

**TOWN OF GRAFTON, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2013**

TOWN OF GRAFTON, VERMONT  
 AUDIT REPORT  
 TABLE OF CONTENTS  
 JUNE 30, 2013

		<u>Page #</u>
Independent Auditor's Report		1-2
Basic Financial Statements:		
Government-Wide Financial Statements		
Statement of Net Position	Exhibit A	3
Statement of Activities	Exhibit B	4
Fund Financial Statements		
Balance Sheet ó Governmental Funds	Exhibit C	5
Statement of Revenues, Expenditures and Changes in Fund Balances ó Governmental Funds	Exhibit D	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit E	7
Statement of Revenue, Expenditures and Changes in Fund Balance ó Budget and Actual ó General Fund	Exhibit F	8-14
Statement of Fiduciary Net Position ó Fiduciary Funds	Exhibit G	15
Statement of Changes in Fiduciary Net Position ó Fiduciary Funds	Exhibit H	16
Notes to the Financial Statements		17-33
Combining Fund Financial Statements:		
Combining Statement of Fiduciary Net Position ó Fiduciary Funds ó Private Purpose Trust Funds	Schedule 1	34
Combining Statement of Changes in Fiduciary Net Position ó Fiduciary Funds - Private Purpose Trust Funds	Schedule 2	35

TOWN OF GRAFTON, VERMONT  
AUDIT REPORT  
TABLE OF CONTENTS  
JUNE 30, 2013

Page #

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

36-37

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

77 Barre Street  
P.O. Box 947  
Montpelier, VT 05601  
802/223-2352  
[www.sullivanpowers.com](http://www.sullivanpowers.com)

Fred Duplessis, CPA  
Richard J. Brigham, CPA  
Chad A. Hewitt, CPA  
Wendy C. Gilwee, CPA  
[VT Lic. #92-000180](http://VT.Lic.#92-000180)

Independent Auditor's Report

Selectboard  
Town of Grafton, Vermont  
P.O. Box 180  
Grafton, VT 05146

***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 Grafton, Vermont, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Grafton, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 of Grafton, Vermont'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 of Grafton, Vermont's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Grafton, Vermont, as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

As described in Note I.F. to the financial statements, effective June 30, 2013, the Town of Grafton, Vermont implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position".

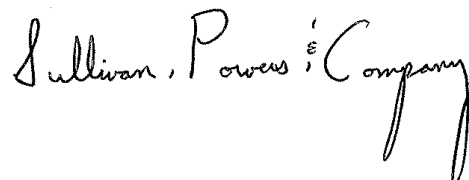
Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Grafton, Vermont's basic financial statements. 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 do not express an 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 February 20, 2014 on our consideration of the Town of Grafton, 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 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 Grafton, Vermont's internal control over financial reporting and compliance.

February 20, 2014  
Montpelier, Vermont  
VT Lic. #92-000180



TOWN OF GRAFTON, VERMONT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 675,138
Investments	888,918
Grants Receivable - Flood	198,099
Other Receivables	84,450
Capital Assets	
Land	168,300
Other Capital Assets, (Net of Accumulated Depreciation)	<u>2,682,096</u>
Total Assets	<u>4,697,001</u>
<u>LIABILITIES</u>	
Accounts Payable	73,113
Due to Delinquent Tax Collector	6,314
Tax Sale Escrow	5,326
Noncurrent Liabilities - Due in More than One Year	<u>11,968</u>
Total Liabilities	<u>96,721</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	2,850,396
Restricted	955,634
Unrestricted	<u>794,250</u>
Total Net Position	<u>\$ 4,600,280</u>

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

TOWN OF GRAFTON, VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Total Governmental Activities
Functions/Programs:						
Governmental Activities:						
General Government	\$ 269,160	\$ 38,793	\$ 48,791	\$ 0		\$ (181,576)
Cemetery	20,473	900	0	0		(19,573)
Public Works	1,257,373	0	1,029,698	6,623		(221,052)
Sanitation	1,262	0	0	0		(1,262)
Culture and Recreation	10,375	0	0	0		(10,375)
Public Safety	51,760	1,260	0	0		(50,500)
Library	61,915	284	3,009	0		(58,622)
Debt Service	47,385	0	0	0		(47,385)
Total Governmental Activities	\$ 1,719,703	\$ 41,237	\$ 1,081,498	\$ 6,623		(590,345)
General Revenues:						
Property Taxes						1,039,931
Interest and Penalties on Delinquent Taxes						17,657
Unrestricted Investment Earnings						90,104
Donations						12,807
Other Revenues						322
Total General Revenues						1,160,821
Change in Net Position						570,476
Net Position - July 1, 2012, As Restated						4,029,804
Net Position - June 30, 2013						\$ 4,600,280

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

TOWN OF GRAFTON, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General Fund	Capital Projects Fund	Library Fund	Trustees of Public Funds Fund	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 593,858	\$ 0	\$ 20,623	\$ 60,657	\$ 675,138
Investments	30,739	0	818,242	39,937	888,918
Grants Receivable - Flood	198,099	0	0	0	198,099
Other Receivables	84,450	0	0	0	84,450
Due from Other Funds	0	223,850	0	0	223,850
 Total Assets	 \$ 907,146	 \$ 223,850	 \$ 838,865	 \$ 100,594	 \$ 2,070,455
<u>LIABILITIES</u>					
Accounts Payable	\$ 8,472	\$ 62,873	\$ 1,768	\$ 0	\$ 73,113
Due to Delinquent Tax Collector	6,314	0	0	0	6,314
Due to Other Funds	223,850	0	0	0	223,850
Tax Sale Escrow	5,326	0	0	0	5,326
 Total Liabilities	 243,962	 62,873	 1,768	 0	 308,603
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Property Taxes, Penalties and Interest	58,500	0	0	0	58,500
Unavailable Grants	79,877	0	0	0	79,877
 Total Deferred Inflows of Resources	 138,377	 0	 0	 0	 138,377
<u>FUND BALANCES</u>					
Nonspendable	0	0	0	76,472	76,472
Restricted	17,943	0	837,097	24,122	879,162
Assigned	12,046	160,977	0	0	173,023
Unassigned	494,818	0	0	0	494,818
 Total Fund Balances	 524,807	 160,977	 837,097	 100,594	 1,623,475
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$ 907,146	 \$ 223,850	 \$ 838,865	 \$ 100,594	

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.	2,850,396
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.	138,377
Long Term and Accrued Liabilities, Including Compensated Absences, are not Due or Payable in the Current Period and, therefore, are not Reported in the Funds.	(11,968)
Net Position of Governmental Activities	\$ 4,600,280

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



TOWN OF GRAFTON, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Capital Projects Fund	Library Fund	Trustees of Public Funds Fund	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$ 915,627	\$ 139,000	\$ 1,300	\$ 0	\$ 1,055,927
Penalties and Interest on Delinquent Taxes	17,657	0	0	0	17,657
Intergovernmental Revenues	1,362,989	6,623	500	0	1,370,112
Charges for Services	13,134	0	284	0	13,418
Licenses and Permits	1,095	0	0	0	1,095
Investment Income	1,463	0	84,163	4,478	90,104
Donations	5,000	0	7,807	0	12,807
Insurance Reimbursement	9,299	0	0	0	9,299
Rental Income - Town Hall	8,150	0	0	0	8,150
Other Income	4,666	0	2,831	961	8,458
<b>Total Revenues</b>	<u>2,339,080</u>	<u>145,623</u>	<u>96,885</u>	<u>5,439</u>	<u>2,587,027</u>
<b>Expenditures:</b>					
General Government	265,507	0	0	0	265,507
Cemetery	20,473	0	0	0	20,473
Public Works	1,066,743	28,658	0	0	1,095,401
Sanitation	1,262	0	0	0	1,262
Culture and Recreation	10,375	0	0	0	10,375
Public Safety	39,760	12,000	0	0	51,760
Library	0	0	61,915	0	61,915
Capital Outlay: Public Works	900	237,069	0	0	237,969
Debt Service: Interest	45,206	2,179	0	0	47,385
<b>Total Expenditures</b>	<u>1,450,226</u>	<u>279,906</u>	<u>61,915</u>	<u>0</u>	<u>1,792,047</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>888,854</u>	<u>(134,283)</u>	<u>34,970</u>	<u>5,439</u>	<u>794,980</u>
<b>Other Financing Sources/(Uses):</b>					
Transfer In	392	0	0	0	392
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>(392)</u>	<u>(392)</u>
<b>Total Other Financing Sources/(Uses)</b>	<u>392</u>	<u>0</u>	<u>0</u>	<u>(392)</u>	<u>0</u>
<b>Net Changes in Fund Balances</b>	<u>889,246</u>	<u>(134,283)</u>	<u>34,970</u>	<u>5,047</u>	<u>794,980</u>
Fund Balances/(Deficit) - July 1, 2012, As Restated	<u>(364,439)</u>	<u>295,260</u>	<u>802,127</u>	<u>95,547</u>	<u>828,495</u>
<b>Fund Balances - June 30, 2013</b>	<u>\$ 524,807</u>	<u>\$ 160,977</u>	<u>\$ 837,097</u>	<u>\$ 100,594</u>	<u>\$ 1,623,475</u>

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

TOWN OF GRAFTON, VERMONT  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2013

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Change in fund balances - total government funds (Exhibit D)	\$	794,980
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost (\$237,969) of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$160,725). This is the amount by which capital outlays exceeded depreciation in the current period.		77,244
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(296,848)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, while the repayment of certain liabilities consumes current financial resources but has no effect on net position. This amount is the net effect of these differences in the treatment of expenses.		<u>(4,900)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>570,476</u></u>

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

TOWN OF GRAFTON, VERMONT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenue:			
Tax Revenue:			
Property Taxes	\$ 838,148	\$ 830,924	\$ (7,224)
State of Vermont Current Use	<u>70,000</u>	<u>84,703</u>	<u>14,703</u>
Total Tax Revenue	<u>908,148</u>	<u>915,627</u>	<u>7,479</u>
Interest and Penalties:			
Interest on Overdue Taxes	5,000	7,528	2,528
8% Penalty on Delinquent Taxes	<u>2,500</u>	<u>10,129</u>	<u>7,629</u>
Total Interest and Penalties	<u>7,500</u>	<u>17,657</u>	<u>10,157</u>
Licenses and Permits:			
Liquor Licenses	350	375	25
Dog Licenses	<u>400</u>	<u>720</u>	<u>320</u>
Total Licenses and Permits	<u>750</u>	<u>1,095</u>	<u>345</u>
Intergovernmental Revenue:			
State of Vermont - Highways	115,000	122,303	7,303
State of Vermont - In Lieu of Taxes	600	947	347
State of Vermont - Reappraisal	0	5,995	5,995
State of Vermont - Civil Fines	0	1,260	1,260
State of Vermont - Other	0	2,388	2,388
U.S Department of Agriculture - NRCS	0	42,796	42,796
U.S Government/FEMA	0	1,083,001	1,083,001
Federal Aid Highways	<u>0</u>	<u>104,299</u>	<u>104,299</u>
Total Intergovernmental Revenue	<u>115,600</u>	<u>1,362,989</u>	<u>1,247,389</u>
Charges for Services:			
Town Clerk's Fees	5,000	7,086	2,086
Preservation of Records	0	5,918	5,918
Copying Fees	100	0	(100)
Dump Fees	<u>500</u>	<u>130</u>	<u>(370)</u>
Total Charges for Services	<u>5,600</u>	<u>13,134</u>	<u>7,534</u>
Interest Earned:	<u>1,000</u>	<u>1,463</u>	<u>463</u>

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

TOWN OF GRAFTON, VERMONT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Miscellaneous Revenues:			
Town Hall Rent	\$ 8,000	\$ 8,150	\$ 150
VLCT Insurance Checks	0	9,299	9,299
Grants	0	2,320	2,320
Other Revenue	0	5,000	5,000
Permits	<u>500</u>	<u>1,415</u>	<u>915</u>
Total Miscellaneous Revenues	<u>8,500</u>	<u>26,184</u>	<u>17,684</u>
Interfund Revenues:			
Cemetery Trust Funds	300	74	(226)
Village Park Trust Funds	100	29	(71)
Wilson Park Trust Funds	200	289	89
Sherwin Cambridge Fund	<u>350</u>	<u>931</u>	<u>581</u>
Total Interfund Revenues	<u>950</u>	<u>1,323</u>	<u>373</u>
Total Revenue	<u>1,048,048</u>	<u>2,339,472</u>	<u>1,291,424</u>
Expenditures:			
Salaries/Compensation:			
Select Board	5,000	5,000	0
Select Board Town Administrator	30,788	27,002	3,786
Town Treasurer	15,000	21,072	(6,072)
Town Clerk	28,346	28,306	40
Assistant Town Clerk/Treasurer	7,500	1,091	6,409
Flood Administrator	0	14,912	(14,912)
Listers	7,000	5,833	1,167
Auditors	2,000	630	1,370
Trustee of Public Funds	500	500	0
Constables and Insurance	500	338	162
Collector of Delinquent Taxes	2,500	6,721	(4,221)
Health Officer	1,000	1,000	0
Forest Fire Warden	<u>250</u>	<u>250</u>	<u>0</u>
Total Salaries/Compensation	<u>100,384</u>	<u>112,655</u>	<u>(12,271)</u>

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

TOWN OF GRAFTON, VERMONT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Benefits:</b>			
Social Security (FICA)	\$ 6,224	\$ 7,543	\$ (1,319)
Medicare	1,455	1,729	(274)
Employee Health Insurance	36,047	36,811	(764)
Employee Dental Insurance	1,300	774	526
Retirement	5,019	4,024	995
Worker's Compensation	936	1,178	(242)
Unemployment Insurance	300	170	130
	<u>51,281</u>	<u>52,229</u>	<u>(948)</u>
<b>Town Meetings and Elections:</b>			
Ballot Clerk Compensation	900	733	167
Town Reports	2,500	3,329	(829)
Other Town Meeting/Election Expense	280	60	220
	<u>3,680</u>	<u>4,122</u>	<u>(442)</u>
<b>Operating Expenses:</b>			
Office Supplies	2,000	2,163	(163)
Postage	1,450	1,764	(314)
Telephone	2,500	1,981	519
Copier Expense	1,400	1,535	(135)
Computer Expense	4,000	3,743	257
Travel - Town Officials	2,000	2,017	(17)
Dues - Town Officials	150	95	55
Conferences	2,000	1,397	603
Dog Expense	120	102	18
Preservation of Records	0	2,021	(2,021)
Liability Insurance	1,800	2,359	(559)
Public Official Insurance	2,300	2,479	(179)
Officers Bond	100	0	100
Kidder Bridge Insurance	70	0	70
Advertising	100	155	(55)
Other Professional Services	2,000	0	2,000
Legal Expense/Tax Appeals	5,000	410	4,590
Legal Expense	5,000	3,153	1,847
Professional Auditor	15,900	26,348	(10,448)
Other Operating Expenses	1,000	485	515
	<u>48,890</u>	<u>52,207</u>	<u>(3,317)</u>

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

TOWN OF GRAFTON, VERMONT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Sanitation:			
Dump Attendant	\$ 1,800	\$ 1,262	\$ 538
Stump Dump	<u>500</u>	<u>0</u>	<u>500</u>
Total Sanitation	<u>2,300</u>	<u>1,262</u>	<u>1,038</u>
Recreation & Parks:			
Swimming Pool	600	730	(130)
Town Greens	600	517	83
Village Park	50	0	50
Wilson Park	<u>400</u>	<u>433</u>	<u>(33)</u>
Total Recreation & Parks	<u>1,650</u>	<u>1,680</u>	<u>(30)</u>
Cemeteries:			
Labor	22,000	15,225	6,775
Benefits - FICA and Worker's Compensation	2,000	1,217	783
Supplies	600	447	153
Equipment	600	299	301
Other Expense	<u>1,500</u>	<u>3,285</u>	<u>(1,785)</u>
Total Cemeteries	<u>26,700</u>	<u>20,473</u>	<u>6,227</u>
Other Town Expenses:			
VLCT Dues	1,400	1,387	13
County Tax	11,000	7,601	3,399
Street & Bridge Lights	1,600	1,578	22
Grafton Public Library	1,300	1,250	50
Planning Commission	2,000	1,500	500
Windham Regional Commission	1,050	1,181	(131)
G. Aiken Conservation Center	100	0	100
Emergency Management	1,200	720	480
Hydrant Maintenance	2,000	16,113	(14,113)
Sheriff's Department	2,000	1,806	194
Memorial Day	<u>250</u>	<u>250</u>	<u>0</u>
Total Other Town Expenses	<u>23,900</u>	<u>33,386</u>	<u>(9,486)</u>

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

TOWN OF GRAFTON, VERMONT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Town Hall Expenses:			
Supplies	\$ 250	\$ 197	\$ 53
Insurance	2,300	2,887	(587)
Heat	5,000	4,609	391
Electricity	1,500	1,448	52
Cleaning	600	0	600
Repairs & Maintenance	10,000	1,127	8,873
Snow Removal	1,200	640	560
Payphone	<u>750</u>	<u>0</u>	<u>750</u>
Total Town Hall Expenses	<u>21,600</u>	<u>10,908</u>	<u>10,692</u>
Debt Service:	<u>66,000</u>	<u>45,206</u>	<u>20,794</u>
Other Voted Articles:			
Ambulance Service	9,000	8,760	240
Fireman's Operating Budget	23,000	23,000	0
FAST Squad	8,000	8,000	0
Humanitarian Articles	<u>8,385</u>	<u>8,695</u>	<u>(310)</u>
Total Other Voted Articles	<u>48,385</u>	<u>48,455</u>	<u>(70)</u>
Highway Salaries/Compensation:			
Labor - Regular Hours	125,020	133,162	(8,142)
Labor - Overtime	13,000	12,649	351
Labor - Temporary	<u>0</u>	<u>216</u>	<u>(216)</u>
Total Highway Salaries/Compensation	<u>138,020</u>	<u>146,027</u>	<u>(8,007)</u>
Highway Benefits:			
Social Security (FICA)	8,600	8,281	319
Medicare	2,011	1,974	37
Health Insurance	43,652	44,225	(573)
Dental Insurance	1,300	1,000	300
Retirement- Highway	6,900	7,126	(226)
Worker's Compensation	7,800	8,404	(604)
Unemployment Insurance	1,340	527	813
Uniforms	<u>4,600</u>	<u>5,268</u>	<u>(668)</u>
Total Highway Benefits	<u>76,203</u>	<u>76,805</u>	<u>(602)</u>

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

TOWN OF GRAFTON, VERMONT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Fuel:			
Truck 1 - 2011 International	\$ 7,600	\$ 10,805	\$ (3,205)
Truck 2 - 2007 Sterling	7,000	7,293	(293)
Truck 3 - 2008 Ford F550	5,700	5,207	493
Loader - 2001 John Deere	4,000	3,462	538
Grader - 1995 Caterpillar	7,000	7,345	(345)
Backhoe - 1998 John Deere	2,000	2,046	(46)
Chipper	300	112	188
Small Equipment	<u>500</u>	<u>34</u>	<u>466</u>
Total Fuel	<u>34,100</u>	<u>36,304</u>	<u>(2,204)</u>
Repairs and Maintenance:			
Truck 1 - 2011 International	2,500	4,743	(2,243)
Truck 2 - 2007 Sterling	3,500	6,897	(3,397)
Truck 3 - 2008 Ford F550	4,000	5,351	(1,351)
Loader - 2001 John Deere	6,000	3,990	2,010
Grader - 1995 Caterpillar	2,000	4,989	(2,989)
Plows and Sanders	12,000	12,388	(388)
Backhoe - 1998 John Deere	2,000	1,804	196
Chipper	500	0	500
Small Equipment	<u>1,000</u>	<u>2,591</u>	<u>(1,591)</u>
Total Repairs and Maintenance	<u>33,500</u>	<u>42,753</u>	<u>(9,253)</u>
Contracted Services:			
Mowing Contractors	3,800	3,488	312
Plowing Contractors	3,500	0	3,500
Tree Removal Contractors	2,000	900	1,100
Retreatment Contractors	105,000	105,000	0
Bridge Maintenance	12,000	38	11,962
Street Sweeping Contracts	4,000	1,800	2,200
Beaver Maintenance	1,500	1,500	0
Small Equipment Rental	2,000	1,828	172
Other Contracted Services	<u>3,000</u>	<u>824</u>	<u>2,176</u>
Total Contracted Services	<u>136,800</u>	<u>115,378</u>	<u>21,422</u>

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



TOWN OF GRAFTON, VERMONT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Materials and Supplies:			
Culvert Expenses	\$ 5,000	\$ 4,233	\$ 767
Cold Patch	1,500	1,118	382
Gravel Crushing and Hauling	28,000	12,667	15,333
Road Repair Material	10,000	8,033	1,967
Salt	50,000	45,696	4,304
Sand	45,000	56,594	(11,594)
Chloride	6,000	2,682	3,318
Road Signs	8,000	2,193	5,807
Miscellaneous Supplies	2,000	41	1,959
Total Materials and Supplies	155,500	133,257	22,243
Town Garage:			
Supplies and Tools/Inventory	5,000	6,505	(1,505)
Radio	1,200	600	600
Telephone	1,200	1,017	183
Insurance	1,200	1,134	66
Heat	5,000	4,476	524
Electricity	1,800	1,165	635
Repairs and Maintenance	6,000	9,346	(3,346)
Plans for New Town Shed	0	9,075	(9,075)
Pagers for Highway Workers	600	538	62
Total Town Garage	22,000	33,856	(11,856)
Other Expenses:			
Training	250	150	100
Advertising	200	428	(228)
Liability Insurance - Highway	3,000	3,690	(690)
Equipment Insurance	5,000	5,698	(698)
Safety Equipment	1,000	1,964	(964)
Miscellaneous Highway Expenses	200	132	68
Total Other Expenses	9,650	12,062	(2,412)
Hurricane Irene:	47,505	471,201	(423,696)
Total Expenditures	1,048,048	1,450,226	(402,178)
Excess of Revenue Over Expenditures	\$ 0	889,246	\$ 889,246
Fund Balance/(Deficit) - July 1, 2012		(364,439)	
Fund Balance - June 30, 2013		\$ 524,807	

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

TOWN OF GRAFTON, VERMONT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

	<u>Private Purpose Trust Funds</u>
<u>ASSETS</u>	
Cash	\$ 16,429
Investments	<u>23,715</u>
Total Assets	<u>40,144</u>
<u>LIABILITIES</u>	
Total Liabilities	<u>0</u>
<u>NET POSITION</u>	
Held in Trust for Various Purposes	<u>40,144</u>
Total Net Position	<u><u>\$ 40,144</u></u>

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

TOWN OF GRAFTON, VERMONT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Investment Earnings:	
Net Investment Income	\$ <u>172</u>
Total Additions	<u>172</u>
<u>DEDUCTIONS:</u>	
Care of the Indigent and Needy	321
Miscellaneous Expense	<u>95</u>
Total Deductions	<u>416</u>
Change In Net Position	(244)
Net Position - July 1, 2012	<u>40,388</u>
Net Position - June 30, 2013	\$ <u><u>40,144</u></u>

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

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

The Town of Grafton, Vermont, (herein the "Town") operates under a Selectboard form of government and provides the following services: public safety, highways and streets, solid waste, culture and recreation, public improvements, planning and zoning and general administrative services.

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

The accounting policies adopted by the Town of Grafton, Vermont (the "Town") conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. 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 funds of the Town of Grafton, Vermont. The 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 burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there are no 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, liabilities, deferred inflows and outflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. 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 and present a longer-term view of the Town's finances. 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 and present a shorter-term view of how operations were financed and what remains available for future spending.

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

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 taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function or program. Program revenues 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. Revenues that are not classified as program revenues, including all taxes, are presented as 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 of governmental and fiduciary are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental funds:

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

Capital Projects Fund ó This fund accounts for the capital project activities of the Town.

Library Fund ó This fund accounts for library related expenditures of the Town.

Trustees of Public Funds Fund ó The fund accounts for the assets held by the Town in trust for various purposes.

Additionally, the Town reports the following fund type:

Private Purpose Trust Funds ó These funds are used to report trust arrangements under which resources are to be used for the benefit of the indigent, elderly, destitute and for payments to the library and church. Only investment earnings may be used to support these activities.

### **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. This means that all assets, liabilities and deferred inflows and outflows of resources associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., net total position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets, current liabilities and deferred inflows and outflows of resources are generally reported on their balance sheets. Their reported fund balances (net current assets) 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., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

**D. Basis of Accounting**

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

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and sales of capital assets are reported as other financing sources.

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. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**E. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**F. New Pronouncement – Deferred Outflows/Inflows of Resources**

Effective June 30, 2013, the Town implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". GASB Statement No 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, introduced and defined in GASB Concepts Statement No. 4. This statement amends the net asset reporting requirements in Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, "deferred outflows of resources", represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows of resources", represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items which arise under the modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, "unavailable revenue", is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources; unavailable property taxes, penalties and interest and unavailable grant revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**G. Assets, Liabilities and Equity**

**1. Cash**

Cash balances of most 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 with readily determinable fair values are reported at fair value on the balance sheet. Unrealized gains and losses are included in revenue.

**3. Receivables**

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

**4. Due To/From Other Funds**

Transactions between funds that are representative of lending/borrowing arrangement 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 to/from other funds.

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

**5. Capital Assets**

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Infrastructure assets are reported starting with fiscal year ended June 30, 2004. The Town has elected to not report major general infrastructure assets retroactively.

Capital assets reported in the government-wide financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.



TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

The Town does not capitalize their library books because they are considered a collection.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Service Life</u>
Land	\$ 1	N/A
Vehicles and Equipment	\$ 2,500	3-20 Years
Buildings and Building Improvements	\$ 5,000	10-75 Years
Infrastructure	\$ 10,000	8-25 Years

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are acquired.

**6. Compensated Absences**

It is the Town's policy to permit employees to accumulate earned but unused vacation. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid in the governmental funds.

**7. Long-term Liabilities**

Long-term liabilities include obligations such as compensated absences. Long-term liabilities are reported in the government-wide financial statements. Governmental fund financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

**8. Fund Equity**

Fund Balances and Net Position are 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 the 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 of governmental funds 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 Town's intended use of the resources); and unassigned.

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND  
AND GOVERNMENT-WIDE STATEMENTS**

Governmental Fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, while government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as an other financing source, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The budgets are approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget changes during the year.

**B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2013, the Town expended \$402,178 more than appropriated in the General Fund. These overexpenditures were funded by excess revenues.

**C. Restatement of Net Position/Fund Balance**

The Town restated its governmental activities net position and its Library Fund fund balance as of June 30, 2013 in order to include the Library Fund which was previously excluded from the financial statements in order to comply with accounting principles generally accepted in the United States of America.

TOWN OF GRAFTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2013

The Net Position as of June 30, 2013 was restated as follows:

Governmental Activities

Net Position, As Originally Reported	\$ 3,227,677
Understatement of Cash - Library Fund	3,099
Understatement of Investments - Library Fund	799,993
Understatement of Payroll Liability - Library Fund	<u>(965)</u>
Net Position - As Restated	<u>\$ 4,029,804</u>

The fund balance of the Library Fund as of June 30, 2013 was restated as follows:

Fund Balance ó June 30, 2012 As Originally Reported	\$ 0
Adjustment to include the fund balance of the Library Fund	<u>802,127</u>
Fund Balance ó June 30, 2012 As Restated	<u>\$802,127</u>

The net effect of the restatement on the June 30, 2012 statement of net position and Balance Sheet is that assets were understated by \$803,091, liabilities were understated by \$965 and the fund balance/net position was understated by \$802,127. The effect on the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances for the year ended June 30, 2012 has not been determined.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

Cash and investments at June 30, 2013 consisted of the following:

Cash:

Demand Deposits with Financial Institutions	\$691,495
Cash on Hand	<u>72</u>
Total Cash	<u>\$691,567</u>

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

Investments:

Certificates of Deposits	\$ 60,454
Corporate Bonds	125,302
Tax-Exempt Bonds	30,705
Mutual Funds	605,246
U.S. Treasury Strips	31,839
Federal Home Loan Bank Bond	25,150
Stock	<u>33,937</u>
 Total Investments	 <u>\$912,633</u>

The Town has several certificates of deposits in place with amounts ranging from \$1,100 to \$25,401 with interest rates ranging from .15% to .40% and terms from six (6) months to one (1) year.

**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 corporate bonds, tax exempt bonds, mutual funds, U.S. Treasury Strips and stocks are not exposed to custodial credit risk because they are in the name of the Town. The following table shows the custodial credit risk of the Town's demand deposits with financial institutions and certificates of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured by FDIC	\$396,337	\$ 397,525
Uninsured, Collateralized by Irrevocable Standby Letter of Credit Issued by the Federal Home Loan Bank of Pittsburgh	<u>355,612</u>	<u>398,041</u>
	<u>\$751,949</u>	<u>\$ 795,566</u>

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

**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 certificates of deposit are not subject to interest rate risk disclosure. Corporate stock is exempt from this analysis.

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity. Mutual funds are shown at their weighted average maturity (if available) and the U.S. Treasury Strips and corporate bonds are shown at their actual maturity.

Investment Type	Remaining Maturity			Total
	Less Than 1 Year	1 to 5 Years	Not Available	
Mutual Funds	\$ 0	\$ 0	\$ 605,246	\$ 605,246
U.S. Treasury Strips	0	31,839	0	31,839
Tax Exempt Bonds	0	0	30,705	30,705
Corporate Bonds	26,171	99,131	0	125,302
Federal Home Loan Bank Bond	25,150	0	0	25,150
Total	\$ 51,321	\$ 130,970	\$ 635,951	\$ 818,242

**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's certificates of deposit, tax-exempt bonds, mutual funds, U.S. Treasury strips and stock are exempt from this analysis. The Town does not have any policy to limit the exposure to credit risk.

	Standard and Poor's Rating as of June 30, 2013 Corporate and Federal Home Loan Bank Bonds
AAA	\$ 25,150
AA	25,625
A	75,462
BAA	24,215
Total	\$ 150,452

**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 98% of their stock invested in General Electric, Inc.

**B. Grants Receivable – Flood**

Grants Receivable - Flood consists of federal and state grant monies to be received for the reimbursement of Hurricane Irene expenses.

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**C. Other Receivables**

Other receivables at June 30, 2013, as reported in the statement of net position, are as follows:

	Governmental Activities
Delinquent Taxes	\$ 69,702
Penalties and Interest on Delinquent Tax	14,660
Fire Department Reimbursement Receivable	88
Total	\$ 84,450

Management believes that all receivables are collectible, thus, no allowance for doubtful accounts has been recorded.

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 167,400	\$ 900	\$ 0	\$ 168,300
Total Capital Assets, Not Being Depreciated	167,400	900	0	168,300
Capital Assets, Being Depreciated:				
Vehicles & Equipment	625,830	239,136	62,000	802,966
Buildings and Building Improvements	198,151	0	0	198,151
Infrastructure	2,545,094	0	0	2,545,094
Totals	3,369,075	239,136	62,000	3,546,211
Less Accumulated Depreciation for:				
Vehicles & Equipment	310,903	64,475	59,933	315,445
Buildings and Building Improvements	79,576	2,917	0	82,493
Infrastructure	372,844	93,333	0	466,177
Totals	763,323	160,725	59,933	864,115
Total Capital Assets, Being Depreciated	2,605,752	78,411	2,067	2,682,096
Governmental Activities Capital Assets, Net	\$ 2,773,152	\$ 79,311	\$ 2,067	\$ 2,850,396

TOWN OF GRAFTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2013

Depreciation was charged as follows:

Governmental Activities:		
General Government	\$	1,353
Public Works		<u>159,372</u>
Total Depreciation Expense - Governmental Activities		\$ <u><u>160,725</u></u>

**E. Interfund Balances and Activity**

The Due To/From Balances as of June 30, 2013 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 223,850
Capital Projects Fund	<u>223,850</u>	<u>0</u>
Total	\$ <u><u>223,850</u></u>	\$ <u><u>223,850</u></u>

Interfund transfers during the year ended June 30, 2013 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
Trustees of Public Funds Fund	General Fund	\$ <u>392</u>	Transfer Investment Earnings
Total		\$ <u><u>392</u></u>	

**F. Unavailable Revenue**

Unavailable Revenue in the General Fund consists of \$58,500 of delinquent taxes and interest on those taxes and \$79,877 in Grants Receivable ó Flood not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities. Total Deferred Revenue in the General Fund is \$138,377.

TOWN OF GRAFTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2013

**G. Long-term Liabilities**

Compensated Absences ó Vacation is accrued on an annual basis. It is the policy of the Town of Grafton to permit employees to accumulate earned but unused vacation benefits through December 31. Employees may elect to carryforward up to fifteen (15) sick days or have them paid out upon termination. Compensated Absences are paid by the applicable fund where the employee is charged.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Compensated Absences Payable	\$ 7,068	\$ 4,900	\$ 0	\$ 11,968	\$ 0
Total Governmental Activities Long-Term Liabilities	\$ 7,068	\$ 4,900	\$ 0	\$ 11,968	\$ 0

**H. 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.

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. Governments are required to disclose in the notes key information about their stabilization arrangements, including the authority by which they were established, provisions for additions to the stabilization amount, and circumstances under which those amounts may be spent. The Town does not have any stabilization arrangements.



TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. Because users are interested in information about those minimum fund balance policies and how governments comply with them, governments are required to explain their minimum fund balance policies, if they have them, in notes to the financial statements. 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 fund balances in the following funds are nonspendable as follows:

Nonmajor Funds

Nonspendable for Cemetery Upkeep Expenses by Bequest	\$36,535
Nonspendable for Wilson Park Upkeep Expenses by Bequest	33,937
Nonspendable for Village Park Upkeep Expenses by Bequest	<u>6,000</u>
Total Nonspendable Fund Balances	<u>\$76,472</u>

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

Major Funds

General Fund:

Restricted for Town Clerk Restoration Expenses by Statute	\$ 17,943
---	-----------

Library Fund:

Restricted for Library Expenses by Grants, Fees and Donations	<u>837,097</u>
--	----------------

Total Major Funds	<u>855,040</u>
-------------------	----------------

Nonmajor Funds

Restricted for Cemetery Upkeep Expenses Unexpended Earnings on Bequest	4,411
Restricted for Wilson Park by Donor Bequest	<u>19,711</u>

Total Nonmajor Funds	<u>24,122</u>
----------------------	---------------

Total Restricted Fund Balances	<u>\$879,162</u>
--------------------------------	------------------

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

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

Major Funds

General Fund:

Assigned for Reappraisal Expenses (Source of Revenue is Grant Revenue from the State)	\$ 12,046
---	-----------

Capital Projects Fund:

Assigned for Capital Projects	<u>160,977</u>
-------------------------------	----------------

Total Assigned Fund Balances	<u>\$ 173,023</u>
------------------------------	-------------------

**I. Restricted Net Position**

The net position of the governmental activities are restricted as follows:

Restricted by Grant Fees and Donations ó Library	\$ 837,097
Restricted by Bequest ó Cemetery	40,946
Restricted by Statute ó Town Clerk Restoration Fund	17,943
Restricted by Bequest ó Wilson Park	53,648
Restricted by Bequest ó Village Park	<u>6,000</u>
Total Restricted Net Position	<u>\$ 955,634</u>

**J. Net Position Held in Trust for Various Purposes**

The net position held in trust for various purposes in the Town's Private Purpose Trust Funds at June 30, 2013 consisted of the following:

Restricted for S.B. Jones Library and Church Fund by Donations	\$ 702
Restricted for Grafton Fund by Donations	7,938
Restricted for Edward Campbell Fund by Bequest	19,159
Restricted for Woolson Fund by Bequest	10,211
Restricted for Dean Baker Fund by Donations	1,100
Restricted for Edward Walker Fund by Donations	<u>1,034</u>
Total Private Purpose Trust Funds	<u>\$ 40,144</u>

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**V. OTHER INFORMATION**

**A. BENEFIT PLANS**

All eligible employees of the Town are covered under the State of Vermont Municipal Employees' Retirement Plan. The Plan requires that both the Town and employees contribute to the Plan which provides retirement, disability and death benefits. The Town has elected to participate in VMERS Plan B which require all eligible employees to contribute 4.5% of gross wages while the Town contributes 5%. The Town pays all costs accrued each year for the Plan. The premise of the Plan is to provide a retirement plan covering municipal employees at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont municipal employees. Activity in this Plan is done in the aggregate, not by municipality. The net position available for benefits as well as the present value of vested and nonvested plan benefits by municipality are not available.

Total payroll for the year was \$262,164 while covered payroll was \$222,991. Pension expense for the year ending June 30, 2013, 2012 and 2011 was \$11,150, \$11,957 and \$10,797, respectively.

Additional information regarding the State of Vermont Municipal Employees' Retirement Plan is available upon request from the State of Vermont.

**B. CONTINGENT LIABILITIES**

The Town is a participating member in the Southern Windsor/Windham Counties Solid Waste District. The Town could be subject to a portion of the District's debt if the District experiences financial problems.

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**C. RISK MANAGEMENT**

The Town of Grafton 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 of Grafton 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 of Grafton. 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 GRAFTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2013

The Town of Grafton, Vermont is also a member of the Vermont League of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

**D. 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 Board of Selectmen based on the voter approved budget, the estimated grand list and the State education property tax liability. Property taxes are assessed based on property valuations as of April 1 and the approved budgets. Taxes are collected four (4) times per year. During the tax year ended June 30, 2013, taxes became due and payable on August 15, 2012, November 15, 2012, February 15, 2013 and May 15, 2013. The penalty is eight percent (8%). Interest is charged at one percent (1%) per month for the first three months and one and one-half percent (1-1/2%) per month for each month thereafter.

The tax rates for 2013 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	1.2137	1.3466
Highway	.2800	.2800
Capital Projects	.0900	.0900
Local Agreements	.0128	.0128
Town	.1500	.1500
FEMA Expenses	.0300	.0300
Debt Service Interest	<u>.0400</u>	<u>.0400</u>
Total	<u>\$1.8165</u>	<u>\$1.9494</u>

TOWN OF GRAFTON, VERMONT  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 JUNE 30, 2013

	S.B. Jones Library and Church Fund	Grafton Fund	Campbell Fund	Woolson Fund	Dean Baker Fund	Edward Walker Fund	Totals
<u>ASSETS</u>							
Cash	\$ 702	\$ 2,938	\$ 7,567	\$ 4,188	\$ 0	\$ 1,034	\$ 16,429
Investments	<u>0</u>	<u>5,000</u>	<u>11,592</u>	<u>6,023</u>	<u>1,100</u>	<u>0</u>	<u>23,715</u>
<b>TOTAL ASSETS</b>	<u>\$ 702</u>	<u>\$ 7,938</u>	<u>\$ 19,159</u>	<u>\$ 10,211</u>	<u>\$ 1,100</u>	<u>\$ 1,034</u>	<u>\$ 40,144</u>
<u>LIABILITIES AND NET POSITION</u>							
Liabilities:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Position:							
Held in Trust for Various Purposes	<u>702</u>	<u>7,938</u>	<u>19,159</u>	<u>10,211</u>	<u>1,100</u>	<u>1,034</u>	<u>40,144</u>
Total Net Position	<u>702</u>	<u>7,938</u>	<u>19,159</u>	<u>10,211</u>	<u>1,100</u>	<u>1,034</u>	<u>40,144</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 702</u>	<u>\$ 7,938</u>	<u>\$ 19,159</u>	<u>\$ 10,211</u>	<u>\$ 1,100</u>	<u>\$ 1,034</u>	<u>\$ 40,144</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF GRAFTON, VERMONT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	S.B. Jones Library and Church Fund	Grafton Fund	Campbell Fund	Woolson Fund	Dean Baker Fund	Edward Walker Fund	Totals
<u>ADDITIONS:</u>							
Investment Earnings:							
Net Investment Income	\$ 1	\$ 19	\$ 102	\$ 45	\$ 5	\$ 0	\$ 172
Total Additions	<u>1</u>	<u>19</u>	<u>102</u>	<u>45</u>	<u>5</u>	<u>0</u>	<u>172</u>
<u>DEDUCTIONS:</u>							
Care of the Indigent and Needy	0	316	0	0	5	0	321
Miscellaneous Expense	<u>0</u>	<u>0</u>	<u>68</u>	<u>27</u>	<u>0</u>	<u>0</u>	<u>95</u>
Total Deductions	<u>0</u>	<u>316</u>	<u>68</u>	<u>27</u>	<u>5</u>	<u>0</u>	<u>416</u>
Change In Net Position	1	(297)	34	18	0	0	(244)
Net Position - July 1, 2012	<u>701</u>	<u>8,235</u>	<u>19,125</u>	<u>10,193</u>	<u>1,100</u>	<u>1,034</u>	<u>40,388</u>
Net Position - June 30, 2013	<u>\$ 702</u>	<u>\$ 7,938</u>	<u>\$ 19,159</u>	<u>\$ 10,211</u>	<u>\$ 1,100</u>	<u>\$ 1,034</u>	<u>\$ 40,144</u>

See Disclaimer in Accompanying Independent Auditor's Report.

# Sullivan,Powers & Co.,P.C.

CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street  
P.O. Box 947  
Montpelier, VT 05601  
802/223-2352  
[www.sullivanpowers.com](http://www.sullivanpowers.com)

Fred Duplessis, CPA  
Richard J. Brigham, CPA  
Chad A. Hewitt, CPA  
Wendy C. Gilwee, CPA  
[VT Lic. #92-000180](#)

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 Grafton, Vermont  
P.O. Box 180  
Grafton, VT 05146

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 Grafton, Vermont, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Town of Grafton, Vermont's basic financial statements, and have issued our report thereon dated February 20, 2014.

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

In planning and performing our audit of the financial statements, we considered the Town of Grafton, 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 Grafton, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Grafton, Vermont's internal control.

A deficiency in internal controls 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 Grafton, Vermont'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 the attention of 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. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

However, we noted certain other matters that we reported in a separate letter to the management of the Town of Grafton, Vermont dated February 20, 2014.

### **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 Grafton, 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 Grafton, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

February 20, 2014  
Montpelier, Vermont  
VT Lic. #92-000180

