

TOWN OF GRAFTON, VERMONT

AUDIT REPORT

JUNE 30, 2019

TOWN OF GRAFTON, VERMONT
 AUDIT REPORT
 TABLE OF CONTENTS
 JUNE 30, 2019

	<u>Page #</u>
Independent Auditor's Report	1-3
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position - Modified Cash Basis	Exhibit A 4
Statement of Activities - Modified Cash Basis	Exhibit B 5
Fund Financial Statements	
Statement of Modified Cash Basis Assets, Liabilities and Fund Balances - Governmental Funds	Exhibit C 6
Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balances - Governmental Funds	Exhibit D 7
Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balance - Budget and Actual Budgetary Basis - General Fund	Exhibit E 8-14
Statement of Fiduciary Modified Cash Basis Net Position	Exhibit F 15
Statement of Changes in Fiduciary Modified Cash Basis Net Position - Fiduciary Funds	Exhibit G 16
Notes to the Financial Statements	17-33
Other Information:	
Combining Schedule of Fiduciary Modified Cash Basis Net Position - Private Purpose Trust Funds	Schedule 1 34
Combining Schedule of Changes in Fiduciary Modified Cash Basis Net Position - Private Purpose Trust Funds	Schedule 2 35
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

TOWN OF GRAFTON, VERMONT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2019

	<u>Page #</u>
Schedule of Findings and Deficiencies in Internal Control	38-39
Response to Deficiencies in Internal Control	

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

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
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

Selectboard
Town of Grafton, Vermont
P.O. Box 180
Grafton, Vermont 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, 2019, 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 the modified cash basis of accounting as described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Basis for Qualified Opinions

The modified cash basis of accounting requires the Town to record its investments at historical cost. Currently, the Town's investments in the governmental activities, the Library Fund and the Trustees of Public Funds Fund are recorded at current market value. The difference between the historical cost and current market value is not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions" paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the Library Fund and the Trustees of Public Funds Fund of the Town of Grafton, Vermont, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in conformity with the modified cash basis of accounting, as described in Note I.D.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund and the Capital Projects Fund of the Town of Grafton, Vermont as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in conformity with the modified cash basis of accounting, as described in Note I.D.

Change in Accounting Principles

As described in Note II.B., in previous years, the Town prepared its financial statements using generally accepted accounting principles. This year, the Town prepared its financial statements using the modified cash basis of accounting.

Other Matters

Basis of Accounting

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

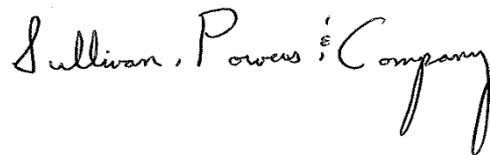
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of 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 December 16, 2019 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.

December 16, 2019
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 'S' at the beginning and a long, sweeping tail at the end.

TOWN OF GRAFTON, VERMONT
 STATEMENT OF NET POSITION - MODIFIED CASH BASIS
 JUNE 30, 2019

	Governmental Activities
<u>ASSETS</u>	
Cash	\$ 989,943
Investments	1,070,719
Total Assets	2,060,662
 <u>LIABILITIES</u>	
Due to Delinquent Tax Collector	633
Due to Others	19
Total Liabilities	652
 <u>NET POSITION</u>	
Restricted for:	
Library Expenses	1,110,472
Cemetery Upkeep Expenses	49,345
Parks Upkeep Expenses	46,021
Records Restoration	14,322
Highway Retreatment	35,503
Unrestricted	804,347
Total Net Position	\$ 2,060,010

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

TOWN OF GRAFTON, VERMONT
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Cash</u> <u>Disbursements</u>	<u>Charges for</u> <u>Services</u>	<u>Program Cash Receipts</u>			<u>Net (Disbursements)/</u> <u>Receipts and</u> <u>Changes in Net Position</u>
			<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>		<u>Total</u> <u>Governmental</u> <u>Activities</u>
Functions/Programs:						
Governmental Activities:						
General Government	\$ 381,370	\$ 21,882	\$ 32,958	\$ 0		\$ (326,530)
Cemetery	21,862	2,100	0	0		(19,762)
Public Works	636,932	0	121,920	0		(515,012)
Culture and Recreation	5,439	0	0	0		(5,439)
Public Safety	33,976	0	0	0		(33,976)
Library	74,754	222	0	0		(74,532)
Interest on Long-term Debt	<u>7,575</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>(7,575)</u>
 Total Governmental Activities	 <u>\$ 1,161,908</u>	 <u>\$ 24,204</u>	 <u>\$ 154,878</u>	 <u>\$ 0</u>		 <u>(982,826)</u>
 General Receipts:						
Property Taxes						899,271
Interest and Penalties on Delinquent Taxes						107,368
General State Grants						134,180
Unrestricted Investment Earnings						58,927
Donations						22,411
Other Revenues						<u>12,042</u>
 Total General Receipts						 <u>1,234,199</u>
 Change in Net Position						 251,373
 Net Position - July 1, 2018, As Restated						 <u>1,808,637</u>
 Net Position - June 30, 2019						 <u>\$ 2,060,010</u>

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

TOWN OF GRAFTON, VERMONT
 STATEMENT OF MODIFIED CASH BASIS ASSETS, LIABILITIES AND FUND BALANCES
 GOVERNMENTAL FUNDS
 JUNE 30, 2019

	General Fund	Capital Projects Fund	Library Fund	Trustees of Public Funds Fund	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 854,824	\$ 0	\$ 62,052	\$ 73,067	\$ 989,943
Investments	0	0	1,048,420	22,299	1,070,719
Due From Other Funds	0	376,599	0	0	376,599
Total Assets	\$ 854,824	\$ 376,599	\$ 1,110,472	\$ 95,366	\$ 2,437,261
<u>LIABILITIES</u>					
Due to Delinquent Tax Collector	\$ 633	\$ 0	\$ 0	\$ 0	\$ 633
Due to Others	19	0	0	0	19
Due to Other Funds	376,599	0	0	0	376,599
Total Liabilities	377,251	0	0	0	377,251
<u>FUND BALANCES</u>					
Nonspendable	0	0	0	82,535	82,535
Restricted	49,825	0	1,110,472	12,831	1,173,128
Committed	0	376,599	0	0	376,599
Assigned	264,952	0	0	0	264,952
Unassigned	162,796	0	0	0	162,796
Total Fund Balances	477,573	376,599	1,110,472	95,366	2,060,010
Total Liabilities and Fund Balances	\$ 854,824	\$ 376,599	\$ 1,110,472	\$ 95,366	\$ 2,437,261

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

TOWN OF GRAFTON, VERMONT
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Projects Fund	Library Fund	Trustees of Public Funds Fund	Total Governmental Funds
Cash Receipts:					
Property Taxes	\$ 750,271	\$ 149,000	\$ 0	\$ 0	\$ 899,271
Penalties and Interest on Delinquent Taxes	107,368	0	0	0	107,368
Intergovernmental	289,058	0	0	0	289,058
Charges for Services	9,213	0	222	2,100	11,535
Licenses and Permits	3,769	0	0	0	3,769
Investment Income/(Loss)	2,385	0	60,233	(3,691)	58,927
Donations	0	0	22,411	0	22,411
Rental Income - Town Hall	8,900	0	0	0	8,900
Other Income	11,564	0	478	0	12,042
Total Cash Receipts	<u>1,182,528</u>	<u>149,000</u>	<u>83,344</u>	<u>(1,591)</u>	<u>1,413,281</u>
Cash Disbursements:					
General Government	310,679	5,596	0	0	316,275
Cemeteries	21,862	0	0	0	21,862
Public Works	633,932	3,000	0	0	636,932
Culture and Recreation	4,439	0	0	1,000	5,439
Public Safety	18,976	15,000	0	0	33,976
Library	0	0	74,754	0	74,754
Capital Outlay: General Government	65,095	0	0	0	65,095
Debt Service: Interest	7,575	0	0	0	7,575
Total Cash Disbursements	<u>1,062,558</u>	<u>23,596</u>	<u>74,754</u>	<u>1,000</u>	<u>1,161,908</u>
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	<u>119,970</u>	<u>125,404</u>	<u>8,590</u>	<u>(2,591)</u>	<u>251,373</u>
Other Financing Sources/(Uses):					
Transfers In	1,016	0	5,000	0	6,016
Transfers Out	(5,000)	0	0	(1,016)	(6,016)
Total Other Financing Sources/(Uses)	<u>(3,984)</u>	<u>0</u>	<u>5,000</u>	<u>(1,016)</u>	<u>0</u>
Net Changes in Fund Balances	115,986	125,404	13,590	(3,607)	251,373
Fund Balances - July 1, 2018, As Restated	<u>361,587</u>	<u>251,195</u>	<u>1,096,882</u>	<u>98,973</u>	<u>1,808,637</u>
Fund Balances - June 30, 2019	<u>\$ 477,573</u>	<u>\$ 376,599</u>	<u>\$ 1,110,472</u>	<u>\$ 95,366</u>	<u>\$ 2,060,010</u>

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

TOWN OF GRAFTON, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Tax Revenues:			
Property Taxes	\$ 880,421	\$ 839,769	\$ (40,652)
State of Vermont Current Use	101,000	120,980	19,980
Total Tax Revenues	<u>981,421</u>	<u>960,749</u>	<u>(20,672)</u>
Interest and Penalties:			
Interest on Overdue Taxes	5,000	10,178	5,178
8% Penalty on Delinquent Taxes	2,500	7,692	5,192
Total Interest and Penalties	<u>7,500</u>	<u>17,870</u>	<u>10,370</u>
Licenses and Permits:			
Liquor Licenses	400	415	15
Dog Licenses	500	1,194	694
Total Licenses and Permits	<u>900</u>	<u>1,609</u>	<u>709</u>
Intergovernmental Revenues:			
State of Vermont - Highways	120,000	121,920	1,920
State of Vermont - In Lieu of Taxes	1,500	4,784	3,284
State of Vermont - Reappraisal	0	5,312	5,312
State of Vermont - Civil Fines	1,000	1,094	94
State of Vermont Land Use	0	2,010	2,010
Total Intergovernmental Revenues	<u>122,500</u>	<u>135,120</u>	<u>12,620</u>
Charges for Services:			
Town Clerk's Fees	5,000	5,141	141
Preservation of Records	2,500	3,915	1,415
Copying Fees	80	17	(63)
Bank Fees Charged	0	140	140
Total Charges for Services	<u>7,580</u>	<u>9,213</u>	<u>1,633</u>
Interest Earned	<u>1,500</u>	<u>2,385</u>	<u>885</u>

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

TOWN OF GRAFTON, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Miscellaneous Revenues:			
Rental - Town Hall	\$ 8,800	\$ 8,900	\$ 100
Permits	500	2,160	1,660
Grants in Aid	0	32,958	32,958
Other	<u>0</u>	<u>11,284</u>	<u>11,284</u>
Total Miscellaneous Revenues	<u>9,300</u>	<u>55,302</u>	<u>46,002</u>
Interfund Revenues:			
Cemetery Trust Funds	100	0	(100)
Village Park Trust Funds	100	21	(79)
Wilson Park Trust Funds	600	995	395
Sherwin Cambridge Fund	<u>300</u>	<u>280</u>	<u>(20)</u>
Total Interfund Revenues	<u>1,100</u>	<u>1,296</u>	<u>196</u>
Total Cash Receipts	<u>1,131,801</u>	<u>1,183,544</u>	<u>51,743</u>
Cash Disbursements:			
Salaries/Compensation:			
Select Board	5,000	5,000	0
Select Board Town Administrator	42,200	44,630	(2,430)
Administrative Officer	500	250	250
Town Treasurer	16,500	15,448	1,052
Town Clerk	29,500	29,436	64
Assistant Town Clerk/Treasurer	11,500	8,589	2,911
Listers	7,000	8,544	(1,544)
Auditors	2,000	1,380	620
Trustee of Public Funds	500	500	0
Constables	300	300	0
Collector of Delinquent Taxes	2,500	7,739	(5,239)
Health Officer	1,000	1,000	0
Forest Fire Warden	300	300	0
Temp. Town Office Help	<u>0</u>	<u>171</u>	<u>(171)</u>
Total Salaries/Compensation	<u>118,800</u>	<u>123,287</u>	<u>(4,487)</u>
Benefits:			
Social Security (FICA)	9,600	9,264	336
Medicare	2,500	2,167	333
Employee Health Insurance	35,000	39,049	(4,049)
Employee Dental Insurance	1,000	748	252

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

TOWN OF GRAFTON, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Benefits/(Cont.):			
Retirement	\$ 4,800	\$ 5,063	\$ (263)
Worker's Compensation	1,000	3,359	(2,359)
Unemployment Insurance	150	61	89
 Total Benefits	 <u>54,050</u>	 <u>59,711</u>	 <u>(5,661)</u>
Town Meetings and Elections:			
Ballot Clerk Compensation	800	764	36
Town Reports	900	781	119
Grafton School Report	0	258	(258)
Other Town Meeting/Election Expense	200	184	16
 Total Town Meetings and Elections	 <u>1,900</u>	 <u>1,987</u>	 <u>(87)</u>
Operating:			
Office Supplies	2,400	1,773	627
Postage	1,400	1,313	87
Telephone	2,500	2,915	(415)
Copier Expense	1,100	1,360	(260)
Computer Expense	5,000	10,944	(5,944)
Travel - Town Officials	1,800	1,465	335
Dues - Town Officials	400	210	190
Conferences	1,600	914	686
Dog Expense	450	541	(91)
Preservation of Records	0	4,019	(4,019)
Fire Alarm Systems T.H.	280	140	140
Liability Insurance	1,200	597	603
Public Official Insurance	2,800	1,778	1,022
Officers Bond	100	100	0
Kidder Bridge Insurance	80	39	41
Advertising	1,700	574	1,126
Other Professional Services	300	0	300
Legal Expense/Tax Appeals	500	0	500
Legal Expense	6,000	6,189	(189)
Professional Auditor	16,000	16,155	(155)
Other Operating Expenses	1,000	1,335	(335)
 Total Operating	 <u>46,610</u>	 <u>52,361</u>	 <u>(5,751)</u>

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

TOWN OF GRAFTON, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Recreation & Parks:			
Swimming Pool	\$ 500	\$ 438	\$ 62
Town Greens	500	343	157
Village Park	500	1,041	(541)
Wilson Park	0	1,095	(1,095)
Winnie Park	300	541	(241)
Pool Water Testing	300	0	300
Village Park Maintenance	0	981	(981)
	<u>2,100</u>	<u>4,439</u>	<u>(2,339)</u>
Total Recreation & Parks			
Cemeteries:			
Labor	20,000	18,304	1,696
Benefits - FICA and Worker's Compensation	2,000	526	1,474
Supplies	900	1,057	(157)
Equipment	800	0	800
Other Expense	1,500	1,975	(475)
	<u>25,200</u>	<u>21,862</u>	<u>3,338</u>
Total Cemeteries			
Other Town:			
VLCT Dues	1,800	160	1,640
County Tax	12,000	0	12,000
Bank Service Fee	0	121	(121)
Street & Bridge Lights	1,600	1,437	163
Grafton Public Library	5,000	5,000	0
Planning Commission	2,500	2,042	458
Development Review Board	0	100	(100)
Windham Regional Commission	1,300	1,525	(225)
Emergency Management	2,500	4,541	(2,041)
Sheriff's Department	4,900	4,488	412
Cornet Band	300	300	0
Hydrant	500	800	(300)
Reappraisal	0	2,500	(2,500)
Mutual Aid	15,000	14,188	812
Fact TV 8	1,300	900	400
Other Expense	0	2,920	(2,920)
	<u>48,700</u>	<u>41,022</u>	<u>7,678</u>
Total Other Town			

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

TOWN OF GRAFTON, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Town Hall:			
Supplies	\$ 500	\$ 518	\$ (18)
Insurance	4,000	1,415	2,585
Heat	3,000	4,061	(1,061)
Electricity	1,500	2,050	(550)
Repairs & Maintenance	10,000	3,797	6,203
Snow Removal	1,500	1,350	150
Town Hall Restoration	0	65,095	(65,095)
Payphone	300	0	300
	<u>20,800</u>	<u>78,286</u>	<u>(57,486)</u>
Debt Service:			
Principal Expense	54,000	0	54,000
Interest Expense	15,700	7,575	8,125
	<u>69,700</u>	<u>7,575</u>	<u>62,125</u>
Other Voted Articles:			
Ambulance Service	9,000	8,760	240
Fire Department	26,000	23,953	2,047
Rescue Squad	1,500	642	858
Humanitarian Articles	9,741	9,741	0
	<u>46,241</u>	<u>43,096</u>	<u>3,145</u>
Highway Salaries/Compensation:			
Labor - Regular Hours	150,000	155,576	(5,576)
Labor - Overtime	17,000	16,327	673
Labor - Temporary	4,000	4,725	(725)
	<u>171,000</u>	<u>176,628</u>	<u>(5,628)</u>
Highway Benefits:			
Social Security (FICA)	10,500	9,648	852
Medicare	2,500	2,256	244
Health Insurance	76,000	70,883	5,117
Dental Insurance	1,600	1,128	472
Retirement - Highway	9,400	9,670	(270)
Worker's Compensation	11,200	5,871	5,329
Unemployment Insurance	400	198	202
Uniforms	6,700	5,859	841
	<u>118,300</u>	<u>105,513</u>	<u>12,787</u>

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

TOWN OF GRAFTON, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Fuel:			
Truck 1 - 2016 Western Star	\$ 6,500	\$ 6,931	\$ (431)
Truck 2 - 2014 Western Star	6,000	8,329	(2,329)
Truck 3 - 2014 Chevy	1,800	2,487	(687)
Truck 4 - 2013 Freightliner	3,000	2,854	146
Loader - 2013 CAT	1,500	1,445	55
Grader - 2010 CAT	2,000	3,204	(1,204)
Backhoe - 2012 John Deere	1,000	632	368
Chipper	200	0	200
DEF for Equipment	550	645	(95)
Mower/Blower	1,000	1,470	(470)
Other Equipment	500	569	(69)
	<u>24,050</u>	<u>28,566</u>	<u>(4,516)</u>
Repairs and Maintenance:			
Truck 1 - 2016 Western Star	4,000	2,017	1,983
Truck 2 - 2014 Western Star	4,000	6,505	(2,505)
Truck 3 - 2014 Chevy	1,500	357	1,143
Truck 4 - 2013 Freightliner	5,000	6,585	(1,585)
Loader - 2013 CAT	1,200	1,261	(61)
Grader - 2010 CAT	2,500	3,505	(1,005)
Plows and Sanders	14,000	10,065	3,935
Backhoe - 2012 John Deere	2,000	2,062	(62)
Chipper	200	0	200
Mower/Blower	1,000	79	921
Hydrant Repairs	0	227	(227)
Eager Beaver Trailer 1996	0	669	(669)
Small Equipment Repairs	1,000	408	592
	<u>36,400</u>	<u>33,740</u>	<u>2,660</u>
Contracted Services:			
Tree Removal Contractors	1,000	1,000	0
Retreatment Contractors	105,000	17,245	87,755
Bridge Maintenance	1,000	0	1,000
Street Sweeping Contracts	2,000	0	2,000
Beaver Maintenance	0	2,000	(2,000)
Small Equipment Rental	2,000	7,002	(5,002)
Generator Contract	400	394	6
Other Contracted Services	3,500	10,993	(7,493)
	<u>114,900</u>	<u>38,634</u>	<u>76,266</u>

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

TOWN OF GRAFTON, VERMONT
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN MODIFIED CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Materials and Supplies:			
Culvert Expenses	\$ 5,000	\$ 5,124	\$ (124)
Cold Patch	1,000	1,429	(429)
Gravel Crushing and Hauling	35,000	31,736	3,264
Road Repair Material	15,000	21,062	(6,062)
Salt	60,000	95,820	(35,820)
Sand	60,000	32,985	27,015
Storm Water Grants/BBR	0	6,030	(6,030)
Chloride	8,000	8,486	(486)
Road Signs	2,000	2,131	(131)
Clean Water Act/ Grants	0	13,469	(13,469)
Miscellaneous Supplies	2,000	2,446	(446)
Total Materials and Supplies	188,000	220,718	(32,718)
Town Garage:			
Supplies and Tools/Inventory	6,000	8,322	(2,322)
Radio	1,000	956	44
Telephone	1,300	1,094	206
Insurance	6,000	1,938	4,062
Heat	6,500	6,460	40
Electricity	2,000	968	1,032
Repairs and Maintenance - Town Shed	4,000	2,461	1,539
Pagers for Highway Workers	800	575	225
Fire Alarm System for New Town Shed	500	220	280
Total Town Garage	28,100	22,994	5,106
Other:			
Training	250	225	25
Advertising	700	0	700
Liability Insurance - Highway	5,000	1,080	3,920
Equipment Insurance	7,000	2,548	4,452
Safety Equipment	1,000	583	417
Commercial Licenses	200	185	15
General Road Permit	2,600	1,990	610
Miscellaneous Highway Expenses	200	528	(328)
Total Other	16,950	7,139	9,811
Total Cash Disbursements	1,131,801	1,067,558	64,243
Excess of Cash Receipts Over Cash Disbursements	\$ 0	115,986	\$ 115,986
Fund Balance - July 1, 2018, As Restated		361,587	
Fund Balance - June 30, 2019		\$ 477,573	

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

TOWN OF GRAFTON, VERMONT
STATEMENT OF FIDUCIARY MODIFIED CASH BASIS NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Private Purpose Trust Funds
<u>ASSETS</u>	
Cash	\$ 30,475
Investments	8,658
Total Assets	39,133
<u>LIABILITIES</u>	
Total Liabilities	0
<u>NET POSITION</u>	
Held in Trust for Various Purposes	39,133
Total Net Position	\$ 39,133

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

TOWN OF GRAFTON, VERMONT
 STATEMENT OF CHANGES IN FIDUCIARY MODIFIED CASH BASIS NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Private Purpose Trust Funds
<u>ADDITIONS:</u>	
Investment Earnings:	
Net Investment Income	\$ <u>48</u>
Total Additions	<u>48</u>
<u>DEDUCTIONS:</u>	
Care of the Indigent and Needy	<u>4</u>
Total Deductions	<u>4</u>
Change in Net Position	44
Net Position - July 1, 2018	<u>39,089</u>
Net Position - June 30, 2019	\$ <u><u>39,133</u></u>

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

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

A. The Financial Reporting Entity

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

B. Basis of Presentation

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

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

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

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

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

C. Measurement Focus

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

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

D. Basis of Accounting

Basis of accounting refers to when 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 Town's policy is to prepare its financial statements generally on the basis of cash receipts and disbursements; consequently, certain revenue and related assets are recognized when received rather than when earned and certain expenditures and related liabilities are recognized when paid rather than when the obligation is incurred. The exceptions to this are that the Town records investments at market value as assets and amounts due to the delinquent tax collector and amounts due to Grafton organizations and the State of Vermont as liabilities.

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

E. 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 in certificates of deposit are reported at cost and investments in corporate bonds, mutual funds and stocks are reported at current market value. The modified cash basis of accounting requires that all investments be reported at cost.

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

3. 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.

4. Fund Equity

Fund Equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in 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. 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. Change in Accounting Principles

In previous years, the Town prepared its financial statements using generally accepted accounting principles. This year, however, the Town prepared its financial statements using the modified cash basis of accounting. Management believes the modified cash basis provides the information needed by the primary users of the financial statements.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments at June 30, 2019 consisted of the following:

Cash:	
Deposits with Financial Institutions	\$ 977,051
Deposits held by Investment Company	43,330
Cash on Hand	<u>37</u>
Total Cash	<u>1,020,418</u>

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Investments:

Certificates of Deposits	\$ 14,658
Corporate Bonds	75,652
Mutual Funds – Equity	663,935
Mutual Funds – Fixed Income	308,833
Stock	<u>16,299</u>
 Total Investments	 <u>1,079,377</u>
 Total Cash and Investments	 <u>\$2,099,795</u>

The Town has several certificates of deposits with amounts ranging from \$1,100 to \$6,000 with interest rates at .35% and terms for 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, mutual funds, 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>
FDIC/SIPC Insured		
Uninsured – Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institutions Agent	\$ 560,052	\$ 561,352
	<u>474,987</u>	<u>482,361</u>
	<u>\$1,035,039</u>	<u>\$1,043,713</u>

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

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$ 977,051
Cash – Deposits with Investment Company	43,330
Investments – Certificates of Deposit	<u>14,658</u>
 Total	 <u>\$1,035,039</u>

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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.

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 corporate bonds are shown at their actual maturity.

Investment Type	Remaining Maturity			Total
	1 to 5 Years	5 to 10 Years	Not Available	
Mutual Funds - Equity	\$ 0	\$ 0	\$ 663,935	\$ 663,935
Mutual Funds - Fixed Income	0	0	308,833	308,833
Corporate Bonds	75,652	0	0	75,652
Total	\$ 75,652	\$ 0	\$ 972,768	\$ 1,048,420

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, mutual funds 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, 2019 Corporate Bonds	
A+	\$ 25,665
AA-	25,047
BBB+	24,940
Total	\$ 75,652

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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 94% of their stock invested in General Electric, Inc.

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application.” The hierarchy is based on the valuation inputs used to measure fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 – Unadjusted quoted prices for identical instruments in active markets

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

The Town has the following fair value measurements as of June 30, 2019:

Description	Total	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Corporate Bonds	\$ 75,652	\$ 75,652	\$ 0	\$ 0
Mutual Funds - Equity	663,935	663,935	0	0
Mutual Fund - Fixed Income	308,833	308,833	0	0
Stock	16,299	16,299	0	0
Total	\$ 1,064,719	\$ 1,064,719	\$ 0	\$ 0

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

B. Interfund Balances and Activity

The due to/from balances as of June 30, 2019 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 376,599
Capital Projects Fund	376,599	0
 Total	\$ 376,599	\$ 376,599

Interfund transfers during the year ended June 30, 2019 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Library Fund	\$ 5,000	Annual Funding
Trustees of Public Funds Fund	General Fund	1,016	Transfer Investment Earnings
 Total		\$ 6,016	

C. Fund Balances

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

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, 2019

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 polices.

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:

Major Funds

Trustees of Public Funds Fund:

Nonspendable for Cemetery Upkeep Expenses by Bequest	\$ <u>36,535</u>
Nonspendable for Wilson Park Upkeep Expenses by Bequest	46,230
Loss on Market Value of Stock	<u>(6,230)</u>
Balance of Nonspendable for Wilson Park	<u>40,000</u>
Nonspendable for Village Park Upkeep Expenses by Bequest	<u>6,000</u>
Total Trustees of Public Funds Fund	<u>82,535</u>
Total Nonspendable Fund Balances	\$ <u>82,535</u>

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

General Fund:

Restricted for Town Clerk Restoration Expenses by Statute	\$ 14,322
Restricted for Highway Expenditures by Statute – Assigned for Retreatment (Source of Revenue is Highway Property Taxes and State Highway Aid)	<u>35,503</u>
Total General Fund	<u>49,825</u>

Library Fund:

Restricted for Library Expenses by Grants, Fees and Donations	<u>1,110,472</u>
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TOWN OF GRAFTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019

Trustees of Public Funds Fund:	
Restricted for Cemetery Upkeep Expenses	
Unexpended Earnings on Bequest	\$ 12,810
Restricted for Village Park by Donor Bequest	<u>21</u>
Total Trustees of Public Funds Fund	<u>12,831</u>
Total Restricted Fund Balances	<u><u>\$1,173,128</u></u>

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

Capital Projects Fund:	
Committed for Capital Projects by the Voters	\$ <u>376,599</u>
Total Committed Fund Balance	<u><u>\$ 376,599</u></u>

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

General Fund:	
Assigned for Reappraisal Expenses	\$ 44,763
Assigned for Hydrant Maintenance Expenses	25,635
Assigned for Solid Waste Management Expenses	5,372
Assigned for Town Hall Restoration Expenses	28,692
Assigned for Walker Bridge Project Expenses	100,000
Assigned for Highway Retreatment Expenses	<u>60,490</u>
Total Assigned Fund Balance	<u><u>\$ 264,952</u></u>

D. Restricted Net Position

The restricted net position of the Town as of June 30, 2019 consisted of the following:

Governmental Activities:	
Restricted by Grants, Fees and Donations – Library	\$1,110,472
Restricted by Bequest – Cemetery	49,345
Restricted by Statute – Town Clerk Restoration Fund	14,322
Restricted by Statute – Highway Retreatment	35,503
Restricted by Bequest – Wilson Park	40,000
Restricted by Bequest – Village Park	<u>6,021</u>
Total Governmental Activities	<u><u>\$1,255,663</u></u>

E. 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, 2019 consisted of the following:

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Restricted for S.B. Jones Library and Church Fund by Donations	\$ 701
Restricted for Grafton Fund by Donations	8,055
Restricted for Edward Campbell Fund by Bequest	18,287
Restricted for Woolson Fund by Bequest	9,955
Restricted for Dean Baker Fund by Donations	1,100
Restricted for Edward Walker Fund by Donations	<u>1,035</u>
 Total Private Purpose Trust Funds	 <u>\$ 39,133</u>

IV. OTHER INFORMATION

A. PENSION PLAN

Defined Benefit Plan

The Vermont Municipal Employees' Retirement System (VMERS)

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2019, the retirement system consisted of 402 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2018, the measurement date selected by the State of Vermont, VMERS was funded at 82.60% and had a plan fiduciary net position of \$667,848,905 and a total pension liability of \$808,524,797 resulting in a net position liability of \$140,675,892. As of June 30, 2019, the Town's proportionate share of this was 0.075% resulting in a net pension liability of \$105,461. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Town's proportion of 0.075% was a decrease of 0.0069 from its proportion measured as of the prior year.

Summary of System Provisions

Membership – Full time employees of participating municipalities. The Town elected coverage under Group B.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Group B – Average annual compensation during highest three (3) consecutive years.

Service Retirement Allowance:

Eligibility – Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service.

Amount – Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC.

Maximum benefit is 60% of AFC for Group B. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Group B.

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members.

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

Amount – Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on "Post-Retirement Adjustments".

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Disability Retirement Allowance:

Eligibility – Five (5) years of service and disability as determined by Retirement Board.

Amount – Immediate allowance based on AFC and service to date of disability.

Death Benefit:

Eligibility – Death after five (5) years of service.

Amount – For Group B, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death.

Optional Benefit and Death after Retirement – For Group B, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee.

Refund of Contribution – Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

Post-Retirement Adjustments – Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 3% for Group B.

Member Contributions – Group B – 5.00%.

Employer Contributions – Group B – 5.625%.

Retirement Stipend – \$25 per month payable at the option of the Board of Trustees.

Significant Actuarial Assumptions and Methods

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation.

Salary increases: 5% per year.

Mortality:

Death in Active Service: Group B – 98% of RP-2006 blended 60% Blue Collar Employee, 40% Healthy Employee with generational improvements.

Healthy Post-Retirement: Group B – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational improvements.

Disabled Post-Retirement: Group B – RP-2006 Disabled Mortality Table with generational improvements.

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Spouse's Age: Females three years younger than males.

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.30% per annum for Group B members, a decrease from 1.8% in the prior year (beginning at normal retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group B who receive a disability retirement benefit). The January 1, 2019 COLA is assumed to be 1.30%.

Actuarial Cost Method: Entry age actuarial cost method. Entry age is the age at date of employment or, if date is unknown, current age minus years of service. Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary, with normal cost determined using the plan of benefits applicable to each participant.

Actuarial Value of Assets: A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from market value of assets by more than 20%.

Inflation: 2.50%

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	18%	6.10%
Non-US Equity	16%	7.45%
Global Equity	9%	6.74%
Fixed Income	26%	2.25%
Real Estate	8%	5.11%
Private Markets	15%	7.60%
Hedge Funds	8%	3.86%

TOWN OF GRAFTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System’s projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%):

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$178,627	\$105,461	\$45,957

Additional Information

Additional information regarding the State of Vermont Municipal Employees’ Retirement System, including the details of the Fiduciary Net Position, 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. PROPERTY TAXES

The Town is responsible for assessing and collecting its own property taxes as well as education taxes for the State of Vermont. The tax rate is set by the Selectboard based on the voter approved budget, the estimated grand list and the State education property tax liability. Property taxes are 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, 2019, taxes became due and payable on August 15, 2018, November 15, 2018, February 15, 2019 and May 15, 2019. 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, 2019

The tax rates for 2019 were as follows:

	<u>Homestead</u>	<u>Non-Residential</u>
Education	1.3852	1.3623
Highway	.3336	.3336
Capital Projects	.0938	.0938
Local Agreements	.0151	.0151
Town	<u>.1775</u>	<u>.1775</u>
Total	<u>2.0052</u>	<u>1.9823</u>

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

E. LONG-TERM DEBT

Notes Payable – The Town has a note payable to finance capital purchases through a local bank.

Long-term debt outstanding as of June 30, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Merchants Bank, New Town Garage Construction, Principal Payments of \$53,333 Payable Annually, Interest at 2.35% Payable Semi-Annually, Due July 1, 2030. During the Fiscal Year 2018, the Town Made Two (2) Principal Payments.	<u>\$640,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$640,000</u>
Total	<u>\$640,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$640,000</u>

TOWN OF GRAFTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 53,333	\$ 15,328
2021	53,333	14,035
2022	53,334	12,661
2023	53,333	11,328
2024	53,333	9,995
2025-2029	266,667	30,010
2030-2034	106,667	2,655
Total	\$ 640,000	\$ 96,012

F. SUBSEQUENT EVENTS

On September 3, 2019, the Town ordered an excavator from Southworth-Milton, Inc., in the amount of \$107,300. The Town will sign a lease agreement with Caterpillar Financial Services Corporation once the excavator is received. Preliminary terms of the lease are five annual payments with interest at 3.85%.

TOWN OF GRAFTON, VERMONT
 COMBINING SCHEDULE OF FIDUCIARY
 MODIFIED CASH BASIS NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2019

	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	\$ 701	\$ 3,055	\$ 15,729	\$ 9,955	\$ 0	\$ 1,035	\$ 30,475
Investments	<u>0</u>	<u>5,000</u>	<u>2,558</u>	<u>0</u>	<u>1,100</u>	<u>0</u>	<u>8,658</u>
Total Assets	<u>\$ 701</u>	<u>\$ 8,055</u>	<u>\$ 18,287</u>	<u>\$ 9,955</u>	<u>\$ 1,100</u>	<u>\$ 1,035</u>	<u>\$ 39,133</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>701</u>	<u>8,055</u>	<u>18,287</u>	<u>9,955</u>	<u>1,100</u>	<u>1,035</u>	<u>39,133</u>
Total Net Position	<u>701</u>	<u>8,055</u>	<u>18,287</u>	<u>9,955</u>	<u>1,100</u>	<u>1,035</u>	<u>39,133</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 701</u>	<u>\$ 8,055</u>	<u>\$ 18,287</u>	<u>\$ 9,955</u>	<u>\$ 1,100</u>	<u>\$ 1,035</u>	<u>\$ 39,133</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF GRAFTON, VERMONT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
 MODIFIED CASH BASIS NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	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	\$ 19	\$ 19	\$ 6	\$ 4	\$ 0	\$ 48
Total Additions	<u>0</u>	<u>19</u>	<u>19</u>	<u>6</u>	<u>4</u>	<u>0</u>	<u>48</u>
<u>DEDUCTIONS</u>							
Care of the Indigent and Needy	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>0</u>	<u>4</u>
Total Deductions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>0</u>	<u>4</u>
Change In Net Position	0	19	19	6	0	0	44
Net Position - July 1, 2018	<u>701</u>	<u>8,036</u>	<u>18,268</u>	<u>9,949</u>	<u>1,100</u>	<u>1,035</u>	<u>39,089</u>
Net Position - June 30, 2019	<u>\$ 701</u>	<u>\$ 8,055</u>	<u>\$ 18,287</u>	<u>\$ 9,955</u>	<u>\$ 1,100</u>	<u>\$ 1,035</u>	<u>\$ 39,133</u>

See Disclaimer in Accompanying Independent Auditor's Report.

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
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, Vermont 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, 2019, 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 December 16, 2019. Our opinion on the governmental activities, the Library Fund and the Trustees of Public Funds Fund was qualified because of the recording of investments at market value rather than cost.

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.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Grafton, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2019-01 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2019-02 to be a significant deficiency.

Compliance and Other Matters

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

We also noted certain other matters that we reported to the management of the Town of Grafton, Vermont in a separate letter dated December 16, 2019.

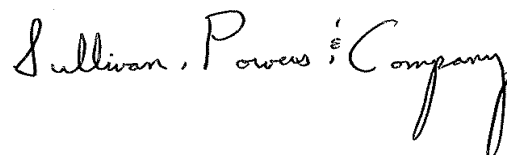
Town of Grafton, Vermont's Response to Deficiencies in Internal Control

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of 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.

December 16, 2019
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF GRAFTON, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES
IN INTERNAL CONTROL
JUNE 30, 2019

Deficiencies in Internal Control:

Material Weaknesses:

2019-01 Fund Balance Entries

Criteria:

Internal controls should be in place to ensure that all revenue and expenses are recorded correctly. Fund balances should only be posted to in the event of a correction of an error or change in accounting principle.

Condition:

The Town posted current year activity to fund balance rather than to separate revenue and expense accounts.

Cause:

Unknown.

Effect:

Adjustments were required to correct the fund balance, revenue and expenses.

Recommendation:

We recommend that the Town implement controls to ensure that all revenue and expenses are recorded correctly.

Significant Deficiencies:

2019-02 Review of General Journal Entries

Criteria:

Internal controls should be in place that require appropriate individuals to review and authorize all adjustments to the books of original entry to ensure that the adjustments are valid and appropriate.

TOWN OF GRAFTON, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES
IN INTERNAL CONTROL
JUNE 30, 2019

Condition:

It is the policy of the Town to require their locally elected auditors to review and authorize adjustments to the books of original entry. However, multiple entries were made to incorrect general ledger accounts which resulted in additional adjustments.

Cause:

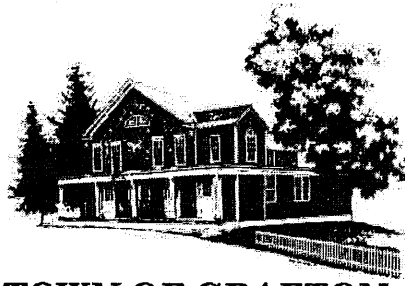
Unknown.

Effect:

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

Recommendation:

We recommend that the Town require appropriate officials to review all general journal entries to ensure that they are valid and appropriate.



P.O. Box 180

TOWN OF GRAFTON
(802)843-2419

Main Street

Sullivan, Powers & Company

77 Barre Street

Montpelier, Vermont 05601

December 13, 2019

This letter is to acknowledge the Deficiencies that were found during the Town of Grafton's 2019 yearly audit performed by Sullivan, Powers & Company and how management plans to handle their recommendations.

Fund Balance Entries:

Again, this year entries were made with the intentions of adding to or reducing the dollar amounts in reserve to reflect any expenses or revenues that might have occurred for that account. Good practice would be to wait until year end for journal entry adjustments instructed by a professional auditor.

Review of General Journal Entries:

Journal Entries were primarily reviewed by elected auditors and some were reviewed and initialed by a selectboard member. The journal entries that were entered and explained to the elected auditors and to the selectboard member present, were the same entries that were incorrectly posted to the Fund balance. By avoiding entries all together to the Fund balance should help to alleviate these two deficiencies in the future.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kimberly Record".

Kimberly Record, Grafton Town Clerk/Treasurer