

**TOWN OF WATERFORD, VERMONT**

**AUDIT REPORT**

**DECEMBER 31, 2020**

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AUDIT REPORT  
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**Sullivan, Powers & Co., P.C.**  
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Independent Auditor's Report

Selectboard  
Town of Waterford, Vermont  
P.O. Box 56  
Lower Waterford, VT 05848-0056

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Waterford, Vermont as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town of Waterford, Vermont'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 the modified cash basis of accounting as described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***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 Town'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 Town'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.

### ***Basis for Qualified Opinions***

We did not audit the transfer station receipts because of inadequacies in the Town's controls over transfer station receipts during the year. We were unable to obtain sufficient appropriate audit evidence about the completeness of the transfer station receipts in the accompanying Statement of Activities – Modified Cash Basis and Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balances – General Fund (stated at \$37,544) by other auditing procedures.

### ***Qualified Opinions***

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinions” paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Town of Waterford, Vermont, as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in conformity with the modified cash basis of accounting, as described in Note I.D.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Town Purchasing Fund and the aggregate remaining fund information of the Town of Waterford, Vermont as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in conformity with the modified cash basis of accounting, as described in Note I.D.

### ***Change in Accounting Principles***

As described in Note I.E. to the financial statements, effective December 31, 2020, the Town implemented GASB Statement No. 84, “Fiduciary Activities”.

***Other Matters***

***Basis of Accounting***

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

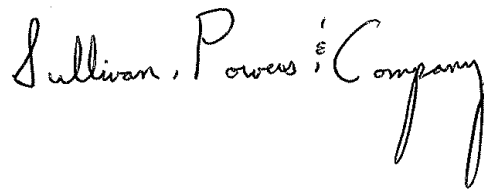
***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Waterford, Vermont's basic financial statements. The budgetary comparison information on Schedule 1 and the combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

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

In accordance with "Government Auditing Standards", we have also issued our report dated January 31, 2022 on our consideration of the Town of Waterford, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Waterford, Vermont's internal control over financial reporting and compliance.

January 31, 2022  
Montpelier, Vermont  
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized flourish at the end of the word "Company".

TOWN OF WATERFORD, VERMONT  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
DECEMBER 31, 2020

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 1,199,360
Investments	14,343
Deposits with Insurance Company	5,500
Due from Fiduciary Funds	<u>36,104</u>
Total Assets	<u>1,255,307</u>
<u>LIABILITIES</u>	
Due to State of Vermont	681
Payroll Withholdings Payable	<u>4,086</u>
Total Liabilities	<u>4,767</u>
<u>NET POSITION</u>	
Restricted:	
Non-Expendable:	
Perpetual Care	13,739
Expendable:	
Highways and Streets	187,337
Other	17,657
Unrestricted	<u>1,031,807</u>
Total Net Position	<u>\$ 1,250,540</u>

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

TOWN OF WATERFORD, VERMONT  
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Cash Receipts				Net (Disbursements)/ Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs:					
Governmental Activities:					
General Government	\$ 424,541	\$ 38,598	\$ 33,612	\$ 0	\$ (352,331)
Public Safety	62,622	694	695	3,453	(57,780)
Highways and Streets	743,527	400	148,039	0	(595,088)
Culture and Recreation	13,817	0	0	0	(13,817)
Cemetery	9,300	0	0	0	(9,300)
Solid Waste	34,610	37,544	0	0	2,934
Debt Service	91,303	0	0	0	(91,303)
Total Governmental Activities	\$ 1,379,720	\$ 77,236	\$ 182,346	\$ 3,453	(1,116,685)
General Receipts:					
Property Taxes					1,061,355
Penalties and Interest on Delinquent Taxes					31,637
General State Grants					24,569
Unrestricted Investment Earnings					2,381
Insurance Proceeds					45,099
Other					7,523
Total General Receipts					1,172,564
Change in Net Position					55,879
Net Position - January 1, 2020					1,194,661
Net Position - December 31, 2020					\$ 1,250,540

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



TOWN OF WATERFORD, VERMONT  
STATEMENT OF MODIFIED CASH BASIS ASSETS, LIABILITIES AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020

	General Fund	Town Purchasing Fund	Non-Major Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>ASSETS</u>				
Cash	\$ 1,199,360	\$ 0	\$ 0	\$ 1,199,360
Investments	14,343	0	0	14,343
Deposits with Insurance Company	5,500	0	0	5,500
Due from Other Funds	<u>0</u>	<u>187,337</u>	<u>349,524</u>	<u>536,861</u>
Total Assets	<u>\$ 1,219,203</u>	<u>\$ 187,337</u>	<u>\$ 349,524</u>	<u>\$ 1,756,064</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to State of Vermont	\$ 681	\$ 0	\$ 0	\$ 681
Payroll Withholdings Payable	4,086	0	0	4,086
Due to Other Funds	<u>500,757</u>	<u>0</u>	<u>0</u>	<u>500,757</u>
Total Liabilities	<u>505,524</u>	<u>0</u>	<u>0</u>	<u>505,524</u>
Fund Balances:				
Nonspendable	0	0	13,739	13,739
Restricted	0	187,337	17,657	204,994
Assigned	120,537	0	318,128	438,665
Unassigned	<u>593,142</u>	<u>0</u>	<u>0</u>	<u>593,142</u>
Total Fund Balances	<u>713,679</u>	<u>187,337</u>	<u>349,524</u>	<u>1,250,540</u>
Total Liabilities and Fund Balances	<u>\$ 1,219,203</u>	<u>\$ 187,337</u>	<u>\$ 349,524</u>	<u>\$ 1,756,064</u>

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

TOWN OF WATERFORD, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Town Purchasing Fund	Non-Major Governmental Funds	Total Governmental Funds
Cash Receipts:				
Property Taxes	\$ 1,061,355	\$ 0	\$ 0	\$ 1,061,355
Penalties and Interest on Delinquent Taxes	31,637	0	0	31,637
Intergovernmental	198,449	0	7,771	206,220
Charges for Services	42,559	0	0	42,559
Permits, Licenses and Fees	34,677	0	0	34,677
Investment Income	1,184	352	845	2,381
Donations	695	0	3,453	4,148
Other	7,523	0	0	7,523
<b>Total Cash Receipts</b>	<b>1,378,079</b>	<b>352</b>	<b>12,069</b>	<b>1,390,500</b>
Cash Disbursements:				
General Government	424,541	0	0	424,541
Public Safety	62,622	0	0	62,622
Highways and Streets	743,527	0	0	743,527
Culture and Recreation	13,817	0	0	13,817
Cemetery	9,300	0	0	9,300
Solid Waste	34,610	0	0	34,610
Debt Service:				
Principal	80,472	0	0	80,472
Interest	10,831	0	0	10,831
<b>Total Cash Disbursements</b>	<b>1,379,720</b>	<b>0</b>	<b>0</b>	<b>1,379,720</b>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	(1,641)	352	12,069	10,780
Other Financing Sources/(Uses):				
Insurance Proceeds	45,099	0	0	45,099
Transfers In	50,000	0	0	50,000
Transfers Out	0	0	(50,000)	(50,000)
<b>Total Other Financing Sources/(Uses)</b>	<b>95,099</b>	<b>0</b>	<b>(50,000)</b>	<b>45,099</b>
<b>Net Change in Fund Balances</b>	<b>93,458</b>	<b>352</b>	<b>(37,931)</b>	<b>55,879</b>
Fund Balances - January 1, 2020	620,221	186,985	387,455	1,194,661
Fund Balances - December 31, 2020	<u>\$ 713,679</u>	<u>\$ 187,337</u>	<u>\$ 349,524</u>	<u>\$ 1,250,540</u>

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

TOWN OF WATERFORD, VERMONT  
STATEMENT OF FIDUCIARY MODIFIED CASH BASIS NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2020

	Private-Purpose Trust Fund	Custodial Fund
	Eugenia Powers Fund	Education Tax Fund
<u>ASSETS</u>		
Due from Other Funds	\$ 960	\$ 0
Due from School District	<u>0</u>	<u>37,064</u>
Total Assets	<u>960</u>	<u>37,064</u>
<u>LIABILITIES</u>		
Due to Other Funds	<u>0</u>	<u>37,064</u>
Total Liabilities	<u>0</u>	<u>37,064</u>
<u>NET POSITION</u>		
Restricted	<u>960</u>	<u>0</u>
Total Net Position	<u>\$ 960</u>	<u>\$ 0</u>

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

TOWN OF WATERFORD, VERMONT  
STATEMENT OF CHANGES IN FIDUCIARY MODIFIED CASH BASIS NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	Private-Purpose Trust Fund	Custodial Fund
	Eugenia Powers Fund	Education Tax Fund
<u>ADDITIONS</u>		
Investment Income	\$ 1	\$ 0
Education Taxes Collected for Other Governments	0	2,591,781
Total Additions	1	2,591,781
<u>DEDUCTIONS</u>		
Education Taxes Distributed to Other Governments	0	2,591,781
Total Deductions	0	2,591,781
Change in Net Position	1	0
Net Position - January 1, 2020	959	0
Net Position - December 31, 2020	\$ 960	\$ 0

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

TOWN OF WATERFORD, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

The Town of Waterford, Vermont (herein the “Town”) operates under a Selectboard form of government and provides the following services: public safety, highways and streets, culture and recreation, cemetery, sanitation, health and social services, public improvements, planning and zoning and general administrative services.

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

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

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

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

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

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

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

TOWN OF WATERFORD, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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

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

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

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

The Town reports on the following major governmental funds:

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

Town Purchasing Fund – This fund accounts for the equipment expenditures of the Highway Department.

Additionally, the Town reports the following fund types:

Private-Purpose Trust Fund – This fund is used to report trust arrangements under which resources are to be used for the benefit of individuals. All investment earnings, and in some cases, the principal of these funds may be used to support these activities.

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

TOWN OF WATERFORD, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**C. Measurement Focus**

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

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

**D. Basis of Accounting**

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

The Town's policy is to prepare its financial statements generally on the basis of cash receipts and disbursements; consequently, certain revenue and related assets are recognized when received rather than when earned and certain expenditures and related liabilities are recognized when paid rather than when the obligation is incurred. The exceptions to this are that the Town records investments at cost, deposits with their insurance company for HRA benefits and reimbursements due from the School District for overpayment of education taxes as assets and amounts due to the State of Vermont for dog and marriage licenses and payroll withholdings payable as liabilities.

General capital asset acquisitions are reported as expenditures. Proceeds of general long-term debt, acquisitions under capital leases and insurance proceeds are reported as other financing sources.

**E. New Pronouncement – Fiduciary Activities**

Effective December 31, 2020, the Town implemented GASB Statement No. 84, “Fiduciary Activities”. GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This required moving certain items previously recorded through a General Fund liability account to the newly established custodial fund that reports additions and deductions for these activities. No restatement of beginning net position/fund balance was required in either fund. As a result, the collection and remittance of education taxes on behalf of other governments are now presented in a Custodial Fund.

TOWN OF WATERFORD, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**F. Assets, Liabilities and Equity**

**1. Cash**

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

**2. Investments**

The Town invests in investments as allowed by State Statute. Investments are reported at cost.

**3. Fund Equity**

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

**4. Interfund Receivables/Payables**

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

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget amendments during the year. The budget presented herein is for the Town's "General Fund" only and does not include the Act 200 Fund, the Tax Appeal Contingency Fund, the Selectboard Legal Fund, the Gravel Stockpile Fund, the Fire Department Hydrant Fund and the HRA Fund activity that is included with the General Fund as they do not qualify to be reported as separate special revenue funds.

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2020, expenditures in the General Fund exceeded appropriations by \$125,442. These over-expenditures were funded by excess revenues and available fund balance.



TOWN OF WATERFORD, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

Cash and investments as of December 31, 2020 consist of the following:

Cash:	
Deposits with Financial Institutions	\$1,199,310
Cash on Hand	<u>50</u>
Total Cash	1,199,360
Investments:	
Certificate of Deposit	<u>14,343</u>
Total Cash and Investments	<u>\$1,213,703</u>

The Town has one (1) certificate of deposit at Passumpsic Savings Bank in the amount of \$14,343 with an interest rate of 0.80%. This certificate of deposit will mature during fiscal year 2024.

**Custodial Credit Risk**

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

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	<u>\$1,213,653</u>	<u>\$1,229,281</u>

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

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$1,199,310
Investments – Certificate of Deposit	<u>14,343</u>
Total	<u>\$1,213,653</u>

TOWN OF WATERFORD, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
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**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. The Town’s certificate of deposit is not subject to interest rate risk disclosure.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town does not have any policy to limit the exposure to credit risk. The Town’s certificate of deposit is not subject to credit risk disclosure.

**Concentration of Credit Risk**

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

**B. Interfund Balances and Transfers**

Interfund balances as of December 31, 2020 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$500,757
Town Purchasing Fund	187,337	0
Non-Major Governmental Funds	349,524	0
Private-Purpose Trust Fund – Eugenia Powers Fund	960	0
Custodial Fund – Education Tax Fund	<u>0</u>	<u>37,064</u>
Total	<u>\$537,821</u>	<u>\$537,821</u>

Interfund transfers during the year ended December 31, 2020 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
Reappraisal Fund	General Fund	\$50,000	Appropriation

**C. Fund Balances**

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

TOWN OF WATERFORD, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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

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

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Town does not have any stabilization arrangements.

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

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

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

The fund balance in the following fund is nonspendable as follows:

Non-Major Funds

Permanent Fund:

Nonspendable Cemetery Fund Principal	<u>\$13,739</u>
Total Nonspendable Fund Balance	<u>\$13,739</u>

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

Major Funds

Town Purchasing Fund:

Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes) – Designated for Highway Equipment	<u>\$187,337</u>
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TOWN OF WATERFORD, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

Non-Major Funds

Special Revenue Funds:

Restricted for Lister Education Expenses by State Statute (Source of Revenue is Grant Revenue)	\$ 1,506
Restricted for Fire Department Memorial Expenses by Donations (Source of Revenue is Donations)	<u>2,702</u>
Total Special Revenue Funds	4,208

Capital Projects Funds:

Restricted for Fire Department Capital Expenditures by Donations (Source of Revenue is Donations)	3,453
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Permanent Fund:

Restricted for Cemetery Expenses by Sale of Lots (Source of Revenue is Lot Sales)	<u>9,996</u>
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Total Non-Major Funds	<u>17,657</u>
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Total Restricted Fund Balances	<u>\$204,994</u>
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The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:

Assigned for Act 200 Expenses	\$ 1,362
Assigned for Tax Appeal Expenses	14,653
Assigned for Selectboard Legal Expenses	2,954
Assigned for Gravel Stockpile Expenses	82,006
Assigned for Fire Department Expenses	11,617
Assigned for Fire Department Hydrants	4,937
Assigned for HRA Expenses	<u>3,008</u>

Total General Fund	<u>120,537</u>
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Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses	<u>121,280</u>
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TOWN OF WATERFORD, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2020

Capital Projects Funds:	
Assigned for Duck Pond Road Expenditures	\$ 13,864
Assigned for Building Maintenance Expenditures	9,785
Assigned for Compactor Expenditures	36,305
Assigned for Gillander's Pit Expenditures	4,410
Assigned for Fire Department Capital Expenditures	<u>132,484</u>
Total Capital Projects Funds	<u>196,848</u>
Total Non-Major Funds	<u>318,128</u>
Total Assigned Fund Balances	<u>\$438,665</u>

**D. Restricted Net Position**

The restricted net position in the Governmental Activities includes the nonspendable fund balances of \$13,739 and the restricted fund balances of \$204,994 for a total of \$218,733.

The net position held in trust for various purposes in the Town's Private-Purpose Trust Fund as of December 31, 2020 consisted of the following:

Private-Purpose Trust Fund:	
Restricted for Eugenia Powers History Books by Donations	<u>\$960</u>

**IV. OTHER INFORMATION**

**A. Pension Plan**

The Town maintains a SEP IRA pension plan for all eligible employees. To be eligible, an employee must be a minimum of twenty-one years old, have performed services for the Town in at least two (2) of the past five (5) fiscal years and have minimum annual wages of \$550. Employer contributions to each employee's SEP IRA are 6% of each participant's compensation. Total payroll for the year was \$367,157 while covered payroll was \$295,486. During the year, the Town contributed \$17,729 to the plan.

**B. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

TOWN OF WATERFORD, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2020

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

**C. Property Taxes**

The Town is responsible for assessing and collecting its own property taxes as well as education taxes for the State of Vermont. The tax rate is set by the Selectboard based on the voter approved budget, the estimated grand list and the State education property tax liability. Property taxes are due on October 15th. The penalty rate is eight percent (8%). Interest is charged at one percent (1%) per month. The tax rates for 2020 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Municipal	.5030	.5030
Local Agreement	.0028	.0028
Education	<u>1.6407</u>	<u>1.6401</u>
Total	<u>2.1465</u>	<u>2.1459</u>

**D. Long-term Debt**

The Town enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even though they may include clauses that allow for cancellation of the lease in the event the Town does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date of the leases.

Long-term debt outstanding as of December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Lease Payable, Municipal Leasing Credit Corporation, Western Star Truck, Principal and Interest Payments of \$20,858 Payable on July 10 Annually, Interest at 3.60%, Due July, 2025	\$110,779	\$ 0	\$16,870	\$ 93,909
Capital Lease Payable, Caterpillar Financial, Grader, Principal and Interest Payments of \$28,187 Payable On September 9 Annually, Interest at 2.25%, Due September, 2022	80,894	0	26,367	54,527

TOWN OF WATERFORD, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Lease Payable, Municipal Leasing Credit Corporation, Rescue Truck, Principal and Interest Payments of \$24,523 Payable on November 15 Annually, Interest at 2.79%, Due November, 2023	\$ 91,613	\$ 0	\$21,967	\$ 69,646
Capital Lease Payable, John Deere Financial, Loader, Principal and Interest Payments of \$17,735 Payable on August 23 Annually, Interest at 3%, Due August, 2024	<u>81,126</u>	<u>0</u>	<u>15,268</u>	<u>65,858</u>
Total	<u>\$364,412</u>	<u>\$ 0</u>	<u>\$80,472</u>	<u>\$283,940</u>

Maturities are estimated to be as follows:

<u>Year Ending December 31</u>	<u>Capital Leases</u>
2021	\$ 91,303
2022	91,303
2023	63,116
2024	38,593
2025	<u>20,858</u>
Total	305,173
Less: Imputed Interest	<u>(21,233)</u>
Total	<u>\$283,940</u>

**E. Subsequent Events**

On February 26, 2021, the Town approved a loan agreement with Passumpsic Savings Bank for the purchase of a Western Star truck in the amount of \$144,275 with an interest rate of 1.49% and a maturity date of February 26, 2026.

TOWN OF WATERFORD, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Cash Receipts:</b>			
Property Taxes	\$ 975,881	\$ 1,061,355	\$ 85,474
Delinquent Tax Interest	2,000	7,650	5,650
Delinquent Tax Penalties	0	4,288	4,288
Tax Sale Fees	0	681	681
Payment in Lieu of Taxes	750	895	145
Hold Harmless	21,000	23,674	2,674
Town Clerk Fees	16,925	29,257	12,332
Zoning, DRB and Subdivision Fees	1,925	3,645	1,720
Lister Education Grant Income	1,000	0	(1,000)
Interest	800	948	148
Transfer Station - Recycling	32,418	37,544	5,126
Post Office Rent	4,830	5,015	185
Library Salary Reimbursement	1,150	0	(1,150)
Transfer from Reappraisal Fund	50,000	50,000	0
Civil Fines	0	694	694
USDA Rural Development Grant Income	0	25,841	25,841
Miscellaneous Revenue	0	812	812
State Aid Highway	125,900	148,039	22,139
Overweight Truck Permits	0	400	400
Highway Insurance Proceeds	0	45,099	45,099
Miscellaneous Highway Revenue	0	6,711	6,711
Fire Department Donations	0	695	695
	<u>1,234,579</u>	<u>1,453,243</u>	<u>218,664</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
<b>General Expenses:</b>			
Administration - Selectboard	62,895	128,093	(65,198)
Library and Town Office Building	11,800	13,424	(1,624)
Town Clerk, Treasurer and Election	155,560	164,217	(8,657)
Auditor's	5,400	4,345	1,055
Delinquent Tax Collection	1,650	2,754	(1,104)
Tax Sale Expenses	0	1,200	(1,200)
Listers	62,850	52,925	9,925
Animal Control	200	809	(609)
Law Enforcement	6,000	3,228	2,772
Library	15,200	117	15,083
Transfer Station - Recycling	34,515	34,610	(95)
Development Review Board	1,707	520	1,187
Planning Board	3,695	409	3,286
Zoning Administrator	12,635	7,707	4,928
Community Appropriations	20,563	20,563	0
Cemetery Expenditures	17,800	9,300	8,500
County Tax	24,000	21,576	2,424
	<u>436,470</u>	<u>465,797</u>	<u>(29,327)</u>
<b>Total General Expenses</b>			
Highway Expenses:	<u>704,578</u>	<u>810,307</u>	<u>(105,729)</u>

See Disclaimer in Accompanying Independent Auditor's Report.



TOWN OF WATERFORD, VERMONT  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget	Actual	Variance Favorable/ (Unfavorable)
Fire Department:			
Insurance & Bond	\$ 9,500	\$ 9,520	\$ (20)
Fundraiser Expenses	0	875	(875)
Lease Payments	46,581	24,523	22,058
Firehouse Maintenance	500	3,376	(2,876)
Equipment Maintenance	4,500	361	4,139
Rescue Truck Maintenance	1,500	261	1,239
Tanker Maintenance	2,000	131	1,869
Engine 1 Maintenance	5,000	2,927	2,073
Forestry Truck F-1 Maintenance	0	134	(134)
Hydrant Maintenance	850	3,673	(2,823)
Equipment Purchase	5,500	11,048	(5,548)
Dispatch	5,800	5,614	186
Training Fire Fighters	900	0	900
Training EMTs	600	0	600
Wildland Grant Expense	0	1,276	(1,276)
Fees	0	360	(360)
Operating/Office Supplies	1,000	9,474	(8,474)
Utilities	1,500	1,843	(343)
Telephone	600	517	83
Internet	700	668	32
Heating Fuel	3,000	2,465	535
Gas, Oil, Diesel	2,000	185	1,815
Annual Dinner	1,000	513	487
Miscellaneous	500	4,173	(3,673)
	93,531	83,917	9,614
Total Fire Department	93,531	83,917	9,614
Total Cash Disbursements	1,234,579	1,360,021	(125,442)
Excess of Cash Receipts			
Over Cash Disbursements	\$ <u>0</u>	93,222	\$ <u>93,222</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Cash Basis of Accounting:			
Act 200 Fund Investment Income		3	
Tax Appeal Contingency Fund Investment Income		32	
Selectboard Legal Fund Investment Income		6	
Gravel Stockpile Fund Investment Income		176	
Fire Department Hydrant Fund Investment Income		11	
HRA Fund Investment Income		8	
Net Change in Fund Balance		93,458	
Fund Balance - January 1, 2020		620,221	
Fund Balance - December 31, 2020		\$ 713,679	

The reconciling items are due to combining six (6) funds, the Act 200 Fund, the Tax Appeal Contingency Fund, the Selectboard Legal Fund, the Gravel Stockpile Fund, the Fire Department Hydrant Fund and the HRA Fund with the General Fund in order to comply with GASB Statement No. 54.

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TOWN OF WATERFORD, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH BASIS  
 ASSETS, LIABILITIES AND FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2020

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Fund Cemetery Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Due from Other Funds	\$ <u>125,488</u>	\$ <u>200,301</u>	\$ <u>23,735</u>	\$ <u>349,524</u>
Total Assets	\$ <u><u>125,488</u></u>	\$ <u><u>200,301</u></u>	\$ <u><u>23,735</u></u>	\$ <u><u>349,524</u></u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balances:				
Nonspendable	0	0	13,739	13,739
Restricted	4,208	3,453	9,996	17,657
Assigned	<u>121,280</u>	<u>196,848</u>	<u>0</u>	<u>318,128</u>
Total Fund Balances	<u>125,488</u>	<u>200,301</u>	<u>23,735</u>	<u>349,524</u>
Total Liabilities and Fund Balances	\$ <u><u>125,488</u></u>	\$ <u><u>200,301</u></u>	\$ <u><u>23,735</u></u>	\$ <u><u>349,524</u></u>

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TOWN OF WATERFORD, VERMONT  
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
 AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Cemetery Fund	Total
Cash Receipts:				
Intergovernmental	\$ 7,771	\$ 0	\$ 0	\$ 7,771
Investment Income	277	420	148	845
Donations	0	3,453	0	3,453
Total Cash Receipts	8,048	3,873	148	12,069
Cash Disbursements:	0	0	0	0
Excess of Cash Receipts Over Cash Disbursements	8,048	3,873	148	12,069
Other Financing Sources/(Uses):				
Transfers Out	(50,000)	0	0	(50,000)
Total Other Financing Sources/(Uses)	(50,000)	0	0	(50,000)
Net Change in Fund Balances	(41,952)	3,873	148	(37,931)
Fund Balances - January 1, 2020	167,440	196,428	23,587	387,455
Fund Balances - December 31, 2020	\$ 125,488	\$ 200,301	\$ 23,735	\$ 349,524

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TOWN OF WATERFORD, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH BASIS  
 ASSETS, LIABILITIES AND FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2020

	<u>Reappraisal Fund</u>	<u>Lister Training Fund</u>	<u>Fire Department Memorial Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Due from Other Funds	\$ <u>121,280</u>	\$ <u>1,506</u>	\$ <u>2,702</u>	\$ <u>125,488</u>
Total Assets	\$ <u><u>121,280</u></u>	\$ <u><u>1,506</u></u>	\$ <u><u>2,702</u></u>	\$ <u><u>125,488</u></u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balances:				
Restricted	0	1,506	2,702	4,208
Assigned	<u>121,280</u>	<u>0</u>	<u>0</u>	<u>121,280</u>
Total Fund Balances	<u>121,280</u>	<u>1,506</u>	<u>2,702</u>	<u>125,488</u>
Total Liabilities and Fund Balances	\$ <u><u>121,280</u></u>	\$ <u><u>1,506</u></u>	\$ <u><u>2,702</u></u>	\$ <u><u>125,488</u></u>

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TOWN OF WATERFORD, VERMONT  
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
 AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Reappraisal Fund	Lister Training Fund	Fire Department Memorial Fund	Total
Cash Receipts:				
Intergovernmental	\$ 7,771	\$ 0	\$ 0	\$ 7,771
Investment Income	<u>268</u>	<u>3</u>	<u>6</u>	<u>277</u>
Total Cash Receipts	<u>8,039</u>	<u>3</u>	<u>6</u>	<u>8,048</u>
Cash Disbursements:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts Over Cash Disbursements	<u>8,039</u>	<u>3</u>	<u>6</u>	<u>8,048</u>
Other Financing Sources/(Uses):				
Transfers Out	<u>(50,000)</u>	<u>0</u>	<u>0</u>	<u>(50,000)</u>
Total Other Financing Sources/(Uses)	<u>(50,000)</u>	<u>0</u>	<u>0</u>	<u>(50,000)</u>
Net Change in Fund Balances	(41,961)	3	6	(41,952)
Fund Balances - January 1, 2020	<u>163,241</u>	<u>1,503</u>	<u>2,696</u>	<u>167,440</u>
Fund Balances - December 31, 2020	<u>\$ 121,280</u>	<u>\$ 1,506</u>	<u>\$ 2,702</u>	<u>\$ 125,488</u>

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TOWN OF WATERFORD, VERMONT  
 COMBINING SCHEDULE OF MODIFIED CASH BASIS  
 ASSETS, LIABILITIES AND FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 DECEMBER 31, 2020

	Duck Pond Road Fund	Building Maintenance Fund	Compactor Fund	Gillander's Pit Fund	Fire Department Capital Fund	Total
<u>ASSETS</u>						
Due from Other Funds	\$ <u>13,864</u>	\$ <u>9,785</u>	\$ <u>36,305</u>	\$ <u>4,410</u>	\$ <u>135,937</u>	\$ <u>200,301</u>
Total Assets	\$ <u>13,864</u>	\$ <u>9,785</u>	\$ <u>36,305</u>	\$ <u>4,410</u>	\$ <u>135,937</u>	\$ <u>200,301</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balances:						
Restricted	0	0	0	0	3,453	3,453
Assigned	<u>13,864</u>	<u>9,785</u>	<u>36,305</u>	<u>4,410</u>	<u>132,484</u>	<u>196,848</u>
Total Fund Balances	<u>13,864</u>	<u>9,785</u>	<u>36,305</u>	<u>4,410</u>	<u>135,937</u>	<u>200,301</u>
Total Liabilities and Fund Balances	\$ <u>13,864</u>	\$ <u>9,785</u>	\$ <u>36,305</u>	\$ <u>4,410</u>	\$ <u>135,937</u>	\$ <u>200,301</u>

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TOWN OF WATERFORD, VERMONT  
 COMBINING SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS  
 AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Duck Pond Road Fund	Building Maintenance Fund	Compactor Fund	Gillander's Pit Fund	Fire Department Capital Fund	Total
Cash Receipts:						
Investment Income	\$ 30	\$ 21	\$ 77	\$ 4	\$ 288	\$ 420
Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,453</u>	<u>3,453</u>
Total Cash Receipts	<u>30</u>	<u>21</u>	<u>77</u>	<u>4</u>	<u>3,741</u>	<u>3,873</u>
Cash Disbursements:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	30	21	77	4	3,741	3,873
Fund Balances - January 1, 2020	<u>13,834</u>	<u>9,764</u>	<u>36,228</u>	<u>4,406</u>	<u>132,196</u>	<u>196,428</u>
Fund Balances - December 31, 2020	<u>\$ 13,864</u>	<u>\$ 9,785</u>	<u>\$ 36,305</u>	<u>\$ 4,410</u>	<u>\$ 135,937</u>	<u>\$ 200,301</u>

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**Sullivan, Powers & Co., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with  
"Government Auditing Standards"

Selectboard  
Town of Waterford, Vermont  
P.O. Box 56  
Lower Waterford, Vermont 05848-0056

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Waterford, Vermont, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town of Waterford, Vermont's basic financial statements, and have issued our report thereon dated January 31, 2022. Our opinion on the governmental activities and the General Fund was qualified because of the inadequacies in the Town's controls over transfer station receipts.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of Waterford, Vermont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Waterford, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Waterford, Vermont's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, we identified certain deficiencies that we consider to be material weaknesses and others that we consider to be significant deficiencies.



A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Waterford, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2020-01 through 2020-03 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Items 2020-04 through 2020-07 to be significant deficiencies.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of Waterford, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards".

We also noted certain other matters that we reported to the management of the Town of Waterford, Vermont in a separate letter dated January 31, 2022.

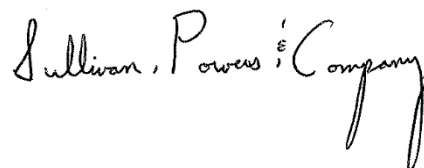
### ***Town of Waterford, Vermont's Response to Deficiencies in Internal Control***

The Town of Waterford, Vermont's response to the deficiencies in internal control identified in our audit is included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Town of Waterford, Vermont's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Waterford, Vermont's internal control or on compliance. This report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Waterford, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

January 31, 2022  
Montpelier, Vermont  
VT Lic. #92-000180



TOWN OF WATERFORD, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
DECEMBER 31, 2020

Deficiencies in Internal Control:

Material Weaknesses:

2020-01 Reconciliation of Bank Statements

*Criteria:*

Internal controls should be in place to ensure that all bank accounts are reconciled to the general ledger on a monthly basis.

*Condition:*

The Town does not have controls in place to ensure that all bank accounts are being reconciled to the general ledger. This resulted in variances that were required to be researched and adjusted.

*Cause:*

Unknown.

*Effect:*

The Town's financial records may not report the true cash position of the Town at a given date.

*Recommendation:*

We recommend that the bank accounts be reconciled to the general ledger on a monthly basis so that errors can be detected and corrected.

2020-02 Property Tax Reconciliation

*Criteria:*

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

*Condition:*

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

TOWN OF WATERFORD, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
DECEMBER 31, 2020

*Cause:*

Unknown.

*Effect:*

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

*Recommendation:*

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

2020-03 Budgeted Transfers

*Criteria:*

Internal controls should be in place to review all budgeted transfers to determine whether intended transfers have been made.

*Condition:*

The budgeted transfer from the Reappraisal Fund to the General Fund was not made during the year as intended.

*Cause:*

Unknown.

*Effect:*

The Town's General Fund fund balance was understated and the Reappraisal Fund fund balance was overstated.

*Recommendation:*

We recommend that the Town review all budgeted transfers and verify all intended transfers are made.

TOWN OF WATERFORD, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
DECEMBER 31, 2020

Significant Deficiencies:

2020-04 Reconciliation of HRA Account Activity

*Criteria:*

Internal controls should be in place to ensure that the HRA Account activity is reconciled to the general ledger on a monthly basis.

*Condition:*

The Town does not have controls in place to ensure that the HRA Account activity is being reconciled to the general ledger. This resulted in variances that were required to be researched and adjusted.

*Cause:*

Unknown.

*Effect:*

Adjustments were required to correct the deposits with insurance company and related account balances.

*Recommendation:*

We recommend that the Town implement controls to ensure that the HRA account activity is reconciled to the general ledger on a monthly basis so that errors can be detected and corrected.

2020-05 Authorization of General Journal Entries

*Criteria:*

Internal controls should be in place that requires appropriate officials to authorize and review all adjustments to the books of original entry.

*Condition:*

The Town has a policy in place to require authorization of adjustments to the books of original entry, however this policy was not consistently followed during the year.

*Cause:*

Unknown.

TOWN OF WATERFORD, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
DECEMBER 31, 2020

*Effect:*

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

*Recommendation:*

We recommend that the Town comply with the policy that requires appropriate officials to authorize all general journal entries so as not to circumvent the original approval process.

2020-06 Transfer Station Revenues

*Criteria:*

Internal controls over transfer station revenues should be in place so that no individual can both perpetrate and conceal errors or irregularities.

*Condition:*

Internal controls over issuing pre-numbered receipts, reconciling to the general ledger and monitoring the proper recording of cash receipts are inadequately designed. There are inadequate controls in place to detect and prevent fraudulent activities related to the cash collected at the Transfer Station. In addition, receipts are not mandated to be given to customers.

*Cause:*

Unknown.

*Effect:*

The collections at the transfer station are subject to misappropriation.

*Recommendation:*

Our primary recommendation is that the Town consider selling transfer station coupons off-site at the Town Treasurer's office or at local businesses on weekends. If sales take place at the transfer station, a cash register should be used and a reconciliation needs to be done to compare the cash receipts to the actual cash collected. We recommend that the Town require pre-numbered cash receipts or the receipt from a cash register be issued to all customers.

TOWN OF WATERFORD, VERMONT  
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL  
DECEMBER 31, 2020

2020-07 Approval of Invoices

*Criteria:*

Internal Controls should be in place to ensure that all invoices are approved by the department heads or Selectboard Chair.

*Condition:*

It is the policy of the Town that the department heads or Selectboard Chair approve all invoices before they are paid. There were several instances where invoices were paid without the proper approval.

*Cause:*

Unknown.

*Effect:*

The Town has expended funds without proper approval.

*Recommendation:*

We recommend the Town document approval on all invoices.



Town of Waterford  
P.O. Box 56  
Lower Waterford, VT 05848-0056  
Phone: (802) 748-2122  
[www.waterfordvt.org](http://www.waterfordvt.org)

To: Sullivan, Powers & Co.  
Fr: Interim Town Treasurer, Town of Waterford  
Re: Response to Schedule of Deficiencies in Internal Controls  
Date: March 1, 2022

I took over as the Interim Town Treasurer for the Town of Waterford effective February 1, 2022. I have reviewed the audit and the list of deficiencies that were found. While I don't have all of the answers yet I will work towards addressing all findings.

2020-01 Reconciliation of Bank Statements

Interim Town Treasurer will meet monthly with the three Town Auditors to reconcile all bank accounts to the general ledger.

2020-02 Property Tax Reconciliation

Interim Town Treasurer will add this to the list of items that need to be completed at the year-end 2022.

2020-03 Budgeted Transfers

Interim Town Treasurer will add this to the list of items that need to be completed at the year-end 2022.

2020-04 Reconciliation of HRA Account Activity

Further research is needed to address this item.

2020-05 Authorization of General Journal Entries

Interim Town Treasurer is currently working with NEMRC to update the general ledger to ensure all modules are connected correctly. Moving forward a review of the general ledger will be done quarterly. Appropriate approval will be received for any adjusting entries that need to be made.



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### 2020-06 Transfer Station Revenues

This item will require further research and a conversation with the select board.

Internal controls for the "changing of hands" of transfer station revenue has been implemented by the Interim Town Treasurer. This process requires the counting of revenue turned into the office and a signature sign off that confirms amount turned in and received.

### 2020-07 Approval of Invoices

This item has been corrected by the Interim Town Treasurer. All invoices are approved before payment is made.

The Town Treasurer's position is up for election at Waterford's upcoming Town Meeting on April 5, 2022. If I am elected to this position, I will work with the Selectboard to update the policies referenced as recommendations. I will also work to address a fraud risk assessment, changes to payroll, and the documentation of internal controls.

I look forward to working with you in the future,

A handwritten signature in black ink that reads "Heather M. Gonyaw". The signature is written in a cursive style.

Heather M. Gonyaw  
Interim Town Treasurer  
Town of Waterford