fund	Food Shelf Fund	FAST Fund	
REVENUES						
Intergovernmental	\$ 0	\$ 0	\$ 39,408	\$ 0	\$ 0	\$ 39,408
Donations	0	5,480	0	2,669	952	9,101
Investment income	66	3,759	0	5	1	3,831
Other	4,050	0	0	0	0	4,050
Total revenues	4,116	9,239	39,408	2,674	953	56,390
EXPENDITURES	530	4,600	35,662	1,773	2,185	44,750
EXCESS REVENUES (EXPENDITURES)	3,586	4,639	3,746	901	(1,232)	11,640
FUND BALANCES (DEFICIT) - January 1, 2019	115,335	110,524	(4,759)	9,474	1,736	232,310
FUND BALANCES (DEFICIT) - December 31, 2019	<u>\$ 118,921</u>	<u>\$ 115,163</u>	<u>\$ (1,013)</u>	<u>\$ 10,375</u>	<u>\$ 504</u>	<u>\$ 243,950</u>

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 Groton, Vermont

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major fund and the aggregate remaining fund information of the Town of Groton, Vermont, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise a portion of the Town's basic financial statements and have issued our report thereon dated October 15, 2020. We issued an adverse opinion due to management not presenting government-wide financial statements and not implementing GASB 68 related to pension disclosures.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting (internal control) 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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items [2019-1], and [2019-2] that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of finding and response. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 SEGAL & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

October 15, 2020



**Town of Groton
1476 Scott Highway
Groton, Vermont 05046
802-584-3276**

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2019

INTERNAL CONTROL –MATERIAL WEAKNESSES

2019-1 Property Tax Revenue allocations

Condition: The amount of property tax revenue allocated between the Highway Fund and the General Fund was incorrect.

Criteria: Controls should be in place to ensure property tax revenue is recorded in the fund that the taxes were raised for.

Cause: The adjustment to reallocate taxes raised for the Highway Fund did not allocate enough taxes to the Highway Fund.

Effect: The General Fund property tax revenue was overstated and the Highway Fund property tax revenue was understated by approximately \$64,000.

Recommendation: We recommend that when the property tax bills are issued and the revenue and receivables are recorded in the Town's accounting system the Highway Fund be recorded at the full amount and when subsequent adjustments for deferred taxes are made they are recorded in the General Fund.

Views of Responsible Officials and Planned Corrective Actions:

The Town will record property tax revenue in the HWY fund at the full amount and any adjustments for receivables and deferrals will be made to the General Fund to ensure the HWY fund property tax revenue is correctly reported.



**Town of Groton
1476 Scott Highway
Groton, Vermont 05046
802-584-3276**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

INTERNAL CONTROL –MATERIAL WEAKNESSES

2019-2 Unapproved Transfer Made to a Reserve Fund

Condition: Unused funds raised from highway taxes are required to be applied for the same purpose in the following year unless approved by voters to be allocated to a reserve fund. The Town transferred \$64,598 from the Highway Fund to the Highway Equipment Reserve Fund which was not included in the budget the voters approved as required by State Statute. The voters in March 2020 did subsequently approve the transfer which is why the transfer is still recorded.

Criteria: Controls should be in place to ensure that all transfers to reserve accounts be included in the budget approved by the voters.

Cause: The Town's intention was to fund the Highway Equipment Reserve Fund with surplus from the Highway Fund but did not incorporate the transfer into the budget so voters could approve it.

Effect: An unapproved transfer to a reserve was made reducing the Highway Fund's fund balance by the amount of the transfer.

Recommendation: We recommend the Town receive voter approval for any future transfers from the Highway Fund to a reserve fund prior to the transfer being made.

Views of Responsible Officials and Planned Corrective Actions:

All future Reserve Fund transfers will be approved by Voters prior to Transfer.