

TOWN OF GRAFTON, VERMONT

AUDIT REPORT

JUNE 30, 2014

TOWN OF GRAFTON, VERMONT
 AUDIT REPORT
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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, 2014, 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 previously 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, 2014, 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

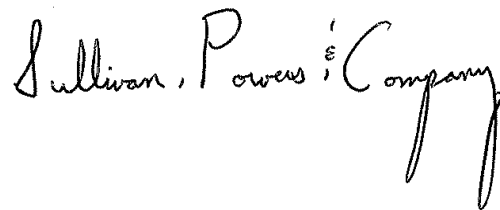
Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

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 January 8, 2015 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.

January 8, 2015
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 initial 'S' and a long, sweeping tail on the 'y'.

TOWN OF GRAFTON, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 830,017
Investments	968,151
Receivables	93,587
Capital Assets	
Land	168,300
Construction in Progress	33,207
Other Capital Assets, (Net of Accumulated Depreciation)	<u>2,694,865</u>
Total Assets	<u>4,788,127</u>
<u>LIABILITIES</u>	
Accounts Payable	14,338
Accrued Payroll	8,313
Due to Delinquent Tax Collector	6,970
Tax Sale Escrow	5,326
Noncurrent Liabilities - Due in More than One Year	<u>12,835</u>
Total Liabilities	<u>47,782</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	2,896,372
Restricted for:	
Library Expenses	924,227
Cemetery Upkeep Expenses	42,167
Parks Upkeep Expenses	65,671
Records Restoration	17,943
Unrestricted	<u>793,965</u>
Total Net Position	<u>\$ 4,740,345</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, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Functions/Programs:					
Governmental Activities:					
General Government	\$ 263,228	\$ 27,227	\$ 5,928	\$ 0	\$ (230,073)
Cemetery	24,034	0	0	0	(24,034)
Public Works	860,967	0	207,918	63,900	(589,149)
Sanitation	1,063	0	0	0	(1,063)
Culture and Recreation	9,723	0	10,500	0	777
Public Safety	51,781	0	0	0	(51,781)
Library	56,701	285	7,683	0	(48,733)
	<u>\$ 1,267,497</u>	<u>\$ 27,512</u>	<u>\$ 232,029</u>	<u>\$ 63,900</u>	<u>(944,056)</u>
General Revenues:					
Property Taxes					908,450
Interest and Penalties on Delinquent Taxes					17,906
Unrestricted Investment Earnings					131,534
Other Revenues					1,231
Gain on Sale of Vehicle					25,000
					<u>1,084,121</u>
Change in Net Position					140,065
Net Position - July 1, 2013					<u>4,600,280</u>
Net Position - June 30, 2014					<u>\$ 4,740,345</u>

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

TOWN OF GRAFTON, VERMONT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2014

	General Fund	Capital Projects Fund	Library Fund	Trustees of Public Funds Fund	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 733,525	\$ 0	\$ 33,418	\$ 63,074	\$ 830,017
Investments	30,785	0	892,602	44,764	968,151
Receivables	93,587	0	0	0	93,587
Due from Other Funds	<u>0</u>	<u>120,172</u>	<u>0</u>	<u>0</u>	<u>120,172</u>
Total Assets	<u>\$ 857,897</u>	<u>\$ 120,172</u>	<u>\$ 926,020</u>	<u>\$ 107,838</u>	<u>\$ 2,011,927</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 12,545	\$ 0	\$ 1,793	\$ 0	\$ 14,338
Accrued Payroll	8,313	0	0	0	8,313
Due to Delinquent Tax Collector	6,970	0	0	0	6,970
Due to Other Funds	120,172	0	0	0	120,172
Tax Sale Escrow	<u>5,326</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,326</u>
Total Liabilities	<u>153,326</u>	<u>0</u>	<u>1,793</u>	<u>0</u>	<u>155,119</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Property Taxes, Penalties and Interest	<u>55,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>55,000</u>
Total Deferred Inflows of Resources	<u>55,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>55,000</u>
<u>FUND BALANCES</u>					
Nonspendable	0	0	0	81,299	81,299
Restricted	17,943	0	924,227	26,539	968,709
Committed	300,000	0	0	0	300,000
Assigned	17,974	120,172	0	0	138,146
Unassigned	<u>313,654</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>313,654</u>
Total Fund Balances	<u>649,571</u>	<u>120,172</u>	<u>924,227</u>	<u>107,838</u>	<u>1,801,808</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 857,897</u>	<u>\$ 120,172</u>	<u>\$ 926,020</u>	<u>\$ 107,838</u>	

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.	2,896,372
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.	55,000
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.	<u>(12,835)</u>
Net Position of Governmental Activities	<u>\$ 4,740,345</u>

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, 2014

	General Fund	Capital Projects Fund	Library Fund	Trustees of Public Funds Fund	Total Governmental Funds
Revenues:					
Property Taxes	\$ 851,527	\$ 139,000	\$ 1,300	\$ 0	\$ 991,827
Penalties and Interest on Delinquent Taxes	17,906	0	0	0	17,906
Intergovernmental Revenues	221,442	63,900	4,000	0	289,342
Charges for Services	6,954	0	285	0	7,239
Licenses and Permits	946	0	0	0	946
Investment Income	1,437	0	124,063	6,034	131,534
Donations	0	0	10,500	0	10,500
Rental Income - Town Hall	8,441	0	0	0	8,441
Sale of Vehicle	0	25,000	0	0	25,000
Other Income	3,290	0	3,683	1,231	8,204
Total Revenues	<u>1,111,943</u>	<u>227,900</u>	<u>143,831</u>	<u>7,265</u>	<u>1,490,939</u>
Expenditures:					
General Government	261,875	0	0	0	261,875
Cemetery	24,034	0	0	0	24,034
Public Works	622,517	77,807	0	0	700,324
Sanitation	1,063	0	0	0	1,063
Culture and Recreation	9,723	0	0	0	9,723
Public Safety	39,781	12,000	0	0	51,781
Library	0	0	56,701	0	56,701
Capital Outlay: Public Works	33,207	173,898	0	0	207,105
Total Expenditures	<u>992,200</u>	<u>263,705</u>	<u>56,701</u>	<u>0</u>	<u>1,312,606</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>119,743</u>	<u>(35,805)</u>	<u>87,130</u>	<u>7,265</u>	<u>178,333</u>
Other Financing Sources/(Uses):					
Transfers In	5,021	0	0	0	5,021
Transfers Out	0	(5,000)	0	(21)	(5,021)
Total Other Financing Sources/(Uses)	<u>5,021</u>	<u>(5,000)</u>	<u>0</u>	<u>(21)</u>	<u>0</u>
Net Changes in Fund Balances	<u>124,764</u>	<u>(40,805)</u>	<u>87,130</u>	<u>7,244</u>	<u>178,333</u>
Fund Balances - July 1, 2013	<u>524,807</u>	<u>160,977</u>	<u>837,097</u>	<u>100,594</u>	<u>1,623,475</u>
Fund Balances - June 30, 2014	<u>\$ 649,571</u>	<u>\$ 120,172</u>	<u>\$ 924,227</u>	<u>\$ 107,838</u>	<u>\$ 1,801,808</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, 2014

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

Change in fund balances - total government funds (Exhibit D)	\$	178,333
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost (\$207,105) of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$161,129). This is the amount by which capital outlays exceeded depreciation in the current period.		45,976
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(83,377)
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>(867)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>140,065</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, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Tax Revenue:			
Property Taxes	\$ 756,217	\$ 751,104	\$ (5,113)
State of Vermont Current Use	70,000	100,423	30,423
Total Tax Revenue	826,217	851,527	25,310
Interest and Penalties:			
Interest on Overdue Taxes	5,000	11,445	6,445
8% Penalty on Delinquent Taxes	2,500	6,461	3,961
Total Interest and Penalties	7,500	17,906	10,406
Licenses and Permits:			
Liquor Licenses	350	370	20
Dog Licenses	400	576	176
Total Licenses and Permits	750	946	196
Intergovernmental Revenue:			
State of Vermont - Highways	120,000	122,067	2,067
State of Vermont - In Lieu of Taxes	600	1,436	836
State of Vermont - Reappraisal	0	5,928	5,928
State of Vermont - Civil Fines	0	840	840
State of Vermont - Other	0	6,756	6,756
VT Agency of Transportation Grant	0	4,538	4,538
U.S Government/FEMA	0	79,877	79,877
Total Intergovernmental Revenue	120,600	221,442	100,842
Charges for Services:			
Town Clerk's Fees	5,000	4,008	(992)
Preservation of Records	0	2,856	2,856
Copying Fees	100	0	(100)
Dump Fees	400	90	(310)
Total Charges for Services	5,500	6,954	1,454
Interest Earned:	1,000	1,437	437

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, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Miscellaneous Revenues:			
Town Hall Rent	\$ 8,000	\$ 8,441	\$ 441
Grants	0	669	669
Other Revenue	0	326	326
Permits	600	2,295	1,695
Total Miscellaneous Revenues	8,600	11,731	3,131
Interfund Revenues:			
Cemetery Trust Funds	150	0	(150)
Village Park Trust Funds	75	21	(54)
Wilson Park Trust Funds	200	0	(200)
Sherwin Cambridge Fund	300	0	(300)
Capital Projects Fund	0	5,000	5,000
Total Interfund Revenues	725	5,021	4,296
Total Revenue	970,892	1,116,964	146,072
Expenditures:			
Salaries/Compensation:			
Select Board	5,000	5,000	0
Select Board Town Administrator	30,000	27,386	2,614
Flood Zoning Administrator	0	195	(195)
Town Treasurer	15,000	18,159	(3,159)
Town Clerk	28,500	29,653	(1,153)
Assistant Town Clerk/Treasurer	7,500	4,440	3,060
Flood Administrator	0	895	(895)
Listers	5,000	6,572	(1,572)
Auditors	2,000	1,466	534
Trustee of Public Funds	500	500	0
Constables and Insurance	500	250	250
Collector of Delinquent Taxes	2,500	9,869	(7,369)
Health Officer	1,000	1,000	0
Forest Fire Warden	250	250	0
Temp Town Office Help	0	1,076	(1,076)
Total Salaries/Compensation	97,750	106,711	(8,961)

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Benefits:			
Social Security (FICA)	\$ 6,500	\$ 7,532	\$ (1,032)
Medicare	1,500	1,716	(216)
Employee Health Insurance	38,608	26,215	12,393
Employee Dental Insurance	1,300	917	383
Retirement	5,000	3,886	1,114
Worker's Compensation	950	655	295
Unemployment Insurance	300	126	174
	<u>54,158</u>	<u>41,047</u>	<u>13,111</u>
Town Meetings and Elections:			
Ballot Clerk Compensation	300	682	(382)
Town Reports	1,700	2,526	(826)
Other Town Meeting/Election Expense	120	270	(150)
	<u>2,120</u>	<u>3,478</u>	<u>(1,358)</u>
Operating Expenses:			
Office Supplies	2,000	1,690	310
Postage	1,500	1,182	318
Telephone	2,500	2,346	154
Copier Expense	1,500	1,520	(20)
Computer Expense	6,750	8,409	(1,659)
Travel - Town Officials	2,000	1,286	714
Dues - Town Officials	150	285	(135)
Conferences	1,500	1,625	(125)
Dog Expense	120	118	2
Preservation of Records	0	9,759	(9,759)
Liability Insurance	2,800	2,742	58
Public Official Insurance	2,800	2,766	34
Officers Bond	100	100	0
Kidder Bridge Insurance	70	35	35
Advertising	100	2,821	(2,721)
Other Professional Services	2,000	0	2,000
Legal Expense/Tax Appeals	2,000	0	2,000
Legal Expense	15,000	4,125	10,875
Professional Auditor	15,000	15,662	(662)
Other Operating Expenses	1,000	694	306
	<u>58,890</u>	<u>57,165</u>	<u>1,725</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Sanitation:			
Dump Attendant	\$ 1,800	\$ 963	\$ 837
Stump Dump	<u>500</u>	<u>100</u>	<u>400</u>
Total Sanitation	<u>2,300</u>	<u>1,063</u>	<u>1,237</u>
Recreation & Parks:			
Swimming Pool	600	144	456
Town Greens	600	172	428
Village Park	50	21	29
Wilson Park	<u>400</u>	<u>145</u>	<u>255</u>
Total Recreation & Parks	<u>1,650</u>	<u>482</u>	<u>1,168</u>
Cemeteries:			
Labor	20,500	17,257	3,243
Benefits - FICA and Worker's Compensation	1,500	1,686	(186)
Supplies	600	926	(326)
Equipment	600	956	(356)
Other Expense	<u>1,500</u>	<u>3,209</u>	<u>(1,709)</u>
Total Cemeteries	<u>24,700</u>	<u>24,034</u>	<u>666</u>
Other Town Expenses:			
VLCT Dues	1,400	1,456	(56)
County Tax	11,000	7,567	3,433
Street & Bridge Lights	1,600	1,510	90
Grafton Public Library	1,300	1,300	0
Planning Commission	2,000	2,255	(255)
Windham Regional Commission	1,050	8,665	(7,615)
Emergency Management	700	1,499	(799)
Hydrant Maintenance	2,000	10,150	(8,150)
Sheriff's Department	3,000	3,333	(333)
Memorial Day	<u>250</u>	<u>250</u>	<u>0</u>
Total Other Town Expenses	<u>24,300</u>	<u>37,985</u>	<u>(13,685)</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Town Hall Expenses:			
Supplies	\$ 250	\$ 781	\$ (531)
Insurance	3,400	3,499	(99)
Heat	5,000	5,682	(682)
Electricity	1,500	1,378	122
Cleaning	300	0	300
Repairs & Maintenance	10,000	3,005	6,995
Snow Removal	1,200	600	600
Payphone	375	150	225
	<u>22,025</u>	<u>15,095</u>	<u>6,930</u>
Total Town Hall Expenses			
Other Voted Articles:			
Ambulance Service	9,000	8,760	240
Fireman's Operating Budget	23,000	23,021	(21)
FAST Squad	8,000	8,000	0
Humanitarian Articles	9,141	9,241	(100)
Act 60 Coalition	100	0	100
	<u>49,241</u>	<u>49,022</u>	<u>219</u>
Total Other Voted Articles			
Highway Salaries/Compensation:			
Labor - Regular Hours	130,147	142,041	(11,894)
Labor - Overtime	15,000	14,445	555
Labor - Temporary	3,500	0	3,500
	<u>148,647</u>	<u>156,486</u>	<u>(7,839)</u>
Total Highway Salaries/Compensation			
Highway Benefits:			
Social Security (FICA)	9,220	8,775	445
Medicare	2,160	2,097	63
Health Insurance	46,725	40,879	5,846
Dental Insurance	1,300	1,664	(364)
Retirement- Highway	7,516	7,640	(124)
Worker's Compensation	7,800	8,967	(1,167)
Unemployment Insurance	1,340	326	1,014
Uniforms	4,600	5,759	(1,159)
	<u>80,661</u>	<u>76,107</u>	<u>4,554</u>
Total Highway Benefits			

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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fuel:			
Truck 1 - 2011 International	\$ 7,600	\$ 10,187	\$ (2,587)
Truck 2 - 2007 Sterling	7,000	2,141	4,859
Truck 3 - 2008 Ford F550	5,700	5,231	469
Truck 4 - 2013 Freightliner	4,000	6,112	(2,112)
Loader - 2013 CAT	4,000	3,690	310
Grader - 2010 CAT	7,000	5,823	1,177
Backhoe - 2012 John Deere	2,000	1,890	110
Chipper	300	0	300
Small Equipment	<u>500</u>	<u>1,105</u>	<u>(605)</u>
 Total Fuel	 <u>38,100</u>	 <u>36,179</u>	 <u>1,921</u>
Repairs and Maintenance:			
Truck 1 - 2011 International	3,000	5,957	(2,957)
Truck 2 - 2007 Sterling	4,000	8,717	(4,717)
Truck 3 - 2008 Ford F550	4,000	8,753	(4,753)
Truck 4 - 2013 Freightliner	2,500	2,499	1
Loader - 2013 CAT	6,000	1,038	4,962
Grader - 2010 CAT	2,000	3,680	(1,680)
Plows and Sanders	14,000	8,026	5,974
Backhoe - 2012 John Deere	2,000	243	1,757
Chipper	500	12	488
Small Equipment	<u>1,000</u>	<u>1,870</u>	<u>(870)</u>
 Total Repairs and Maintenance	 <u>39,000</u>	 <u>40,795</u>	 <u>(1,795)</u>
Contracted Services:			
Mowing Contractors	7,300	8,625	(1,325)
Tree Removal Contractors	2,000	0	2,000
Retreatment Contractors	105,000	104,816	184
Bridge Maintenance	12,000	29	11,971
Street Sweeping Contracts	4,000	2,530	1,470
Beaver Maintenance	1,500	1,500	0
Small Equipment Rental	2,000	794	1,206
Other Contracted Services	<u>3,000</u>	<u>1,880</u>	<u>1,120</u>
 Total Contracted Services	 <u>136,800</u>	 <u>120,174</u>	 <u>16,626</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, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Materials and Supplies:			
Culvert Expenses	\$ 5,000	\$ 5,016	\$ (16)
Cold Patch	1,500	2,454	(954)
Gravel Crushing and Hauling	28,000	18,961	9,039
Road Repair Material	10,000	6,923	3,077
Salt	50,000	53,224	(3,224)
Sand	45,000	69,279	(24,279)
Chloride	6,000	193	5,807
Road Signs	8,000	2,437	5,563
Miscellaneous Supplies	2,000	897	1,103
Total Materials and Supplies	155,500	159,384	(3,884)
Town Garage:			
Supplies and Tools/Inventory	6,000	4,624	1,376
Radio	1,200	1,415	(215)
Telephone	1,200	1,175	25
Insurance	1,400	1,282	118
Heat	5,000	5,298	(298)
Electricity	1,800	2,085	(285)
Repairs and Maintenance	6,000	1,896	4,104
Plans for New Town Shed	0	33,207	(33,207)
Pagers for Highway Workers	600	644	(44)
Fire Alarm System for New Town Shed	0	69	(69)
Total Town Garage	23,200	51,695	(28,495)
Other Expenses:			
Training	250	0	250
Advertising	200	55	145
Liability Insurance - Highway	4,200	4,273	(73)
Equipment Insurance	6,000	6,072	(72)
Safety Equipment	1,000	555	445
Commercial Licenses	0	129	(129)
Miscellaneous Highway Expenses	200	517	(317)
Miscellaneous Expenses	0	394	(394)
Total Other Expenses	11,850	11,995	(145)
Hurricane Irene:	0	3,303	(3,303)
Total Expenditures	970,892	992,200	(21,308)
Excess of Revenue Over Expenditures	\$ 0	124,764	\$ 124,764
Fund Balance - July 1, 2013		524,807	
Fund Balance - June 30, 2014		\$ 649,571	

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

TOWN OF GRAFTON, VERMONT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	<u>Private Purpose Trust Funds</u>
<u>ASSETS</u>	
Cash	\$ 31,553
Investments	<u>8,657</u>
Total Assets	<u>40,210</u>
 <u>LIABILITIES</u>	
Total Liabilities	<u>0</u>
 <u>NET POSITION</u>	
Held in Trust for Various Purposes	<u>40,210</u>
Total Net Position	<u><u>\$ 40,210</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, 2014

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Investment Earnings:	
Net Investment Income	\$ <u>93</u>
Total Additions	<u>93</u>
<u>DEDUCTIONS:</u>	
Care of the Indigent and Needy	<u>27</u>
Total Deductions	<u>27</u>
Change In Net Position	66
Net Position - July 1, 2013	<u>40,144</u>
Net Position - June 30, 2014	\$ <u><u>40,210</u></u>

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

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014

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 – 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 – 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 – This fund accounts for the capital project activities of the Town.

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

Trustees of Public Funds Fund – 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 – 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 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, 2014

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 position) 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 position. 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, 2014

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. Future Changes in Accounting Standards

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, “Financial Reporting for Pension Plans” – an amendment of GASB Statement No. 27, effective for fiscal years beginning after June 15, 2014. This new accounting and reporting standard may impact the Town’s measurement and recognition of pension liabilities, deferred outflows or resources, deferred inflows of resources, and expenses/expenditures in government-wide and/or enterprise fund financial statements. The requirements of this statement may require restating of beginning net position. The Town is currently not planning to early implement this Statement, and has made no estimation of the effect this Statement will have in the financial statements.

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.

TOWN OF GRAFTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement 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 one (1) item which arises under the modified accrual basis of accounting. The governmental funds report unavailable revenues from one (1) source; unavailable property taxes, penalties and interest. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. 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.

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

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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.

7. 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.

8. 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.

9. 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.

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.

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014, the Town expended \$21,308 more than appropriated in the General Fund. These overexpenditures were funded by excess revenues.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments at June 30, 2014 consisted of the following:

Cash:

Demand Deposits with Financial Institutions	\$861,484
Cash on Hand	<u>86</u>
Total Cash	<u>\$861,570</u>

Investments:

Certificates of Deposits	\$ 45,445
Corporate Bonds	126,826
Tax-Exempt Bonds	31,360
Mutual Funds	702,915
U.S. Treasury Strips	31,498
Stock	<u>38,764</u>
Total Investments	<u>\$976,808</u>

The Town has several certificates of deposits in place with amounts ranging from \$1,100 to \$25,440 with interest rates ranging from .15% to .35% and terms from six (6) months to one (1) year.

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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	\$ 411,604	\$ 412,305
Uninsured, Collateralized by Irrevocable Standby Letter of Credit Issued by the Federal Home Loan Bank of Pittsburgh	<u>495,325</u>	<u>526,360</u>
	<u>\$ 906,929</u>	<u>\$ 938,665</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.

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.

<u>Investment Type</u>	Remaining Maturity			<u>Total</u>
	<u>Less Than 1 Year</u>	<u>1 to 5 Years</u>	<u>Not Available</u>	
Mutual Funds	\$ 0	\$ 0	\$ 702,915	\$ 702,915
U.S. Treasury Strips	31,498	0	0	31,498
Tax Exempt Bonds	0	0	31,360	31,360
Corporate Bonds	<u>0</u>	<u>126,826</u>	<u>0</u>	<u>126,826</u>
Total	<u>\$ 31,498</u>	<u>\$ 126,826</u>	<u>\$ 734,275</u>	<u>\$ 892,599</u>

TOWN OF GRAFTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

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, 2014 Corporate Bonds
AA	\$ 25,656
A	25,292
BAA	75,878
 Total	 \$ 126,826

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. Receivables

Receivables at June 30, 2014, as reported in the statement of net position, are as follows:

	Governmental Activities
Delinquent Taxes	\$ 76,941
Penalties and Interest on Delinquent Tax	16,646
 Total	 \$ 93,587

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

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

C. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 168,300	\$ 0	\$ 0	\$ 168,300
Work In Process	0	33,207	0	33,207
Total Capital Assets, Not Being Depreciated	<u>168,300</u>	<u>33,207</u>	<u>0</u>	<u>201,507</u>
Capital Assets, Being Depreciated:				
Vehicles & Equipment	802,966	195,981	144,586	854,361
Buildings and Building Improvements	198,151	0	0	198,151
Infrastructure	2,545,094	0	0	2,545,094
Totals	<u>3,546,211</u>	<u>195,981</u>	<u>144,586</u>	<u>3,597,606</u>
Less Accumulated Depreciation for:				
Vehicles & Equipment	315,445	64,879	122,503	257,821
Buildings and Building Improvements	82,493	2,917	0	85,410
Infrastructure	466,177	93,333	0	559,510
Totals	<u>864,115</u>	<u>161,129</u>	<u>122,503</u>	<u>902,741</u>
Total Capital Assets, Being Depreciated	<u>2,682,096</u>	<u>34,852</u>	<u>22,083</u>	<u>2,694,865</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,850,396</u>	<u>\$ 68,059</u>	<u>\$ 22,083</u>	<u>\$ 2,896,372</u>

Depreciation was charged as follows:

Governmental Activities:	
General Government	\$ 1,353
Public Works	<u>159,776</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 161,129</u>

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

D. Interfund Balances and Activity

The Due To/From Balances as of June 30, 2014 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 120,172
Capital Projects Fund	<u>120,172</u>	<u>0</u>
Total	<u>\$ 120,172</u>	<u>\$ 120,172</u>

Interfund transfers during the year ended June 30, 2014 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects Fund	General Fund	\$ 5,000	To Pay for Town Garage Expenses
Trustees of Public Funds Fund	General Fund	<u>21</u>	Transfer Investment Earnings
Total		<u>\$ 5,021</u>	

E. Unavailable Revenue

Unavailable Revenue in the General Fund consists of \$55,000 of delinquent taxes and interest on those not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities.

F. Long-term Liabilities

Compensated Absences – 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.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated Absences Payable	\$ <u>11,968</u>	\$ <u>867</u>	\$ <u>0</u>	\$ <u>12,835</u>	\$ <u>0</u>
Total Governmental Long-Term Liabilities	<u>\$ 11,968</u>	<u>\$ 867</u>	<u>\$ 0</u>	<u>\$ 12,835</u>	<u>\$ 0</u>

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

G. 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.

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	38,764
Nonspendable for Village Park Upkeep Expenses by Bequest	<u>6,000</u>
Total Nonspendable Fund Balances	<u>\$81,299</u>

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 924,227

Total Major Funds 942,170

Nonmajor Funds

Restricted for Cemetery Upkeep Expenses
Unexpended Earnings on Bequest 5,632
Restricted for Wilson Park by Donor Bequest 20,907

Total Nonmajor Funds 26,539

Total Restricted Fund Balances \$968,709

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

Major Funds

General Fund:

Committed by Voters for Construction of the Town Garage \$ 300,000

Total Committed Fund Balance \$ 300,000

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

Major Funds

General Fund:

Assigned for Reappraisal Expenses \$ 17,974

Capital Projects Fund:

Assigned for Capital Projects 120,172

Total Assigned Fund Balances \$ 138,146

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

H. Restricted Net Position

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

Restricted by Grant Fees and Donations – Library	\$ 924,227
Restricted by Bequest – Cemetery	42,167
Restricted by Statute – Town Clerk Restoration Fund	17,943
Restricted by Bequest – Wilson Park	59,671
Restricted by Bequest – Village Park	<u>6,000</u>
 Total Restricted Net Position	 <u>\$ 1,050,008</u>

I. 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, 2014 consisted of the following:

Restricted for S.B. Jones Library and Church Fund by Donations	\$ 700
Restricted for Grafton Fund by Donations	7,960
Restricted for Edward Campbell Fund by Bequest	19,192
Restricted for Woolson Fund by Bequest	10,224
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>\$ 40,210</u>

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 5.125%. 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 \$263,244 while covered payroll was \$224,891. Pension expense for the year ending June 30, 2014, 2013 and 2012 was \$11,526, \$11,150 and \$11,957, respectively.

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

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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.

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, 2014, taxes became due and payable on August 15, 2013, November 15, 2013, February 15, 2014 and May 15, 2014. 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.

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

The tax rates for 2014 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	1.2308	1.2999
Highway	.3000	.3000
Capital Projects	.0900	.0900
Local Agreements	.0125	.0125
Town	<u>.1600</u>	<u>.1600</u>
Total	<u>\$1.7933</u>	<u>\$1.8624</u>

E. SUBSEQUENT EVENTS

Subsequent to year end, the Town entered into an agreement for the construction of the Town garage in the amount of \$972,143.

TOWN OF GRAFTON, VERMONT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2014

	S.B. Jones Library and Church Fund	Grafton Fund	Edward Campbell Fund	Woolson Fund	Dean Baker Fund	Edward Walker Fund	Totals
<u>ASSETS</u>							
Cash	\$ 700	\$ 2,960	\$ 16,635	\$ 10,224	\$ 0	\$ 1,034	\$ 31,553
Investments	<u>0</u>	<u>5,000</u>	<u>2,557</u>	<u>0</u>	<u>1,100</u>	<u>0</u>	<u>8,657</u>
TOTAL ASSETS	<u>\$ 700</u>	<u>\$ 7,960</u>	<u>\$ 19,192</u>	<u>\$ 10,224</u>	<u>\$ 1,100</u>	<u>\$ 1,034</u>	<u>\$ 40,210</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>700</u>	<u>7,960</u>	<u>19,192</u>	<u>10,224</u>	<u>1,100</u>	<u>1,034</u>	<u>40,210</u>
Total Net Position	<u>700</u>	<u>7,960</u>	<u>19,192</u>	<u>10,224</u>	<u>1,100</u>	<u>1,034</u>	<u>40,210</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 700</u>	<u>\$ 7,960</u>	<u>\$ 19,192</u>	<u>\$ 10,224</u>	<u>\$ 1,100</u>	<u>\$ 1,034</u>	<u>\$ 40,210</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF GRAFTON, VERMONT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	S.B. Jones Library and Church Fund	Grafton Fund	Edward Campbell Fund	Woolson Fund	Dean Baker Fund	Edward Walker Fund	Totals
<u>ADDITIONS:</u>							
Investment Earnings:							
Net Investment Income	\$ 0	\$ 22	\$ 33	\$ 13	\$ 21	\$ 4	\$ 93
Total Additions	<u>0</u>	<u>22</u>	<u>33</u>	<u>13</u>	<u>21</u>	<u>4</u>	<u>93</u>
<u>DEDUCTIONS:</u>							
Care of the Indigent and Needy	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>21</u>	<u>4</u>	<u>27</u>
Total Deductions	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>21</u>	<u>4</u>	<u>27</u>
Change In Net Position	(2)	22	33	13	0	0	66
Net Position - July 1, 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>
Net Position - June 30, 2014	<u>\$ 700</u>	<u>\$ 7,960</u>	<u>\$ 19,192</u>	<u>\$ 10,224</u>	<u>\$ 1,100</u>	<u>\$ 1,034</u>	<u>\$ 40,210</u>

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

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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 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, 2014 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 January 8, 2015.

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 attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. 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

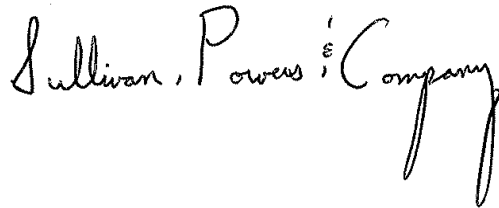
As part of obtaining reasonable assurance about whether the Town of Grafton, Vermont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 January 8, 2015.

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.

January 8, 2015
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in dark ink and is positioned to the right of the typed address information.