

TOWN OF GROTON, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2021

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FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



INDEPENDENT AUDITOR'S REPORT

To the Selectboard
Town of Groton
Groton, Vermont

Adverse Opinion

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, 2021, 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.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole section of our report, the financial statements referred to above do not present fairly the financial position of the Town of Groton, Vermont as of December 31, 2021, 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.

Basis for Adverse Opinion on the Financial Statements as a Whole

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design,

implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 5, 2022, on our consideration of the Town of Groton, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

FOTHERGILL SEGALE & VALLEY, CPAS
Montpelier, Vermont
Vermont Public Accountancy License #110
October 5, 2022

TOWN OF GROTON, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

EXHIBIT A

	Major Funds					Nonmajor Funds	
	General Fund	Highway Fund	ARPA Fund	Grant Fund	Reserve Fund	Other Gov. Funds	Totals
ASSETS							
Cash and cash equivalents	\$ 562,966	\$ 0	\$ 0	\$ 0	\$ 590,336	\$ 133,792	\$ 1,287,094
Restricted cash	0	0	0	0	90,588	72,521	163,109
Investments	0	0	0	0	0	31,799	31,799
Restricted investments	0	0	0	0	0	24,892	24,892
Taxes, int. and penalty receivable, net of allow.	77,265	0	0	0	0	0	77,265
Due from school	11,596	0	0	0	0	0	11,596
Grants receivable	0	0	0	11,840	0	0	11,840
Accounts receivable	0	2,710	0	0	0	0	2,710
Inventory	0	21,030	0	0	0	0	21,030
Note receivable	610,000	0	0	0	0	0	610,000
Due from other funds	0	0	146,680	0	0	83	146,763
Total assets	<u>\$ 1,261,827</u>	<u>\$ 23,740</u>	<u>\$ 146,680</u>	<u>\$ 11,840</u>	<u>\$ 680,924</u>	<u>\$ 263,087</u>	<u>\$ 2,388,098</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)							
Liabilities							
Accounts payable	\$ 10,526	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,526
Unearned revenue	0	0	146,680	0	0	0	146,680
Due to other funds	105,196	2,623	0	12,853	20,733	5,358	146,763
Total liabilities	<u>115,722</u>	<u>2,623</u>	<u>146,680</u>	<u>12,853</u>	<u>20,733</u>	<u>5,358</u>	<u>303,969</u>
Deferred Inflows of Resources							
Unavailable revenue - property taxes	66,018	0	0	0	0	0	66,018
Unavailable revenue - loans	610,000	0	0	0	0	0	610,000
Total deferred inflows of resources	<u>676,018</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>676,018</u>
Fund Balances (Deficit)							
Nonspendable	0	21,030	0	0	0	0	21,030
Restricted	0	0	0	0	90,588	97,413	188,001
Committed	190,000	0	0	0	569,603	0	759,603
Assigned	100,000	87	0	0	0	160,316	260,403
Unassigned	180,087	0	0	(1,013)	0	0	179,074
Total fund balances (deficit)	<u>470,087</u>	<u>21,117</u>	<u>0</u>	<u>(1,013)</u>	<u>660,191</u>	<u>257,729</u>	<u>1,408,111</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 1,261,827</u>	<u>\$ 23,740</u>	<u>\$ 146,680</u>	<u>\$ 11,840</u>	<u>\$ 680,924</u>	<u>\$ 263,087</u>	<u>\$ 2,388,098</u>

See Notes to Financial Statements.

TOWN OF GROTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	Major Funds				Nonmajor Funds	
	General Fund	Highway Fund	Grant Fund	Reserve Fund	Other Gov. Funds	Totals
Revenues						
Property taxes	\$ 507,368	\$ 294,972	\$ 0	\$ 0	\$ 0	\$ 802,340
Delinquent tax penalties & interest	19,216	0	0	0	0	19,216
Intergovernmental	145,970	71,397	155,070	6,741	0	379,178
Fines, fees & licenses	11,266	0	0	0	0	11,266
Other charges for services	5,195	2,711	0	4,713	0	12,619
Donations	0	0	0	0	9,989	9,989
Investment income	246	0	0	115	4,067	4,428
Miscellaneous	19,725	0	0	100	2,300	22,125
Total revenues	708,986	369,080	155,070	11,669	16,356	1,261,161
Expenditures						
Current:						
General government	308,479	0	7,480	12,977	12,250	341,186
Highways	0	338,942	6,215	0	0	345,157
Public works	60,071	0	0	55,586	0	115,657
Public safety	117,821	0	0	12,789	0	130,610
Appropriations	9,570	0	0	0	0	9,570
Total current	495,941	338,942	13,695	81,352	12,250	942,180
Debt service:						
Principal	17,853	0	0	0	0	17,853
Interest	2,468	0	0	0	0	2,468
Total debt service	20,321	0	0	0	0	20,321
Capital outlays:						
Highways	0	0	141,375	63,380	0	204,755
Total capital outlays	0	0	141,375	63,380	0	204,755
Total expenditures	516,262	338,942	155,070	144,732	12,250	1,167,256
Excess Revenues (Expenditures)	192,724	30,138	0	(133,063)	4,106	93,905
Other Financing Sources (Uses)						
Transfers in	0	0	0	236,037	0	236,037
Transfers out	(119,922)	(116,115)	0	0	0	(236,037)
Total other financing sources (uses)	(119,922)	(116,115)	0	236,037	0	0
Net Change in Fund Balances (Deficit)	72,802	(85,977)	0	102,974	4,106	93,905
Fund Balances (Deficit) - January 1, 2021	397,285	107,094	(1,013)	557,217	253,623	1,314,206
Fund Balances (Deficit) - December 31, 2021	\$ 470,087	\$ 21,117	\$ (1,013)	\$ 660,191	\$ 257,729	\$ 1,408,111

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, 2021

EXHIBIT C

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 449,879	\$ 507,368	\$ 57,489
Delinquent taxes - penalty & interest	19,000	19,216	216
Intergovernmental	139,000	145,970	6,970
Fines, fees & licenses	7,740	11,266	3,526
Other charges for services	3,980	5,195	1,215
Investment income	1,600	246	(1,354)
Miscellaneous	14,000	19,725	5,725
Total revenues	635,199	708,986	73,787
EXPENDITURES			
General Government			
Administration			
Selectboard	8,873	8,345	528
Town Clerk	75,587	71,381	4,206
Town Treasurer	59,812	59,242	570
Office - Clerk & Treasurer	13,057	12,159	898
Delinquent tax collection	13,000	14,557	(1,557)
Town report	2,327	2,258	69
Elections	3,029	1,646	1,383
Listers	49,317	42,955	6,362
Insurance	10,922	11,193	(271)
Legal & professional	4,800	1,505	3,295
Dues	3,105	3,105	0
Short term interest & fees	100	116	(16)
Caledonia County tax	14,100	14,650	(550)
Total administration	258,029	243,112	14,917
Planning & Zoning			
Planning commission	671	323	348
Zoning	1,646	1,252	394
Total planning & zoning	2,317	1,575	742
Committees			
Recreation committee	1,875	1,561	314
Total committees	1,875	1,561	314
Other			
Cemeteries	9,478	11,798	(2,320)
Library	51,365	50,433	932
Total other	60,843	62,231	(1,388)
Total general government	323,064	308,479	14,585

TOWN OF GROTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

EXHIBIT C

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Public Works			
Town clock	477	540	(63)
Environment care	10,670	7,017	3,653
Streetlights	8,150	8,553	(403)
Community building	15,000	15,212	(212)
Town maintenance personnel	33,921	23,297	10,624
Tree warden	370	323	47
Miscellaneous	0	5,129	(5,129)
Total public works	68,588	60,071	8,517
Public Safety			
Animal control	675	638	37
Health Officer	968	807	161
Emergency Service - insurance	10,663	10,609	54
Emergency Service - general	36,150	35,987	163
FAST	25,233	22,289	2,944
Fire Dept.	34,720	24,259	10,461
Forest fire	1,808	1,238	570
First constable	17,314	15,933	1,381
Cruiser	2,950	2,808	142
Constable - insurance	3,253	3,253	0
Total public safety	133,734	117,821	15,913
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	9,570	9,570	0
Debt service			
Principal	17,853	17,853	0
Interest	2,468	2,468	0
Total debt service	20,321	20,321	0
Total expenditures	555,277	516,262	39,015

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, 2021

EXHIBIT C

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Excess Revenues (Expenditures)	79,922	192,724	112,802
Other Financing Sources (Uses)			
Transfers (out)	(119,922)	(119,922)	0
Total other financing sources (uses)	(119,922)	(119,922)	0
Net Change in Fund Balance	<u>\$ (40,000)</u>	72,802	<u>\$ 112,802</u>
Fund Balance - January 1, 2021		<u>397,285</u>	
Fund Balance - December 31, 2021		<u>\$ 470,087</u>	

TOWN OF GROTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - COMPARED TO BUDGET
HIGHWAY FUND
YEAR ENDED DECEMBER 31, 2021

EXHIBIT D

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 294,972	\$ 294,972	\$ 0
Intergovernmental revenue	67,000	71,397	4,397
Other charges for services	0	2,711	2,711
Total revenue	361,972	369,080	7,108
EXPENDITURES			
Current			
Highways			
Wages and benefits	182,472	176,744	5,728
Insurance	20,414	20,504	(90)
Contracted work	11,300	9,802	1,498
Infrastructure	6,300	7,894	(1,594)
Materials	67,836	61,789	6,047
Operating expenses	23,600	23,483	117
Repairs and maintenance	25,000	23,576	1,424
Garage expenses	11,250	11,867	(617)
Public works	4,780	3,283	1,497
Total expenditures	352,952	338,942	14,010
Excess Revenues (Expenditures)	9,020	30,138	21,118
Other Financing Sources (Uses)			
Transfers in (out)	(116,115)	(116,115)	0
Total other financing sources (uses)	(116,115)	(116,115)	0
Net Change in Fund Balance	\$ (107,095)	(85,977)	\$ 21,118
Fund Balance - January 1, 2021		107,094	
Fund Balance - December 31, 2021		\$ 21,117	

TOWN OF GROTON, VERMONT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, the ARPA Fund, the Grant Fund and the Reserve Fund. The non-major funds of the Town consist of the Cemetery

TOWN OF GROTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund, Library Fund, Food Shelf Fund and the FAST Fund. The General Fund is the main operating fund of the Town. The Highway Fund accounts for activities of the Highway Department. The ARPA Fund includes State and Local Fiscal Recovery Funds from the US Department of the Treasury to help recover from the Coronavirus pandemic. The Grant Fund accounts for grant money received and spent. 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 Town's fiscal year for property taxes, and six months for all other revenues) under the modified accrual

TOWN OF GROTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

basis of accounting that qualifies for reporting in this category. Accordingly, unavailable property tax revenue (formerly deferred property taxes), and long-term loan receivables are reported in the governmental funds balance sheet.

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, 2021
(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 (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The Town makes estimates and assumptions although the statements are not in accordance with GAAP. 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, 2021, the Town's bank balances were exposed to custodial credit risk as follows:

	Bank Balance
Insured by FDIC	\$ 458,968
Uninsured, collateralized by securities held by the pledging financial institution	<u>1,001,144</u>
Total	<u><u>\$ 1,460,112</u></u>

Investments

Credit Risk – investments. The Town does not have a formal investment policy that limits its investment choices. Investments at December 31, 2021 are recorded at cost and are as follows:

	Cost	Fair Value	Unrealized Gain/(Loss)
CD	\$ 31,799	\$ 31,799	\$ 0
Mutual funds	<u>11,309</u>	<u>24,892</u>	<u>13,583</u>
Total	<u><u>\$ 43,108</u></u>	<u><u>\$ 56,691</u></u>	<u><u>\$ 13,583</u></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, 2021
(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 2021, the amount of Town property taxes forgone as a result of the Current Use Program was approximately \$51,500. 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 2021 consisted of the following:

	Transfer in	Transfer out
General Fund	\$ 0	\$ 119,922
Highway Fund	0	116,115
Reserve Fund	236,037	0
	<u>\$ 236,037</u>	<u>\$ 236,037</u>

TOWN OF GROTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021
(Continued)

NOTE 4 - INTERFUND ACTIVITY (Continued)

The composition of due from (to) other funds at December 31, 2021 are as follows:

	Due from other funds	Due to other funds
General Fund	\$ 0	\$ 105,196
Highway Fund	0	2,623
ARPA Fund	146,680	0
Cemetery Fund	83	0
Library Fund	0	4,258
Reserve Fund	0	20,733
Food Shelf Fund	0	1,100
Grant Fund	0	12,853
	<u>\$ 146,763</u>	<u>\$ 146,763</u>

NOTE 5 - RECEIVABLES

Receivable balances as of December 31, 2021 were as follows:

Delinquent taxes, penalty & interest receivable	\$ 77,265
Due from School	11,596
Highway plowing	2,710
	<u>\$ 91,571</u>

NOTE 6 – UNEARNED REVENUE

Generally revenue from grants are recognized when the related expenditures are incurred. Any excess receipts at year end are recognized as unearned revenue. At December 31, 2021, the Town had unearned revenue of \$146,680 for unspent ARPA grant funds.

NOTE 7 – 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 8 – UNAVAILABLE REVENUE

Unavailable revenue in the General Fund of \$610,000 consist of loan repayments to be received in future years and \$66,018 for property taxes not received within sixty days after year end.

NOTE 9 - SHORT-TERM DEBT

In January 2021, the Town signed a tax anticipation note from Union Bank for \$174,000 with an interest rate of 1.1%, due December 31, 2021. The Town did not draw any funds on the note during the year.

TOWN OF GROTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021
(Continued)

NOTE 10 - LONG-TERM LIABILITIES

Long-term liabilities at December 31, 2021 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%.	\$ 57,160
Amount due within one year	<u>(18,440)</u>
Amount due after one year	<u><u>\$ 38,720</u></u>

Long-term debt will mature approximately as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 18,440	\$ 1,880	\$ 20,320
2023	19,047	1,274	20,321
2024	19,673	647	20,320
Total	<u><u>\$ 57,160</u></u>	<u><u>\$ 3,801</u></u>	<u><u>\$ 60,961</u></u>

The following is a summary of changes of long-term liabilities for the year ended December 31, 2021:

Balance at December 31, 2020	\$ 75,013
Principal payments	<u>(17,853)</u>
Balance at December 31, 2021	<u><u>\$ 57,160</u></u>

Interest of \$2,468 was paid on long-term debt in 2021.

NOTE 11 – BUDGETED DEFICIT

The Town elected to budget expenditures in excess of revenues by \$40,000 in the General Fund and \$107,095 in the Highway Fund in order to reduce the prior year fund balances. This is reflected as a budgeted deficiency in revenues over expenditures on Exhibit C and Exhibit D.

NOTE 12 – FUND DEFICIT

The Town's Grant Fund ended the 2021 year with a deficit of \$1,013. This is due to expenditures exceeding grant funds in previous years. The deficit should be eliminated in a future year by way of a transfer from the Highway Fund.

TOWN OF GROTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021
(Continued)

NOTE 13 – FUND BALANCES

The fund balances other than amounts unassigned are as follows:

	Nonspendable Fund Balance	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance
Highway operations	\$ 0	\$ 0	\$ 0	\$ 87
Highway inventory	21,030	0	0	0
Budgeted for 2022 General Fund exp.	0	0	0	100,000
Drainage project	0	0	150,000	0
Comm. Bldg expansion reserve	0	0	40,000	0
Community building property expense	0	0	16,445	0
Community building improv.	0	0	79,913	0
Emergency services - bldg	0	0	45,346	0
Emergency services - vehicles	0	0	92,307	0
Recreation	0	0	14,193	0
Town Emergency	0	0	13,739	0
Emergency Service Durable Equip.	0	0	37,140	0
Professional fees	0	0	1,476	0
Highway equipment	0	0	171,653	0
Highway paving	0	0	15,576	0
Highway infrastructure	0	0	72,262	0
Sidwalk	0	0	2,488	0
Constable durable equipment	0	0	7,065	0
Reappraisal	0	55,146	0	0
Records restoration	0	35,442	0	0
Cemeteries	0	10,563	0	111,183
Library	0	74,117	0	49,133
Food Shelf	0	12,119	0	0
FAST	0	614	0	0
Totals	<u>\$ 21,030</u>	<u>\$ 188,001</u>	<u>\$ 759,603</u>	<u>\$ 260,403</u>

NOTE 14 - 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 35% of gross pay through 6/30/21 and 3.25% effective 7/1/21 and employer contributions are 4.5% of gross pay through 6/30/21 and 4.75% effective 7/1/21.

TOWN OF GROTON, VERMONT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021
(Continued)

NOTE 14 - PENSION PLAN (Continued)

Of the Town's total payroll of \$313,843, \$209,399 was covered under the Vermont Municipal Employees' Retirement System. Total employer contributions to the Vermont Municipal Employees' Retirement Plan were \$9,686 for 2021.

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

NOTE 15 - 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 16 - 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, 2021 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 17 - COMMITMENTS

In 2021, the Town entered into a three year contract for cemetery mowing at a rate of \$11,460 per year for the years 2022, 2023 and 2024. The Town also entered into a three year contract for office cleaning services at rate of \$152 per week for the years 2022, 2023 and 2024. Future commitments under these contracts are as follows:

2022	\$ 19,364
2023	19,364
2024	<u>19,364</u>
Total	<u>\$ 58,092</u>

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 5, 2022, the date which the financial statements were available for issue.

In January, 2022, the Town signed a \$500,000 tax anticipation note with Union Bank at a rate of 1.15%, due December 30, 2022. As of October 5, 2022, no funds have been drawn on the note.

TOWN OF GROTON, VERMONT
 COMBINING AND INDIVIDUAL FUND BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 DECEMBER 31, 2021

	Special Revenue Funds				Total
	Cemetery Fund	Library Fund	Food Shelf Fund	FAST Fund	
ASSETS					
Current assets					
Cash and cash equivalents	\$ 111,100	\$ 21,592	\$ 1,100	\$ 0	\$ 133,792
Restricted cash	10,563	49,225	12,119	614	72,521
Investments	0	31,799	0	0	31,799
Restricted investments	0	24,892	0	0	24,892
Due from other funds	83	0	0	0	83
Total assets	<u>\$ 121,746</u>	<u>\$ 127,508</u>	<u>\$ 13,219</u>	<u>\$ 614</u>	<u>\$ 263,087</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other funds	<u>\$ 0</u>	<u>\$ 4,258</u>	<u>\$ 1,100</u>	<u>\$ 0</u>	<u>\$ 5,358</u>
FUND BALANCES					
Restricted	10,563	74,117	12,119	614	97,413
Assigned	111,183	49,133	0	0	160,316
Total fund balances	<u>121,746</u>	<u>123,250</u>	<u>12,119</u>	<u>614</u>	<u>257,729</u>
Total liabilities and fund balances	<u>\$ 121,746</u>	<u>\$ 127,508</u>	<u>\$ 13,219</u>	<u>\$ 614</u>	<u>\$ 263,087</u>

TOWN OF GROTON, VERMONT
 COMBINING AND INDIVIDUAL FUND SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2021

	Special Revenue Funds				
	Cemetery Fund	Library Fund	Food Shelf Fund	FAST Fund	Total
REVENUES					
Donations	\$ 0	\$ 3,720	\$ 6,269	\$ 0	\$ 9,989
Investment income	35	4,030	2	0	4,067
Other	2,300	0	0	0	2,300
Total revenues	2,335	7,750	6,271	0	16,356
EXPENDITURES	265	6,158	5,827	0	12,250
EXCESS REVENUES (EXPENDITURES)	2,070	1,592	444	0	4,106
FUND BALANCES - January 1, 2021	119,676	121,658	11,675	614	253,623
FUND BALANCES - December 31, 2021	<u>\$ 121,746</u>	<u>\$ 123,250</u>	<u>\$ 12,119</u>	<u>\$ 614</u>	<u>\$ 257,729</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, 2021, 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 5, 2022. We issued an adverse opinion due to management not presenting government-wide financial statements and not implementing GASB 68 related to pension disclosures.

Report on 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 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 or significant deficiencies may exist that were not identified.

Report on 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

FOTHERGILL SEGALE & VALLEY, CPAs

Montpelier, Vermont

Vermont Public Accountancy License #110

October 5, 2022