

**TOWN OF GRAFTON, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2021**

TOWN OF GRAFTON, VERMONT  
 AUDIT REPORT  
 TABLE OF CONTENTS  
 JUNE 30, 2021

		<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 - 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		17-35
Other Information:		
Combining Schedule of Fiduciary Modified Cash Basis Net Position - Private Purpose Trust Funds	Schedule 1	36
Combining Schedule of Changes in Fiduciary Modified Cash Basis Net Position - Private Purpose Trust Funds	Schedule 2	37
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"		38-39

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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, 2021, 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, 2021, 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, 2021, 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 the modified cash basis of accounting, as described in Note I.D.

### ***Other Matters***

#### ***Change in Accounting Principle***

As described in Note I.E. to the financial statements, effective June 30, 2021, the Town implemented GASB Statement No. 84, "Fiduciary Activities".

***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.

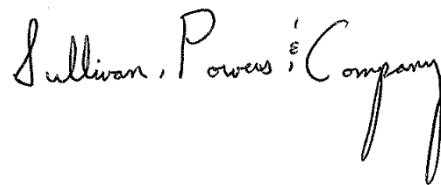
***Other Information***

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 January 4, 2022 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 4, 2022  
Montpelier, Vermont  
VT Lic. #92-000180

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

TOWN OF GRAFTON, VERMONT  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
JUNE 30, 2021

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 910,818
Investments	<u>1,316,034</u>
Total Assets	<u>2,226,852</u>
<u>LIABILITIES</u>	
Due to State of Vermont	9
Payroll Withholdings Liability	130
Due to Others	<u>352</u>
Total Liabilities	<u>491</u>
<u>NET POSITION</u>	
Restricted for:	
Library Expenses	1,348,344
Cemetery Upkeep Expenses	49,085
Parks Upkeep Expenses	49,697
Records Restoration	12,083
Handicap Access	10,000
Hydrant Maintenance	25,659
Unrestricted	<u>731,493</u>
Total Net Position	<u>\$ 2,226,361</u>

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, 2021

		Program Cash Receipts			Net (Disbursements)/ Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Functions/Programs:					
Governmental Activities:					
General Government	\$ 398,923	\$ 33,630	\$ 30,875	\$ 0	\$ (334,418)
Public Safety	75,701	0	1,832	0	(73,869)
Public Works	1,201,275	0	183,514	110,000	(907,761)
Culture and Recreation	80,089	403	22,676	0	(57,010)
Cemetery	15,698	200	0	0	(15,498)
Sanitation	2,705	0	0	0	(2,705)
Debt Service	89,653	0	0	0	(89,653)
Total Governmental Activities	\$ 1,864,044	\$ 34,233	\$ 238,897	\$ 110,000	(1,480,914)
General Receipts:					
Property Taxes					1,066,313
Interest and Penalties on Delinquent Taxes					15,784
General State Grants					126,152
Unrestricted Investment Earnings					303,277
Other Revenues					2,906
Total General Receipts					1,514,432
Change in Net Position					33,518
Net Position - July 1, 2020					2,192,843
Net Position - June 30, 2021					\$ 2,226,361

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, 2021

	General Fund	Capital Projects Fund	Library Fund	Trustees of Public Funds Fund	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 779,726	\$ 0	\$ 58,502	\$ 72,590	\$ 910,818
Investments	0	0	1,289,842	26,192	1,316,034
Due from Other Funds	0	256,634	0	0	256,634
Total Assets	\$ 779,726	\$ 256,634	\$ 1,348,344	\$ 98,782	\$ 2,483,486
<u>LIABILITIES</u>					
Payroll Withholdings Liability	\$ 130	\$ 0	\$ 0	\$ 0	\$ 130
Due to State of Vermont	9	0	0	0	9
Due to Others	352	0	0	0	352
Due to Other Funds	256,634	0	0	0	256,634
Total Liabilities	257,125	0	0	0	257,125
<u>FUND BALANCES</u>					
Nonspendable	0	0	0	86,232	86,232
Restricted	47,742	0	1,348,344	12,550	1,408,636
Committed	106,250	256,634	0	0	362,884
Assigned	52,707	0	0	0	52,707
Unassigned	315,902	0	0	0	315,902
Total Fund Balances	522,601	256,634	1,348,344	98,782	2,226,361
Total Liabilities and Fund Balances	\$ 779,726	\$ 256,634	\$ 1,348,344	\$ 98,782	\$ 2,483,486

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, 2021

	General Fund	Capital Projects Fund	Library Fund	Trustees of Public Funds Fund	Total Governmental Funds
<b>Cash Receipts:</b>					
Property Taxes	\$ 891,313	\$ 175,000	\$ 0	\$ 0	\$ 1,066,313
Penalties and Interest on Delinquent Taxes	15,784	0	0	0	15,784
Intergovernmental	452,373	0	0	0	452,373
Charges for Services	10,235	0	0	200	10,435
Licenses, Permits and Fees	23,395	0	403	0	23,798
Investment Income	3,275	0	290,058	9,944	303,277
Donations	5,944	0	17,266	0	23,210
Other Income	1,362	0	1,010	0	2,372
<b>Total Cash Receipts</b>	<u>1,403,681</u>	<u>175,000</u>	<u>308,737</u>	<u>10,144</u>	<u>1,897,562</u>
<b>Cash Disbursements:</b>					
General Government	378,714	0	0	0	378,714
Public Safety	60,701	15,000	0	0	75,701
Public Works	682,890	0	0	0	682,890
Culture and Recreation	10,997	0	69,092	0	80,089
Cemeteries	15,198	0	0	500	15,698
Sanitation	2,705	0	0	0	2,705
<b>Capital Outlay:</b>					
General Government	20,209	0	0	0	20,209
Public Works	261,946	256,439	0	0	518,385
<b>Debt Service:</b>					
Principal	53,333	19,944	0	0	73,277
Interest	13,123	3,253	0	0	16,376
<b>Total Cash Disbursements</b>	<u>1,499,816</u>	<u>294,636</u>	<u>69,092</u>	<u>500</u>	<u>1,864,044</u>
<b>Excess/(Deficiency) of Cash Receipts Over Cash Disbursements</b>	<u>(96,135)</u>	<u>(119,636)</u>	<u>239,645</u>	<u>9,644</u>	<u>33,518</u>
<b>Other Financing Sources/(Uses):</b>					
Transfers In	403	0	5,767	0	6,170
Transfers Out	(5,767)	0	0	(403)	(6,170)
<b>Total Other Financing Sources/(Uses)</b>	<u>(5,364)</u>	<u>0</u>	<u>5,767</u>	<u>(403)</u>	<u>0</u>
<b>Net Changes in Fund Balances</b>	(101,499)	(119,636)	245,412	9,241	33,518
<b>Fund Balances - July 1, 2020</b>	<u>624,100</u>	<u>376,270</u>	<u>1,102,932</u>	<u>89,541</u>	<u>2,192,843</u>
<b>Fund Balances - June 30, 2021</b>	<u>\$ 522,601</u>	<u>\$ 256,634</u>	<u>\$ 1,348,344</u>	<u>\$ 98,782</u>	<u>\$ 2,226,361</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, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Tax Revenues:			
Property Taxes	\$ 875,944	\$ 857,223	\$ (18,721)
Municipal Property Tax Adjustments	35,000	34,090	(910)
State of Vermont Current Use	110,000	121,497	11,497
Total Tax Revenues	1,020,944	1,012,810	(8,134)
Interest and Penalties:			
Interest on Overdue Taxes	7,000	9,359	2,359
8% Penalty on Delinquent Taxes	2,500	6,425	3,925
Total Interest and Penalties	9,500	15,784	6,284
Licenses and Permits:			
Liquor Licenses	400	415	15
Dog Licenses	900	832	(68)
Total Licenses and Permits	1,300	1,247	(53)
Intergovernmental Revenues:			
State of Vermont - Highways	120,000	126,786	6,786
State of Vermont - In Lieu of Taxes	3,000	4,655	1,655
State of Vermont - Reappraisal	0	5,270	5,270
State of Vermont - Civil Fines	700	1,832	1,132
Vermont Department of Transportation Grant Income	0	162,742	162,742
Grants - Other (COVID)	0	25,605	25,605
Total Intergovernmental Revenues	123,700	326,890	203,190
Charges for Services:			
Town Clerk's Fees	6,000	13,782	7,782
Preservation of Records	3,500	7,846	4,346
Copying Fees	100	48	(52)
Research Fees	0	402	402
Bank Fees Reimbursement	0	70	70
Total Charges for Services	9,600	22,148	12,548
Interest Earned:	2,000	3,275	1,275

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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Miscellaneous Revenues:			
Rental - Town Hall	\$ 10,200	\$ 10,235	\$ 35
Grants/PACIF/EffVT	0	3,986	3,986
Permits	500	0	(500)
Village Park Donations	0	5,410	5,410
Other	<u>0</u>	<u>1,362</u>	<u>1,362</u>
Total Miscellaneous Revenues	<u>10,700</u>	<u>20,993</u>	<u>10,293</u>
Interfund Revenues:			
Village Park Trust Funds	0	23	23
Wilson Park Trust Funds	1,000	380	(620)
Sherwin Cambridge Fund	<u>300</u>	<u>534</u>	<u>234</u>
Total Interfund Revenues	<u>1,300</u>	<u>937</u>	<u>(363)</u>
Total Cash Receipts	<u>1,179,044</u>	<u>1,404,084</u>	<u>225,040</u>
Cash Disbursements:			
Salaries/Compensation:			
Select Board	5,000	5,000	0
Select Board Town Administrator	47,400	47,643	(243)
Administrative Officer	500	88	412
Town Treasurer	18,025	18,142	(117)
Town Clerk	30,385	30,583	(198)
Assistant Town Clerk/Treasurer	12,000	9,119	2,881
Listers	13,500	13,560	(60)
Auditors	1,500	1,068	432
Trustee of Public Funds	500	500	0
Constables	300	300	0
Collector of Delinquent Taxes	1,500	5,936	(4,436)
Health Officer	1,000	1,000	0
Forest Fire Warden	<u>300</u>	<u>300</u>	<u>0</u>
Total Salaries/Compensation	<u>131,910</u>	<u>133,239</u>	<u>(1,329)</u>
Benefits:			
Social Security (FICA)	9,500	10,016	(516)
Medicare	2,200	2,343	(143)
Employee Health Insurance	39,000	35,390	3,610
Employee Dental Insurance	800	753	47

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, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Benefits/(Cont.):			
Retirement	\$ 7,500	\$ 5,817	\$ 1,683
Worker's Compensation	700	410	290
Unemployment Insurance	150	119	31
<b>Total Benefits</b>	<b>59,850</b>	<b>54,848</b>	<b>5,002</b>
Town Meetings and Elections:			
Ballot Clerk Compensation	1,000	1,077	(77)
Town Reports	900	1,063	(163)
Other Town Meeting/Election Expense	200	5,772	(5,572)
<b>Total Town Meetings and Elections</b>	<b>2,100</b>	<b>7,912</b>	<b>(5,812)</b>
Operating:			
Office Supplies	2,400	2,076	324
Postage	1,400	1,480	(80)
Telephone	2,500	2,534	(34)
Copier Expense	1,400	1,384	16
Computer Expense	13,300	16,128	(2,828)
Travel - Town Officials	1,800	125	1,675
Dues - Town Officials	400	165	235
Conferences	1,000	171	829
Dog Expense	500	513	(13)
Preservation of Records	0	33,706	(33,706)
Fire Alarm Systems T.H.	240	277	(37)
Cott Systems - Land Records	0	1,550	(1,550)
Liability Insurance	1,000	1,342	(342)
Public Official Insurance	3,000	3,272	(272)
Officers Bond	100	100	0
Kidder Bridge Insurance	90	28	62
Advertising	1,000	0	1,000
Other Professional Services	500	494	6
Legal Expense	5,000	6,360	(1,360)
Professional Auditor	15,000	14,753	247
Other Operating Expenses	500	650	(150)
<b>Total Operating</b>	<b>51,130</b>	<b>87,108</b>	<b>(35,978)</b>
Sewage Study:	0	2,705	(2,705)

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, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Recreation &amp; Parks:</b>			
Swimming Pool	\$ 500	\$ 500	\$ 0
Town Greens	500	100	400
Village Park	1,000	800	200
Wilson Park	500	280	220
Winnie Park	500	200	300
Parker Hill Park	500	0	500
Pool Water Testing	300	0	300
Village Park Maintenance	500	9,117	(8,617)
<b>Total Recreation &amp; Parks</b>	<b>4,300</b>	<b>10,997</b>	<b>(6,697)</b>
<b>Cemeteries:</b>			
Labor	20,000	13,369	6,631
Benefits - FICA and Worker's Compensation	2,000	667	1,333
Supplies	0	722	(722)
Plot Mapping	300	0	300
Equipment	1,000	15	985
Contractor Services	1,500	425	1,075
<b>Total Cemeteries</b>	<b>24,800</b>	<b>15,198</b>	<b>9,602</b>
<b>Other Town:</b>			
VLCT Dues	1,900	1,909	(9)
County Tax	12,500	13,160	(660)
Bank Service Fees	0	54	(54)
Street & Bridge Lights	1,500	1,735	(235)
Grafton Public Library	5,500	5,767	(267)
Planning Commission	1,500	0	1,500
Development Review Board	200	83	117
Windham Regional Commission	1,500	1,611	(111)
Emergency Management	1,000	2,867	(1,867)
Sheriff's Department	4,900	4,896	4
Cornet Band	300	300	0
Hydrant	0	300	(300)
Reappraisal	0	48,017	(48,017)
Mutual Aid	15,000	15,495	(495)
Fact TV 8	1,300	0	1,300
Tax Maps	2,500	2,500	0
<b>Total Other Town</b>	<b>49,600</b>	<b>98,694</b>	<b>(49,094)</b>

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, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Town Hall:			
Supplies	\$ 600	\$ 741	\$ (141)
Insurance	2,000	2,687	(687)
Heat	4,000	2,566	1,434
Electricity	2,000	1,837	163
Repairs & Maintenance	5,000	1,802	3,198
Snow Removal	1,500	1,300	200
Town Hall Restoration	0	20,209	(20,209)
Janitor	0	1,020	(1,020)
Total Town Hall	15,100	32,162	(17,062)
Debt Service:			
Principal Expense	53,333	53,333	0
Interest Expense	14,000	13,123	877
Total Debt Service	67,333	66,456	877
Other Voted Articles:			
Ambulance Service	9,000	8,760	240
Fire Department	27,950	27,950	0
Rescue Squad	3,000	3,000	0
SVEDS	2,037	2,037	0
Humanitarian Articles	9,841	9,681	160
Total Other Voted Articles	51,828	51,428	400
Highway Salaries/Compensation:			
Labor - Regular Hours	162,843	163,873	(1,030)
Labor - Overtime	17,000	8,614	8,386
Labor - Temporary	5,000	3,420	1,580
Total Highway Salaries/Compensation	184,843	175,907	8,936
Highway Benefits:			
Social Security (FICA)	10,500	9,866	634
Medicare	2,700	2,307	393
Health Insurance	70,200	68,444	1,756
Dental Insurance	1,200	1,054	146
Retirement - Highway	12,250	10,349	1,901
Worker's Compensation	12,000	9,681	2,319
Unemployment Insurance	400	157	243
Uniforms	6,300	5,909	391
Total Highway Benefits	115,550	107,767	7,783

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, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Fuel:</b>			
Truck 1 - 2018 Western Star	\$ 7,500	\$ 5,246	\$ 2,254
Truck 2 - 2016 Western Star	8,000	4,895	3,105
Truck 3 - 2019 Chevy Truck	2,800	1,769	1,031
Truck 4 - 2013 Freightliner	3,500	2,301	1,199
Loader - 2013 CAT	1,600	1,138	462
Grader - 2010 CAT	3,500	2,975	525
Backhoe - 2012 John Deere	750	468	282
Chipper	200	23	177
DEF for Equipment	800	520	280
Mower/Blower	1,500	849	651
Excavator	2,000	696	1,304
Other Equipment	600	35	565
<b>Total Fuel</b>	<b>32,750</b>	<b>20,915</b>	<b>11,835</b>
<b>Repairs and Maintenance:</b>			
Truck 1 - 2018 Western Star	4,000	3,379	621
Truck 2 - 2016 Western Star	6,000	5,092	908
Truck 3 - 2019 Chevy Truck	1,000	1,452	(452)
Truck 4 - 2013 Freightliner	3,500	2,947	553
Loader - 2013 CAT	1,200	701	499
Grader - 2010 CAT	3,500	2,299	1,201
Plows and Sanders	14,000	10,619	3,381
Backhoe - 2012 John Deere	2,000	3,327	(1,327)
Chipper	200	0	200
Mower/Blower	1,000	1,165	(165)
Eager Beaver Trailer 1996	1,000	105	895
Small Equipment Repairs	1,000	7,009	(6,009)
Excavator	0	616	(616)
<b>Total Repairs and Maintenance</b>	<b>38,400</b>	<b>38,711</b>	<b>(311)</b>
<b>Contracted Services:</b>			
Tree Removal Contractors	2,000	0	2,000
Retreatment Contractors	105,000	261,946	(156,946)
Bridge Maintenance	6,000	0	6,000
Street Sweeping Contracts	2,000	1,392	608
Beaver Maintenance	2,000	0	2,000
Small Equipment Rental	2,000	700	1,300
Generator Contract	400	0	400
Other Contracted Services	2,500	1,487	1,013
Plowing Contractors	0	500	(500)
<b>Total Contracted Services</b>	<b>121,900</b>	<b>266,025</b>	<b>(144,125)</b>

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, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
Materials and Supplies:			
Culvert Expenses	\$ 7,000	\$ 26,690	\$ (19,690)
Cold Patch	1,500	2,110	(610)
Guardrails	0	205	(205)
Gravel Crushing and Hauling	35,000	27,001	7,999
Road Repair Material	15,000	32,437	(17,437)
Salt	60,000	53,493	6,507
Sand	60,000	33,245	26,755
Better Back Roads Grant Expenses	0	112,590	(112,590)
Chloride	8,500	7,835	665
Road Signs	2,000	1,664	336
Miscellaneous Supplies	2,500	1,265	1,235
Total Materials and Supplies	191,500	298,535	(107,035)
Town Garage:			
Supplies and Tools/Inventory	5,000	6,608	(1,608)
Radio	1,000	600	400
Telephone	1,300	1,367	(67)
Insurance	4,000	3,867	133
Heat	7,000	4,850	2,150
Electricity	1,200	1,581	(381)
Repairs and Maintenance - Town Shed	3,500	5,593	(2,093)
Pagers for Highway Workers	600	538	62
Fire Alarm System for New Town Shed	500	581	(81)
Total Town Garage	24,100	25,585	(1,485)
Other:			
Training	250	0	250
Advertising	500	157	343
Liability Insurance - Highway	2,100	2,475	(375)
Equipment Insurance	6,000	4,996	1,004
Safety Equipment	800	482	318
Commercial Licenses	200	70	130
General Road Permit	2,000	2,940	(940)
Miscellaneous Highway Expenses	200	271	(71)
Total Other	12,050	11,391	659
Total Cash Disbursements	1,179,044	1,505,583	(326,539)
Excess/(Deficiency) of Cash Receipts Over Cash Disbursements	\$ 0	(101,499)	\$ (101,499)
Fund Balance - July 1, 2020		624,100	
Fund Balance - June 30, 2021		\$ 522,601	

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, 2021

	Private Purpose Trust Funds	Custodial Fund <hr/> Education Tax Fund
<u>ASSETS</u>		
Cash	\$ 29,559	\$ 0
Investments	8,661	0
Total Assets	38,220	0
<u>LIABILITIES</u>		
Total Liabilities	0	0
<u>NET POSITION</u>		
Held in Trust for Various Purposes	38,220	0
Total Net Position	\$ 38,220	\$ 0

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, 2021

	Private Purpose Trust Funds	Custodial Fund <u>Education Tax Fund</u>
<u>ADDITIONS:</u>		
Net Investment Income	\$ 52	\$ 0
Education Taxes Collected for Other Governments	<u>0</u>	<u>2,199,726</u>
Total Additions	<u>52</u>	<u>2,199,726</u>
<u>DEDUCTIONS:</u>		
Education Taxes Distributed to Other Governments	<u>0</u>	<u>2,199,726</u>
Total Deductions	<u>0</u>	<u>2,199,726</u>
Change in Net Position	52	0
Net Position - July 1, 2020	<u>38,168</u>	<u>0</u>
Net Position - June 30, 2021	<u>\$ 38,220</u>	<u>\$ 0</u>

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

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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, 2021

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 types:

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.

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

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

**C. Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and fiduciary fund 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, amounts due to Grafton organizations, the State of Vermont and payroll withholdings 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. New Pronouncement – Fiduciary Activities**

Effective June 30, 2021, the Town implemented GASB Statement No. 84, "Fiduciary Activities". GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This required moving certain items previously recorded through a general fund liability account to the newly established custodial fund that reports additions and deductions for these activities. No restatement of beginning net position/fund balance was required in either fund. As a result, the collection and remittance of education taxes on behalf of other governments are now presented in a Custodial Fund.

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

**F. 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.

**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.

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

**B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2021, expenditures in the General Fund exceeded appropriations by \$326,539. These over-expenditures were funded by excess revenues and available fund balance.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

Cash and investments at June 30, 2021 consisted of the following:

Cash:

Deposits with Financial Institutions	\$ 923,586
Deposits held by Investment Company	16,629
Cash on Hand	<u>162</u>
Total Cash	<u>940,377</u>

Investments:

Certificates of Deposits	14,661
Corporate Bonds	26,501
Exchange Traded Funds	717,567
Mutual Funds – Mixed Holdings	545,774
Common Stock	<u>20,192</u>
Total Investments	<u>1,324,695</u>

Total Cash and Investments	<u>\$2,265,072</u>
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The Town has four (4) certificates of deposits with amounts ranging from \$1,104 to \$6,000.

**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, exchange traded funds, mutual funds, and common stock 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 cash and certificates of deposit.

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured		
Uninsured – Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution’s Agent	\$335,710	\$336,407
	<u>619,166</u>	<u>662,604</u>
	<u>\$954,876</u>	<u>\$999,011</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	\$923,586
Cash – Deposits with Investment Company	16,629
Investments – Certificates of Deposit	<u>14,661</u>
Total	<u>\$954,876</u>

**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, exchange traded funds and common stock are not subject to interest rate risk disclosure. The Town’s mutual funds are open-ended and, therefore, also exempt from 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. Corporate bonds are shown at their actual maturity.

Investment Type	Remaining Maturity	
	1 to 5 Years	Total
Corporate Bonds	\$ <u>26,501</u>	\$ <u>26,501</u>
Total	\$ <u><u>26,501</u></u>	\$ <u><u>26,501</u></u>



TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

**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, exchange traded funds, mutual funds and common stock are exempt from this analysis. The Town does not have any policy to limit the exposure to credit risk.

The credit rating for the bonds are as follows:

	Standard and Poor's Rating as of June 30, 2021 Corporate Bonds
A+	\$ <u>26,501</u>
Total	\$ <u><u>26,501</u></u>

**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 mutual funds are open ended and therefore are excluded from concentration of credit risk analysis. There are no other investments in any one issue that represent more than 5% of total investments.

**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). The Town's certificates of deposit are not subject to fair value disclosures.

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.

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

The Town has the following fair value measurements as of June 30, 2021:

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	\$ 26,501	\$ 26,501	\$ 0	\$ 0
Exchange Traded Funds	717,567	717,567	0	0
Mutual Fund - Mixed Holdings	545,774	545,774	0	0
Common Stock	20,192	20,192	0	0
<b>Total</b>	<b>\$ 1,310,034</b>	<b>\$ 1,310,034</b>	<b>\$ 0</b>	<b>\$ 0</b>

**B. Interfund Balances and Activity**

The due to/from balances as of June 30, 2021 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 256,634
Capital Projects Fund	256,634	0
<b>Total</b>	<b>\$ 256,634</b>	<b>\$ 256,634</b>

Interfund transfers during the year ended June 30, 2021 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Library Fund	\$ 5,767	Annual Funding
Trustees of Public Funds Fund	General Fund	403	Transfer Investment Earnings
<b>Total</b>		<b>\$ 6,170</b>	

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

**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.

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.

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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>(2,533)</u>
Balance of Nonspendable for Wilson Park	<u>43,697</u>
Nonspendable for Village Park Upkeep Expenses by Bequest	<u>6,000</u>
Total Trustees of Public Funds Fund	<u>86,232</u>
Total Nonspendable Fund Balances	<u>\$ 86,232</u>

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

General Fund:

Restricted for Town Clerk Restoration Expenses by Statute	\$ 12,083
Restricted for Town Hall Handicap Access by Donation	10,000
Restricted for Hydrant Maintenance Expenses by Grant	<u>25,659</u>
Total General Fund	<u>47,742</u>

Library Fund:

Restricted for Library Expenses by Grants, Fees and Donations	<u>1,348,344</u>
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Trustees of Public Funds Fund:

Restricted for Cemetery Upkeep Expenses	
Unexpended Earnings on Bequest	<u>12,550</u>
Total Restricted Fund Balances	<u>\$1,408,636</u>

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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

General Fund:	
Committed for Town Hall Restoration Expenses	\$ 1,483
Committed for Walker Bridge Project Expenses	100,000
Committed for Village Park Maintenance	<u>4,767</u>
Total General Fund	<u>106,250</u>
Capital Projects Fund:	
Committed for Capital Projects by the Voters	<u>256,634</u>
Total Committed Fund Balance	<u>\$ 362,884</u>

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

General Fund:	
Assigned for Reappraisal Expenses	\$ 7,321
Assigned for Solid Waste Management Expenses	5,372
Assigned for Highway Retreatment Expenses	34,278
Assigned for Walker Bridge Project Expenses	<u>5,736</u>
Total Assigned Fund Balance	<u>\$ 52,707</u>

**D. Restricted Net Position**

The restricted net position of the Town as of June 30, 2021 consisted of the following:

Governmental Activities:	
Restricted by Grants, Fees and Donations – Library	\$1,348,344
Restricted by Bequest – Cemetery	49,085
Restricted by Statute – Town Clerk Restoration Fund	12,083
Restricted by Bequest – Wilson Park	43,697
Restricted by Bequest – Village Park	6,000
Restricted by Donation – Town Hall Handicap Access	10,000
Restricted by Grants – Hydrant Maintenance	<u>25,659</u>
Total Governmental Activities	<u>\$1,494,868</u>

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

**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, 2021 consisted of the following:

Restricted for S.B. Jones Library and Church Fund by Donations	\$ 701
Restricted for Grafton Fund by Donations	8,092
Restricted for Edward Campbell Fund by Bequest	17,321
Restricted for Woolson Fund by Bequest	9,966
Restricted for Dean Baker Fund by Donations	1,104
Restricted for Edward Walker Fund by Donations	<u>1,036</u>
 Total Private Purpose Trust Funds	 <u>\$ 38,220</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. As of June 30, 2020, the measurement date selected by the State of Vermont, the retirement system consisted of 353 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, 2021

**Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources**

As of June 30, 2020, the measurement date selected by the State of Vermont, VMERS was funded at 74.52% and had a plan fiduciary net position of \$740,052,895 and a total pension liability of \$993,026,959 resulting in a net position liability of \$252,974,064. As of June 30, 2021, the Town's proportionate share of this was 0.0766% resulting in a net pension liability of \$193,975. The net pension liability was measured as of June 30, 2021, 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 0.0766% was a decrease of 0.0001 from its proportion measured as of the prior year.

**Summary of System Provisions**

Membership – Full time employees of participating municipalities. Municipalities can elect coverage under Groups A, B, C or D provisions. The Town elected coverage under Group B.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Group A – Average annual compensation during highest five (5) consecutive years. Groups B and C – Average annual compensation during highest three (3) consecutive years. Group D – Average annual compensation during highest two (2) consecutive years.

Service Retirement Allowance:

Eligibility – Group A – The earlier of age 65 with five (5) years of service or age 55 with thirty-five (35) years of service. Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service. Groups C and D – Age 55 with five (5) years of service.

Amount – Group A – 1.4% of AFC times service. Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC. Group D – 2.5% of AFC times service as a Group D member plus percentage earned as a Group A, B or C member times AFC.

Maximum benefit is 60% of AFC for Groups A and B and 50% of AFC for Groups C and D. 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 Groups A and B. Age 50 with twenty (20) years of service for Group D.

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Groups A and B members, and payable without reduction to Group D 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”.

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; children’s benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

Death Benefit:

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

Amount – For Groups A, B and C, 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. For Group D, 70% of the unreduced accrued benefit plus children’s benefit.

Optional Benefit and Death after Retirement – For Groups A, B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.

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 2% for Group A and 3% for Groups B, C and D.

Member Contributions – Group A – 3.00%. Group B – 5.375%. Group C – 10.50%. Group D – 11.85%.

Employer Contributions – Group A – 4.50%. Group B – 6.00%. Group C – 7.75%. Group D – 10.35%.

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



TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

**Significant Actuarial Assumptions and Methods**

Investment Rate of Return: 7.00%, net of pension plan investment expenses, including inflation, a decrease from 7.50% in the prior year.

Salary increases: Varying service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.

**Mortality:**

Pre-Retirement: Groups A, B and C – 40% PubG-2010 General Employee below-median and 60% of PubG-2010 General Employee, with generational projection using scale MP-2019. Group D – PubG-2010 General Employee above-median, with generational projection using scale MP-2019.

Healthy Post-retirement – Retirees: Groups A, B and C – 104% of 40% PubG-2010 General Healthy Retiree below-median and 60% of PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019. Group D – PubG-2010 General Healthy Retiree, with generational projection using scale MP-2019.

Healthy Post-retirement – Beneficiaries: Groups A, B and C – 70% Pub-2010 Contingent Survivor below-median and 30% of Pub-2010 Contingent Survivor, with generational projection using scale MP-2019. Group D – Pub-2010 Contingent Survivor, with generational projection using scale MP-2019.

Disabled Post-retirement: All Groups – PubNS-2010 Non-Safety Disabled Retiree Mortality Table with generational projection using scale MP-2019.

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

Cost-of-Living Adjustments: 1.10% for Group A members and 1.20% for Groups B, C and D members. The January 1, 2020 and January 1, 2021 COLAs are 0.80% and 0.40%, respectively, for all groups.

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.

Assets: The valuation is based on the market value of assets as of the valuation date, as provided by the System. The System uses an “actuarial value of assets” that differs from market value to gradually reflect year-to-year changes in the market value of assets in determine the contribution requirements.

Inflation: 2.30%

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	29%	7.07%
US Equity – Large Cap	4%	6.19%
US Equity – Small/Mid Cap	3%	6.93%
Non-US Equity – Large Cap	5%	7.01%
Non-US Equity – Small Cap	2%	7.66%
Emerging Markets Debt	4%	3.66%
Core Bond	20%	0.39%
Private & Alternate Credit	10%	6.03%
US TIPS	3%	(0.20)%
Core Real Estate	5%	4.06%
Non-Core Real Estate	3%	6.43%
Private Equity	10%	11.27%
Infrastructure/Farmland	2%	5.44%

Discount Rate – The discount rate used to measure the total pension liability was 7.00%, decrease from 7.50% in the prior year. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members) with scheduled increases through July 1, 2021. Further, based upon Board resolution, projected contributions beginning July 1, 2022, and each subsequent July 1, through 2025 include additional total contribution increases of 0.50% per year. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2020. 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.

TOWN OF GRAFTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2021

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6%) or one percent higher (8%):

<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$296,355	\$193,975	\$109,739

**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, 2021, taxes became due and payable on August 15, 2020, November 15, 2020, February 15, 2021 and May 15, 2021. The penalty is eight percent (8%). Interest is charged at one percent (1%) per month for the first three months and one and one-half percent (1-1/2%) per month for each month thereafter.

The tax rates for 2021 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Education	1.6399	1.5178
Highway	0.3794	0.3794
Capital Projects	0.1100	0.1100
Local Agreements	0.0141	0.0141
Town	<u>0.1765</u>	<u>0.1765</u>
Total	<u>2.3199</u>	<u>2.1978</u>

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

**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.

Capital Lease - The Town entered into a lease agreement as the lessee for the purpose of financing the acquisition of a major piece of equipment. This lease agreement qualifies as a capital lease obligation for accounting purposes (even though leases may include clauses that allow for cancellation of the lease in the event the Town does not appropriate funds in future years) and, therefore, has been recorded at the present value of the future minimum lease payment as of the inception date of the lease.

Long-term debt outstanding as of June 30, 2021 is 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.	\$586,667	\$ 0	\$ 53,333	\$533,334
Capital Lease Payable, Caterpillar Financial Services, Caterpillar Hydraulic Excavator, Annual Principal and Interest Payments of \$23,197, Interest at 3.85%, Due January, 2024	<u>84,503</u>	<u>0</u>	<u>19,944</u>	<u>64,559</u>
Total	<u>\$671,170</u>	<u>\$ 0</u>	<u>\$ 73,277</u>	<u>\$597,893</u>

TOWN OF GRAFTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

Debt service requirements to maturity are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Capital Lease
2022	\$ 53,333	\$ 12,661	\$ 23,197
2023	53,333	11,328	23,197
2024	53,333	9,995	23,197
2025	53,333	8,687	0
2026	53,333	7,328	0
2027-2031	<u>266,669</u>	<u>16,650</u>	<u>0</u>
Total	533,334	66,649	69,591
Less: Imputed Interest	<u>0</u>	<u>0</u>	<u>(5,032)</u>
Total	<u>\$ 533,334</u>	<u>\$ 66,649</u>	<u>\$ 64,559</u>

TOWN OF GRAFTON, VERMONT  
 COMBINING SCHEDULE OF FIDUCIARY  
 MODIFIED CASH BASIS NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 JUNE 30, 2021

	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	\$ 3,092	\$ 14,764	\$ 9,966	\$ 0	\$ 1,036	\$ 29,559
Investments	<u>0</u>	<u>5,000</u>	<u>2,557</u>	<u>0</u>	<u>1,104</u>	<u>0</u>	<u>8,661</u>
Total Assets	<u>\$ 701</u>	<u>\$ 8,092</u>	<u>\$ 17,321</u>	<u>\$ 9,966</u>	<u>\$ 1,104</u>	<u>\$ 1,036</u>	<u>\$ 38,220</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>8,092</u>	<u>17,321</u>	<u>9,966</u>	<u>1,104</u>	<u>1,036</u>	<u>38,220</u>
Total Net Position	<u>701</u>	<u>8,092</u>	<u>17,321</u>	<u>9,966</u>	<u>1,104</u>	<u>1,036</u>	<u>38,220</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 701</u>	<u>\$ 8,092</u>	<u>\$ 17,321</u>	<u>\$ 9,966</u>	<u>\$ 1,104</u>	<u>\$ 1,036</u>	<u>\$ 38,220</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, 2021

	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	\$ 18	\$ 25	\$ 5	\$ 4	\$ 0	\$ 52
Total Additions	<u>0</u>	<u>18</u>	<u>25</u>	<u>5</u>	<u>4</u>	<u>0</u>	<u>52</u>
<u>DEDUCTIONS</u>							
Care of the Indigent and Needy	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Deductions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change In Net Position	0	18	25	5	4	0	52
Net Position - July 1, 2020	<u>701</u>	<u>8,074</u>	<u>17,296</u>	<u>9,961</u>	<u>1,100</u>	<u>1,036</u>	<u>38,168</u>
Net Position - June 30, 2021	<u>\$ 701</u>	<u>\$ 8,092</u>	<u>\$ 17,321</u>	<u>\$ 9,966</u>	<u>\$ 1,104</u>	<u>\$ 1,036</u>	<u>\$ 38,220</u>

See Disclaimer in Accompanying Independent Auditor's Report.

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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, 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, 2021, 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 4, 2022. Our opinion on the governmental activities, the Library Fund and the Trustees of Public Funds Fund is 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.

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. 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. 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***

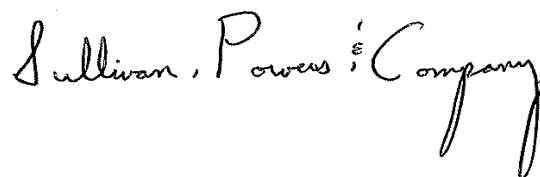
As part of obtaining reasonable assurance about whether the Town of Grafton, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

However, we noted a certain other matter that we reported to the management of the Town of Grafton, Vermont in a separate letter dated January 4, 2022.

### ***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 4, 2022  
Montpelier, Vermont  
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized 'S' and 'C'.