

**TOWN OF BRANDON, VERMONT**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2014**  
**AND**  
**INDEPENDENT AUDITOR'S REPORTS**

# TOWN OF BRANDON, VERMONT

JUNE 30, 2014

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## INDEPENDENT AUDITOR'S REPORT

The Selectboard  
Town of Brandon, Vermont

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Brandon, Vermont (the Town) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Brandon, Vermont as of June 30, 2014, and the respective changes

in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Information***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015 on our consideration of the Town's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on 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 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's internal control over financial reporting and compliance.

Montpelier, Vermont  
March 31, 2015

*Mudgett, Jennett &  
Krogh-Wisner, P.C.*

**TOWN OF BRANDON, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

The Town of Brandon (the "Town") herein sets forth an overview and analysis of its financial operations for the fiscal year ended June 30, 2014.

***Financial Highlights***

**Government-wide Financial Statements**

- Assets exceeded liabilities and deferred inflows of resources (*Net Position*) on June 30, 2014 by \$8,760,873. Of this amount, \$1,015,052 (*Unrestricted Net Position*) may be used by the various funds of the Town to meet the Town's ongoing obligations. For comparison, assets exceeded liabilities on June 30, 2013 by \$8,317,810, and of this amount, \$1,109,886 were unrestricted. Much of this difference is attributed to an increase in capital assets; the Town and Fire District completed the Route 7 Waterline project, the Town acquired a Caterpillar Loader, and there was a purchase of Land through an HMGP Grant.
- The Town's total net position increased by \$443,063 in FY 14. Of this amount, net position attributable to governmental activities increased by \$360,540. Net position attributable to business-type activities increased by \$82,523.
- The Town's total net position increased by \$640,782 in FY 13. Of this amount, net assets attributable to governmental activities increased by \$592,633. Net position attributable to business-type activities increased by \$48,149.

**Fund Financial Statements**

- Fund balances of governmental funds decreased by \$46,718 to \$2,091,846 in FY 14 from \$2,138,564 in FY 13. Construction occurred on the Route 7 reconstruction project, specifically improvements to the water lines under Route 7 which belong to Brandon Fire District #1.

***Overview of the Town's Financial Statements:***

The annual financial report consists of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town of Brandon's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Town of Brandon's assets, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information showing how the Town's net position changed during the fiscal year. The *Statement of Activities* reports operations on a full accrual basis (i.e., all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows); whereas the *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*

presents activity of the funds on a modified accrual basis (i.e., revenue is recognized when it becomes measurable and available and expenditures are recognized when the related liability is incurred). Thus, in the *Statement of Activities* revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements combine information from governmental funds (*governmental activities*) which are supported primarily by tax dollars with information from enterprise funds that are supported by user fees and charges (*business-type activities*). The governmental activities of the Town of Brandon include general government, public works, public safety, community development, zoning administration, and recreation. The business-type activities of the Town include the Wastewater Treatment Plant and the associated collection system.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town has two types of funds: governmental funds and proprietary funds. The proprietary funds of the Town are all enterprise funds.

**Notes to the financial statements.** The notes provide additional information that is necessary for an understanding of the information in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements in this report.

### ***Government-wide Financial Analysis***

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Current and other assets	\$ 3,877,493	\$ 3,981,062	\$ 413,454	\$ 472,451	\$ 4,290,947	\$ 4,453,513
Capital assets, net	<u>6,691,151</u>	<u>6,943,862</u>	<u>1,765,809</u>	<u>1,701,868</u>	<u>8,456,960</u>	<u>8,645,730</u>
Total assets	<u>10,568,644</u>	<u>10,924,924</u>	<u>2,179,263</u>	<u>2,174,319</u>	<u>12,747,907</u>	<u>13,099,243</u>
Current liabilities	900,687	981,726	179,126	124,884	1,079,813	1,106,610
Long-term liabilities	<u>2,314,868</u>	<u>2,201,191</u>	<u>542,522</u>	<u>509,297</u>	<u>2,857,390</u>	<u>2,710,488</u>
Total liabilities	<u>3,215,555</u>	<u>3,182,917</u>	<u>721,648</u>	<u>634,181</u>	<u>3,937,203</u>	<u>3,817,098</u>
Deferred inflows of resources	<u>492,894</u>	<u>521,272</u>	<u>-</u>	<u>-</u>	<u>492,894</u>	<u>521,272</u>
Net investment in capital assets	4,246,812	4,593,933	1,137,082	1,158,002	5,383,894	5,751,935
Restricted	1,824,030	1,993,886	-	-	1,824,030	1,993,886
Unrestricted	<u>789,353</u>	<u>632,916</u>	<u>320,533</u>	<u>382,136</u>	<u>1,109,886</u>	<u>1,015,052</u>
Total net assets	\$ <u>6,860,195</u>	\$ <u>7,220,735</u>	\$ <u>1,457,615</u>	\$ <u>1,540,138</u>	\$ <u>8,317,810</u>	\$ <u>8,760,873</u>

As stated above, total assets exceeded liabilities and deferred inflows of resources by \$8,760,873 at the end of FY 14. Total net position at the end of FY 13 was \$8,317,810.

The largest portion of the Town's net position is in its investment in capital assets at 66% for FY 14 and 65% for FY 13. These assets are used to provide services to its citizens (e.g., land, buildings, equipment, infrastructure). Therefore, these assets are not available for future spending.

A portion (23%) of the Town's net position is subject to restrictions on how it may be used. The Town's unrestricted net position of \$1,015,052 may be used to meet its ongoing obligations to citizens and creditors.

Management designates some of these funds included in the unrestricted net position for particular purposes (e.g., capital projects and reduction in taxes in subsequent years). Unrestricted net position for FY 13 was \$1,109,886.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Revenues						
Program revenues						
Charges for services	\$ 285,295	\$ 439,316	\$ 558,926	\$ 668,188	\$ 844,221	\$ 1,107,504
Grants and contributions	647,642	1,921,875	-	954	647,642	1,922,829
Other	177,938	2,262	40,714	10,350	218,652	12,612
General revenues						
Property taxes	2,385,889	2,316,901	-	-	2,385,889	2,316,901
Investment income (loss)	81,565	94,902	-	-	81,565	94,902
Total revenues	<u>3,578,329</u>	<u>4,775,256</u>	<u>599,640</u>	<u>679,492</u>	<u>4,177,969</u>	<u>5,454,748</u>
Expenses						
Governmental activities						
General government	712,836	823,505	-	-	712,836	823,505
Public safety	828,637	766,843	-	-	828,637	766,843
Public works	1,010,121	1,062,423	-	-	1,010,121	1,062,423
Community Development	30,087	96,952	-	-	30,087	96,952
Intergovernmental	150,869	159,437	-	-	150,869	159,437
Brandon Fire District #1						
water lines	-	1,200,939	-	-	-	1,200,939
Culture and Recreation	151,136	199,002	-	-	151,136	199,002
Other	102,010	105,615	-	-	102,010	105,615
Business-type activities						
Sewer	-	-	551,491	596,969	551,491	596,969
Total expenses	<u>2,985,696</u>	<u>4,414,716</u>	<u>551,491</u>	<u>596,969</u>	<u>3,537,187</u>	<u>5,011,685</u>
Change in net position	592,633	360,540	48,149	82,523	640,782	443,063
Net position - beginning of year	<u>6,267,562</u>	<u>6,860,195</u>	<u>1,409,466</u>	<u>1,457,615</u>	<u>7,677,028</u>	<u>8,317,810</u>
Net position - end of year	\$ <u>6,860,195</u>	\$ <u>7,220,735</u>	\$ <u>1,457,615</u>	\$ <u>1,540,138</u>	\$ <u>8,317,810</u>	\$ <u>8,760,873</u>

**Governmental activities.** Governmental activities increased the Town's net position by \$360,540 in FY 14 as compared to the \$592,633 increase in FY 13. The Town added to its inventory of capital assets \$252,711 net of current year depreciation. Capital assets added in FY 14 included the Wheeler Road property purchase, purchase of a Highway Caterpillar Loader, Police mobile radios and a Barlow Ave paving project, and additions to construction work in progress included engineering fees for the Route 7 construction project and the Bridge #114 project.

**Business-type activities.** Business-type activities increased the Town's net position by \$82,523 in FY 14 as compared to an increase of \$48,149 in FY 13. The Sewer Fund net position increased to \$1,540,138 in FY 14.

The Town's current year depreciation for capital assets for business-type activities exceeded additions by \$63,941. In FY13 depreciation for capital assets for business-type activities exceeded additions by \$85,333.

### ***Financial Analysis of Major Governmental Funds***

**The General Fund.** The General Fund's fund balance decreased by \$67,685 to \$140,292 at the end of FY 14. The decrease is largely due to expenditures and transfers out exceeding revenues and transfers in. The excess of expenditures and transfers out was partially reduced by proceeds from loans. The General Fund's fund balance decreased by \$585,290 in FY 13 to \$207,977.

**Trustees of Public Funds Fund.** The Trustees of Public Funds fund balance was \$699,106 as of June 30, 2014. This is an increase of \$55,501 from June 30, 2013. The increase is due to investment income less expenditures and transfer out.

**Resurfacing Grant Fund.** The Town of Brandon bonded in the amount of \$2,750,000 in 2006. \$12,751, including accrued interest, remaining from the proceeds is included in restricted cash in the General Fund. This amount is also included in the due from other funds in the Resurfacing Grant Fund. In FY 14 this fund includes grant revenue and project expenditures for improvement of the water lines under Route 7 which are owned by Brandon Fire District No. 1, a separate fire and water municipality serving residents of Brandon. The capital asset created by these expenditures is not reported in the Town's government-wide financial statements since the water lines do not belong to the Town. The fund balance of \$703,495 is restricted for construction of Segment 6 of the Route 7 project.

### ***Economic Factors and Next Year's Budgets and Rates***

- The Town-wide taxable grand list for the Town of Brandon was established at \$3,304,749 for the FY 15 tax rate.
- The Town and the Union are still in negotiations regarding employee co-pays for insurance. Currently, the Town obtains health insurance through Vermont Health Connect, and pays 100% of the premium for any plan the employee chooses. Employees continue to be responsible for all out of pocket expenses that are incurred.
- These factors were taken into consideration when preparing the FY 15 budget. The FY 16 General Fund budget was approved by the voters on March 3, 2015. The proposed budget was provided in detail in the annual town report.

This financial report is designed to provide a general overview of the Town of Brandon, Vermont's financial condition. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Manager, Town of Brandon, 49 Center Street, Brandon, Vermont 05733.



**TOWN OF BRANDON, VERMONT**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2014**  
(Page 1 of 2)

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
<b>ASSETS:</b>			
Current assets -			
Cash	\$ 552,837	\$ -	\$ 552,837
Investments	678,728	-	678,728
Receivables (Net of allowance for uncollectibles)	846,395	352,042	1,198,437
Unbilled revenue	-	293,541	293,541
Interest receivable	22,517	-	22,517
Due from other governments	1,079,959	-	1,079,959
Prepaid expenses	89,547	6,706	96,253
Internal balances	179,838	(179,838)	-
Total current assets	<u>3,449,821</u>	<u>472,451</u>	<u>3,922,272</u>
Noncurrent assets -			
Capital assets	9,030,729	3,219,528	12,250,257
less - accumulated depreciation	<u>(2,086,867)</u>	<u>(1,517,660)</u>	<u>(3,604,527)</u>
Net capital assets	6,943,862	1,701,868	8,645,730
Loans receivable (Net of allowance)	498,755	-	498,755
Restricted cash	32,486	-	32,486
Total noncurrent assets	<u>7,475,103</u>	<u>1,701,868</u>	<u>9,176,971</u>
Total assets	<u>10,924,924</u>	<u>2,174,319</u>	<u>13,099,243</u>
<b>LIABILITIES:</b>			
Current liabilities -			
Accounts payable	641,049	11,483	652,532
Accrued expenses	93,635	16,867	110,502
Accrued interest	13,507	1,965	15,472
Notes payable	-	60,000	60,000
Current portion of capital leases	52,638	-	52,638
Current portion of long-term debt	180,897	34,569	215,466
Total current liabilities	<u>981,726</u>	<u>124,884</u>	<u>1,106,610</u>
Noncurrent liabilities -			
Capital leases	88,599	-	88,599
Accrued compensated absences	84,797	-	84,797
Long-term debt	2,027,795	509,297	2,537,092
Total noncurrent liabilities	<u>2,201,191</u>	<u>509,297</u>	<u>2,710,488</u>
Total liabilities	<u>3,182,917</u>	<u>634,181</u>	<u>3,817,098</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BRANDON, VERMONT**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2014**  
(Page 2 of 2)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred revenue	<u>521,272</u>	<u>-</u>	<u>521,272</u>
NET POSITION:			
Net investment in capital assets	4,593,933	1,158,002	5,751,935
Restricted	1,993,886	-	1,993,886
Unrestricted	<u>632,916</u>	<u>382,136</u>	<u>1,015,052</u>
Total net position	\$ <u>7,220,735</u>	\$ <u>1,540,138</u>	\$ <u>8,760,873</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BRANDON, VERMONT**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Expenses	Program Revenues			Net (Expense) Revenue and		
		Grants and Contributions	Charges for Services	Other	Changes in Net Position		
					Governmental Activities	Business-type Activities	Totals
<b>FUNCTIONS/PROGRAMS:</b>							
Governmental activities -							
General government	\$ 823,505	\$ 59,773	\$ 199,856	\$ 2,262	\$ (561,614)	\$ -	\$ (561,614)
Public safety	766,843	123,610	14,854	-	(628,379)	-	(628,379)
Public works	1,062,423	603,046	148,338	-	(311,039)	-	(311,039)
Community Development	96,952	-	32,382	-	(64,570)	-	(64,570)
Intergovernmental	159,437	-	-	-	(159,437)	-	(159,437)
Brandon Fire District #1 water	1,200,939	1,124,429	-	-	(76,510)	-	(76,510)
Culture and recreation	199,002	11,017	43,886	-	(144,099)	-	(144,099)
Interest expense	105,615	-	-	-	(105,615)	-	(105,615)
Total governmental activities	4,414,716	1,921,875	439,316	2,262	(2,051,263)	-	(2,051,263)
Business-type activities -							
Sewer	596,969	954	668,188	10,350	-	82,523	82,523
Total business-type activities	596,969	954	668,188	10,350	-	82,523	82,523
	\$ 5,011,685	\$ 1,922,829	\$ 1,107,504	\$ 12,612	(2,051,263)	82,523	(1,968,740)
GENERAL REVENUES - PROPERTY TAXES							
					2,316,901	-	2,316,901
					94,902	-	94,902
					2,411,803	-	2,411,803
CHANGE IN NET POSITION							
					360,540	82,523	443,063
NET POSITION, July 1, 2013							
					6,860,195	1,457,615	8,317,810
NET POSITION, June 30, 2014							
					\$ 7,220,735	\$ 1,540,138	\$ 8,760,873

The notes to financial statements are an integral part of this statement.

**TOWN OF BRANDON, VERMONT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**  
(Page 1 of 3)

	General Fund	Trustees of Public Funds Fund	Resurfacing Grant Fund	Other Governmental Funds	Totals Governmental Funds
<b>ASSETS</b>					
Cash	\$ 439,132	\$ 643	\$ -	\$ 113,062	\$ 552,837
Restricted cash	12,751	19,735	-	-	32,486
Investments	-	678,728	-	-	678,728
Receivables (Net of allowance for uncollectibles):					
Accounts	78,809	-	-	48,860	127,669
Taxes	718,726	-	-	-	718,726
Due from other governments	-	-	1,079,959	-	1,079,959
Loans receivable (Net of allowance)	-	-	-	498,755	498,755
Interest receivable	-	-	-	22,517	22,517
Prepaid expenditures	87,486	-	-	2,061	89,547
Due from other funds	70,277	-	-	444,591	514,868
Total assets	\$ 1,407,181	\$ 699,106	\$ 1,079,959	\$ 1,129,846	\$ 4,316,092
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 388,991	\$ -	\$ 252,058	\$ -	\$ 641,049
Accrued expenses	93,635	-	-	-	93,635
Due to other funds	151,003	-	124,406	59,621	335,030
Total liabilities	633,629	-	376,464	59,621	1,069,714

The notes to financial statements are an integral part of this statement.

**TOWN OF BRANDON, VERMONT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**  
(Page 2 of 3)

	General Fund	Trustees of Public Funds Fund	Resurfacing Grant Fund	Other Governmental Funds	Totals Governmental Funds
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Deferred property taxes	633,260	-	-	-	633,260
Deferred revenue	-	-	-	521,272	521,272
	<u>633,260</u>	<u>-</u>	<u>-</u>	<u>521,272</u>	<u>1,154,532</u>
<b>FUND EQUITY:</b>					
Fund balances -					
Nonspendable	87,486	-	-	2,061	89,547
Restricted	10,101	699,106	703,495	579,969	1,992,671
Committed	523	-	-	692	1,215
Assigned	42,182	-	-	-	42,182
Unassigned	-	-	-	(33,769)	(33,769)
Total fund balances	<u>140,292</u>	<u>699,106</u>	<u>703,495</u>	<u>548,953</u>	<u>2,091,846</u>
Total liabilities, deferred inflows of resources and fund equity	\$ <u>1,407,181</u>	\$ <u>699,106</u>	\$ <u>1,079,959</u>	\$ <u>1,129,846</u>	\$ <u>4,316,092</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BRANDON, VERMONT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**  
(Page 3 of 3)

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION:**

Amount reported on Balance Sheet - Governmental Funds - total fund balances	\$ 2,091,846
Amounts reported for governmental activities in the Government-wide Statement of Net Position are different because -	
Capital assets used in governmental funds are not financial resources and are therefore not reported in the funds.	
Capital assets	9,030,729
Accumulated depreciation	(2,086,867)
Deferred taxes are reported in the governmental funds to offset uncollected taxes which are not available financial resources.	633,260
Accrued compensated absences in the governmental funds are only recognized if immediately payable, while the full liability is included in the government-wide statements.	(84,797)
Liabilities not due and payable in the year are not reported in the governmental funds.	
Accrued interest	(13,507)
Long-term debt	(2,208,692)
Capital leases	<u>(141,237)</u>
Net position of governmental activities - Government-wide Statement of Net Position	\$ <u>7,220,735</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BRANDON, VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

(Page 1 of 3)

	General Fund	Trustees of Public Funds Fund	Resurfacing Grant Fund	Other Governmental Funds	Totals Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$ 2,252,066	\$ -	\$ -	\$ -	\$ 2,252,066
Penalties and interest on delinquent accounts	109,540	-	-	-	109,540
Payments in lieu of taxes	38,276	-	-	-	38,276
Intergovernmental - State	148,965	-	184,785	20,305	
Intergovernmental - Federal	139,134	-	1,163,750	79,952	1,382,836
Investment income, net of gain or (loss)	9,428	85,250	-	224	94,902
Loan interest	-	-	-	2,087	2,087
Loan repayments	-	-	-	30,186	30,186
Permits and licenses	920	-	-	-	920
Charges for services	312,445	-	82,154	207	394,806
Other	29,162	-	-	21,587	50,749
Total revenues	<u>3,039,936</u>	<u>85,250</u>	<u>1,430,689</u>	<u>154,548</u>	<u>4,710,423</u>
<b>EXPENDITURES:</b>					
Current -					
General government	654,279	-	-	25,597	679,876
Public safety	716,268	-	-	31,828	748,096
Public works	854,883	-	-	-	854,883
Community Development	18,952	-	-	78,000	96,952
Intergovernmental	159,437	-	-	-	159,437
Brandon Fire District #1 water	-	-	1,200,939	-	1,200,939
Culture and recreation	178,503	20,499	-	-	199,002

The notes to financial statements are an integral part of this statement.

**TOWN OF BRANDON, VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

(Page 2 of 3)

	General Fund	Trustees of Public Funds Fund	Resurfacing Grant Fund	Other Governmental Funds	Totals Governmental Funds
<b>EXPENDITURES (CONTINUED):</b>					
Current (continued) -					
Capital lease - Principal	45,603	-	-	-	45,603
- Interest	2,940	-	-	-	2,940
Debt service - Principal	180,897	-	-	-	180,897
- Interest	102,675	-	-	-	102,675
Capital outlay	301,415	-	255,093	63,983	620,491
Total expenditures	<u>3,215,852</u>	<u>20,499</u>	<u>1,456,032</u>	<u>199,408</u>	<u>4,891,791</u>
<b>EXCESS OF REVENUES OR (EXPENDITURES)</b>	<u>(175,916)</u>	<u>64,751</u>	<u>(25,343)</u>	<u>(44,860)</u>	<u>(181,368)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	83,581	-	10,000	100,000	193,581
Transfers out	(110,000)	(9,250)	-	(74,331)	(193,581)
Proceeds from loans	134,650	-	-	-	134,650
Total other financing sources (uses)	<u>108,231</u>	<u>(9,250)</u>	<u>10,000</u>	<u>25,669</u>	<u>134,650</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(67,685)</u>	<u>55,501</u>	<u>(15,343)</u>	<u>(19,191)</u>	<u>(46,718)</u>
<b>FUND BALANCES, July 1, 2013</b>	<u>207,977</u>	<u>643,605</u>	<u>718,838</u>	<u>568,144</u>	<u>2,138,564</u>
<b>FUND BALANCES, June 30, 2014</b>	<u>\$ 140,292</u>	<u>\$ 699,106</u>	<u>\$ 703,495</u>	<u>\$ 548,953</u>	<u>\$ 2,091,846</u>

The notes to financial statements are an integral part of this statement.



**TOWN OF BRANDON, VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

(Page 3 of 3)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES:**

Net change in fund balances - total governmental funds	\$ (46,718)
Amounts reported for governmental activities in the Government-wide Statement of Activities are different because -	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Additions to capital assets, net of dispositions	512,318
Depreciation	(259,507)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.	
Proceeds from capital lease	(134,650)
Principal payments on long-term debt	180,897
Principal payments on capital leases	48,063
Decrease in accrued interest on long-term debt	1,299
Deferred revenue includes tax revenue of the prior year but excludes deferred tax revenue of the current year as taxes uncollected within 60 days are unavailable at year end.	
Prior year	(568,425)
Current year	633,260
Increase in accrued compensated absences accumulated by employees is an increase of a liability in the government-wide statements, but is recorded as an expenditure when paid in the governmental funds.	<u>(5,997)</u>
Change in net position of governmental activities - Government-wide Statement of Activities	<u>\$ 360,540</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BRANDON, VERMONT**  
**STATEMENT OF REVENUES AND EXPENDITURES -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Property taxes	\$ 2,402,450	\$ 2,252,066	\$ (150,384)
Penalties and interest	50,000	109,540	59,540
Pilot/CU/Stabilized taxes	55,000	38,276	(16,724)
Interest income	12,000	9,428	(2,572)
Permits and licenses	1,000	921	(79)
Charges for services - Town Clerk	49,500	43,724	(5,776)
Intergovernmental - Federal	-	139,134	139,134
State highway	145,000	148,965	3,965
Listers revenue	18,000	403	(17,597)
Administrative services	7,500	8,502	1,002
Zoning/code enforcement revenue	7,500	4,960	(2,540)
Police Department revenue	75,200	57,074	(18,126)
Recreation revenues	-	54,903	54,903
Court and Town fines	300	-	(300)
Miscellaneous revenue	-	28,759	28,759
Loan proceeds	-	134,650	134,650
Transfer from other funds	63,000	83,581	20,581
Transfer station income	157,500	143,281	(14,219)
Fund balance carryover	175,000	-	(175,000)
Total revenues	<u>3,218,950</u>	<u>3,258,167</u>	<u>39,217</u>
<b>EXPENDITURES:</b>			
Elected auditors	100	-	100
Select Board	11,527	11,689	(162)
Town Administration	410,552	417,032	(6,480)
Listers	31,971	30,783	1,188
Code Enforcement	51,081	45,114	5,967
Clerk Treasurer	155,975	148,978	6,997
Police Department	822,172	716,035	106,137
Buildings and Grounds	202,627	185,019	17,608
Public Works Department	811,534	1,019,822	(208,288)
Town Constable	738	233	505
Intergovernmental	158,810	159,437	(627)
Recreation	74,564	107,188	(32,624)
Debt service	254,589	283,572	(28,983)
Transfers	128,000	110,000	18,000
Economic development	33,395	18,952	14,443
Appropriations	71,315	71,315	-
Other	-	683	(683)
Total expenditures	<u>3,218,950</u>	<u>3,325,852</u>	<u>(106,902)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ (67,685)</b>	<b>\$ (67,685)</b>

The notes to financial statements are an integral part of this statement.

**TOWN OF BRANDON, VERMONT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**JUNE 30, 2014**

	Sewer <u>Fund</u>
<b>ASSETS:</b>	
Current assets -	
Receivables (net of allowance for uncollectible accounts)	\$ 352,042
Unbilled revenue	293,541
Prepaid expenses	<u>6,706</u>
Total current assets	<u>652,289</u>
Noncurrent assets -	
Capital assets	3,219,528
less - accumulated depreciation	<u>(1,517,660)</u>
Total noncurrent assets	<u>1,701,868</u>
 Total assets	 <u>2,354,157</u>
<b>LIABILITIES:</b>	
Current liabilities -	
Accounts payable	11,483
Accrued expenses	16,867
Accrued interest payable	1,965
Due to other funds	179,838
Notes payable	60,000
Current portion of long-term debt	<u>34,569</u>
Total current liabilities	<u>304,722</u>
Noncurrent liabilities -	
Long-term debt	<u>509,297</u>
Total noncurrent liabilities	<u>509,297</u>
 Total liabilities	 <u>814,019</u>
<b>NET POSITION:</b>	
Net investment in capital assets	1,158,002
Unrestricted	<u>382,136</u>
 Total net position	 \$ <u>1,540,138</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BRANDON, VERMONT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE**  
**IN NET POSITION - PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Sewer <u>Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 636,046
Penalties and interest	32,142
Other revenues	10,350
Insurance proceeds	<u>954</u>
Total operating revenues	<u>679,492</u>
OPERATING EXPENSES:	
Salaries	103,473
Benefits	53,495
Administrative services	51,497
Other services	17,076
Repairs and maintenance	45,457
Utilities	82,251
Depreciation	89,327
Chemicals	39,906
New equipment	5,371
Waste disposal	<u>88,844</u>
Total operating expenses	<u>576,697</u>
Operating income	<u>102,795</u>
NONOPERATING REVENUES (EXPENSES):	
Interest expense	<u>(20,272)</u>
Total nonoperating expenses	<u>(20,272)</u>
NET INCOME/CHANGE IN NET POSITION	82,523
NET POSITION, July 1, 2013	<u>1,457,615</u>
NET POSITION, June 30, 2014	\$ <u>1,540,138</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BRANDON, VERMONT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers and users	\$ 598,502
Payments to suppliers	(330,204)
Payments for wages and benefits	<u>(160,506)</u>
Net cash provided (used) by operating activities	<u>107,792</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Net change in due to/from other funds	<u>22,921</u>
Net cash provided (used) by noncapital financing activities	<u>22,921</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from borrowing	1,344
Acquisition and construction of capital assets, net	(25,386)
Payments on long-term debt	(86,205)
Interest paid on debt	<u>(20,466)</u>
Net cash provided (used) by capital and related financing activities	<u>(130,713)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	-
<b>CASH AND CASH EQUIVALENTS, July 1, 2013</b>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS, June 30, 2014</b>	\$ <u>-</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 102,795
Depreciation	89,327
(Increase) decrease in receivables	(29,573)
(Increase) decrease in unbilled revenue	(51,417)
(Increase) decrease in prepaid expenses	(928)
Increase (decrease) in accounts payable	1,126
Increase (decrease) in accrued payroll and benefits	<u>(3,538)</u>
Net cash provided (used) by operating activities	\$ <u>107,792</u>

The notes to financial statements are an integral part of this statement.

**TOWN OF BRANDON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**1. Summary of significant accounting policies:**

The Town of Brandon, Vermont (the Town) operates under a Manager/Selectboard form of government and provides the following services as authorized by state statute: public safety (police), highways and streets, waste disposal, health and social services, culture and recreation, community/economic development, public improvements, planning and zoning, sewer, and general administrative services.

- A. Reporting entity - The Town is a primary unit of government under reporting criteria established by the Governmental Accounting Standards Board (GASB). Those criteria include a separately elected governing body, separate legal standing, and fiscal independence from other state and local governmental entities. Based on these criteria, there are no other entities which are component units of the Town.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing *Governmental Accounting and Financial Reporting Standards* which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.

- B. Government-wide and fund financial statements - The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

In the Government-wide Statement of Net Position, the financial position of the Town is consolidated and incorporates capital assets as well as all long-term debt and obligations. The Government-wide Statement of Activities reflects both the gross and net costs by category. Direct expenses that are clearly identifiable with the category are offset by program revenues of the category. Program revenues include charges for services provided by a particular function or program and grants that are restricted to meeting the operational or capital requirements of the particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds, if any, are summarized in a single column.

- C. Basis of presentation - The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund balances or net position, revenues, and expenditures or expenses, as appropriate.

**TOWN OF BRANDON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**1. Summary of significant accounting policies (continued):**

**C. Basis of presentation (continued) -**

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.

Trustees of Public Funds Fund - This fund is used to account for the assets and activity of monies left to the Town through trust agreements.

Resurfacing Grant Fund - This fund is used to account for the grant revenue received and capital project expenditures incurred for specific transportation projects. This fund includes grant revenue and project expenditures for improvement of the water lines under Route 7 which are owned by Brandon Fire District No. 1, a separate fire and water municipality serving residents of Brandon. The capital asset created by these expenditures is not reported in the Town's government-wide financial statements since the water lines do not belong to the Town.

The Town reports the following major proprietary fund:

Sewer Fund - This fund is used to account for the sewer activities of the Town.

- D. Measurement focus and basis of accounting -** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become both measurable and available. "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures generally are recorded when the fund liability is incurred, if measurable, as under accrual accounting. However, debt service expenditures are recorded only when payment is made.

Property taxes are recorded as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. Licenses and permits, fines and forfeitures and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings and certain intergovernmental grants are recorded as earned.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Unbilled service revenue is accrued in the Sewer Fund.

**TOWN OF BRANDON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**1. Summary of significant accounting policies (continued):**

- E. Budgets and budgetary accounting - The Town approves a budget for the General Fund at an annual Town Meeting. The tax rate is determined by the Selectboard based on the education and municipal grand lists and the approved operating budget. The accounting method used for budgetary presentation is the same method used for the financial presentation of operations under U.S. GAAP. Formal budgetary integration is employed as a management control during the year for the General Fund. The Town does not legally adopt budgets for other governmental funds. All budgeted amounts lapse at year end.
- F. Property taxes - Property taxes attach as an enforceable lien on property owned as of April 1<sup>st</sup>. The Assessor establishes a grand list of all property and the Selectboard sets the tax rate required to raise the tax revenue authorized by Town and School District voters and the Vermont Agency of Education. Property taxes for the fiscal year ended June 30, 2014 were payable in four installments due August 15, 2013, November 15, 2013, February 15, 2014 and May 15, 2014. Interest is assessed at 1% per month and an 8% penalty is assessed when the taxes become delinquent. The Town bills and collects its own property taxes, education taxes for the State of Vermont and taxes for the Brandon Fire District No. 1.
- G. Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.
- H. Risk management - The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; environmental liability; and natural disasters. The Town manages these risks through participation in the Vermont League of Cities and participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.
- I. Cash, cash equivalents and investments - The Town considers all cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents. Investments and unrealized gains and losses are reflected in the individual fund and government-wide financial statements. Investments of the Town are reported at fair market value.
- J. Capital assets - Capital assets, which include land, buildings, equipment, vehicles and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide and in the proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial useful life of one year or greater and an initial individual cost equal to or greater than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Town does not retroactively report infrastructure assets. The Town began capitalizing newly acquired or constructed infrastructure assets as of June 30, 2006. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest costs are capitalized on projects during the construction period. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized.



**TOWN OF BRANDON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**1. Summary of significant accounting policies (continued):**

- J. Capital assets (continued) - Capital assets are depreciated using the straight-line method over the useful lives shown below:

Buildings and improvements	15 - 150 years
Equipment and furniture	3 - 20 years
Sewer lines	10 - 50 years
Infrastructure	20 - 75 years
Vehicles	3 - 10 years

- K. Compensated absences - Employees are entitled to certain compensated absences based on their length of employment. Sick leave accumulates and is paid upon illness during employment. Vacation accrues for annual use.
- L. Long-term obligations - In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statements of net position. In the fund financial statements, governmental fund types recognize the amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.
- M. Fund equity - In the fund financial statements, governmental funds may report five categories of fund balances: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance includes amounts associated with inventory, prepaid expenditures, long-term loans or notes receivable, and trust fund principal to be held in perpetuity.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes determined by the Town's highest level of decision making authority, the voters, as a result of articles passed at Annual or Special Meetings.

Assigned fund balance includes amounts that are intended to be used by the Town for specific purposes, as authorized by the Selectboard.

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in another classification. Deficits are also classified as unassigned.

The Town's policy is to apply expenditures to fund balance in the order of restricted, committed, assigned and unassigned. The Town maintains separate governmental funds to account for donor specified amounts (restricted), voter approved amounts (committed), and amounts set aside by management. Any residual fund balance amounts are reported as unassigned fund balance in the General Fund.

**TOWN OF BRANDON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**1. Summary of significant accounting policies (continued):**

- N. New accounting standards - The Town has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

In addition to assets and liabilities, deferred outflows of resources (previously reported as assets) and deferred inflows of resources (previously reported as liabilities), if applicable, will be reported as separate sections in the statement of net position and the governmental funds balance sheet. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period. The Town does not currently report any deferred outflows of resources. The Town reports deferred property taxes and deferred revenue as deferred inflows of resources.

Deferred property taxes are property taxes and related penalties and interest which have not been collected within 60 days following year end and are not considered available for current year operations in the governmental funds. Grant funds loaned for community development projects in the Other Governmental Funds are recorded as deferred revenue because they are not considered current resources.

**2. Deposits and investments:**

Custodial credit risk - deposits and investments - Custodial credit risk is the risk that in the event of a financial institution failure, the Town will not be able to recover its deposits or investments or will not be able to recover collateral securities that are in the possession of an outside party. The Town addresses this risk by requiring each institution to provide deposit insurance and/or proof of collateralization. The Town Treasurer is required to determine the types of collateralization after consultation with the Selectboard. As of June 30, 2014, the Town's deposit accounts were fully insured or collateralized.

The classification and fair value of investments held at June 30, 2014 are as follows:

	<u>Fair Value</u>
Exchange traded funds - equities	\$ 186,162
Mutual funds - bonds	215,630
Mutual funds - domestic equities	171,470
Mutual funds - international equities	<u>105,466</u>
	\$ <u>678,728</u>

Investments are carried at market value. Any unrealized gains or losses are recognized annually.

Interest rate risk - Interest rate risk is the risk that changes in interest rates will affect the fair value of certain investments. The Town does not have a policy for interest rate risk.

Credit risk - Credit risk is the risk that an issuer of or counterparty to an investment will not fulfill its obligations. The Town addresses credit risk by limiting the types of investments the Treasurer can make to bank deposit accounts, collateralized repurchase agreements and U.S. Treasury obligations. The Trustees of Public Funds Fund investment in corporate bonds is subject to credit risk.

**TOWN OF BRANDON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**2. Deposits and investments (continued):**

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2014, the Town does not hold more than 5% of its investments in any one issuer.

The investments of the Trustees of Public Funds Fund are subject to the following policies:

Operating cash - The total operating cash will generally be 5% to 10% of the endowment portfolio, but shall not exceed 15%. The Trustees of Public Funds (the Committee) shall have the discretion to change or modify benchmarks as deemed appropriate.

1. The following are allowable investments:

- a. U.S. Treasury Bills
- b. Short-term U.S. Governments/Agency obligations
- c. High Grade Commercial Paper (A-1 or P-1 by Standard & Poor's (S&P) or Moody's Investors Service)
- d. Other Investment Grade Dollar Denominated Money Market Instruments
- e. Repurchase Agreements of U.S. Government of Agency Securities (the Fund must take possession of the collateral)
- f. Money Market Funds
- g. Certificates of Deposit

Fixed income portfolio - The total fixed income portfolio will generally be 25% to 50% of the endowment portfolio, but shall not exceed 50%. The Committee shall have the discretion to change or modify benchmarks as deemed appropriate.

1. All fixed income securities shall be of Investment Grade as defined by Moody's and/or S&P.
2. The minimum average quality of the fixed income portfolio shall be "BBB" or better.
3. All fixed income securities shall be dollar denominated.
4. The following are allowable investments:
  - a. U.S. Treasury securities
  - b. U.S. Government agency obligations
  - c. Mortgage-related securities
  - d. Corporate debt (including asset-backed) securities
  - e. Certificates of deposit (maximum of \$100,000 per financial institution)

Equity portfolio - The total equity portfolio will generally be 50% to 65% of the Endowment portfolio, but shall not exceed 75%. The Committee shall have the discretion to change or modify benchmarks as deemed appropriate. The following are allowable investments.

1. There shall be no investments in non-marketable securities.
2. All international equity securities purchased must be listed and traded on a national securities exchange in the United States. In addition, not more than 20% of the equity (including mutual funds) portfolio at market value shall be invested in non-U.S. issues.

**TOWN OF BRANDON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**2. Deposits and investments (continued):**

3. The following are allowable investments:

- a. Domestic common stocks
- b. International common stocks and international mutual funds in accordance with item "2" above
- c. Convertible preferred stocks
- d. Diversified mutual funds (closed-end and open-end)

Prohibited investments - Short sales, purchases of letter stock, private placements or direct payments, leveraged transactions, use of financial futures, purchases of non-marketable securities, commodities transactions, securities lending, puts, calls, straddles, or other option and derivative strategies are prohibited.

Review - The investment policy must be reviewed at least annually by the Committee and revised or confirmed as appropriate. The Committee shall utilize these investment objectives and guidelines in making decisions concerning the portfolio's assets; however, it shall not necessarily be bound solely by its contents.

**3. Interfund receivable and payable balances:**

Interfund receivable and payable balances, due to the pooling of cash for cash receipts and disbursements, as of June 30, 2014 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds -		
General Fund	\$ 70,277	\$ 151,003
Resurfacing Grant Fund	-	124,406
Other Governmental Funds	<u>444,591</u>	<u>59,621</u>
	514,868	335,030
Proprietary funds -		
Sewer Fund	<u>-</u>	<u>179,838</u>
	<u>\$ 514,868</u>	<u>\$ 514,868</u>

**4. Interfund transfers:**

Interfund transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Operating transfers for the year ended June 30, 2014 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds -		
General Fund	\$ 83,581	\$ 110,000
Trustees of Public Funds Fund	-	9,250
Resurfacing Grant Fund	10,000	-
Other Governmental Funds	<u>100,000</u>	<u>74,331</u>
	<u>\$ 193,581</u>	<u>\$ 193,581</u>

**TOWN OF BRANDON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**4. Interfund transfers (continued):**

Transfers made from the General Fund to Other Governmental Funds were for capital projects and voter approved amounts for infrastructure reserves and equipment replacement. Transfers from Other Governmental Funds to the General Fund were to cover expenses that had been incurred on their behalf.

**5. Loans receivable:**

The Town, through various federal programs, has received grants and advanced funds to encourage community development. These loans, generally secured by subordinated collateral positions, are recorded as loans receivable in the governmental funds. Until repaid, loans of federal awards are offset by deferred revenue, which is taken into operating revenue as payments are received in a future period. Upon receipt, the repayment of these loans is placed in the Town's Brandon Grant Fund and is available for future loans. The loans provide for interest, where permitted under the terms of the programs, from 1% to 2.5%, and repayment terms ranging from monthly installments to lump-sum payment at the end of 30 years. Loans receivable at June 30, 2014 were as follows:

Governmental activities -

Nexus Grant Fund:

Café Provence, interest at 2.5% with monthly interest and principal payments of \$377, due July 2014, secured by restaurant equipment	\$ 1,126
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Sheri's Diner, interest at 1.25% with monthly interest and principal payments of \$443 through November 2015 and a final payment of \$26,224 due December 2015, secured by restaurant equipment	37,724
---	--------

11 Center Street Ventures, LLC, interest at 1.25% with monthly interest and principal payments of \$559 through December 2015 and a final payment of \$33,042 due January 2016, secured by real estate	42,354
--	--------

Plan-It Sheri and Sheri's Diner, interest at 1.25% with monthly interest payments of \$10 through August 2013, then monthly interest and principal payments of \$47 through July 2016 and a final payment of \$8,702 due August 2016 secured by restaurant equipment, fixtures, inventory and accounts receivable	10,000
---	--------

Brandon Friends of the Town Hall, interest at 1.25% with six semi annual interest and principal payments of \$6,813 through April 2015, for improvements to the Town Hall	12,000
---	--------

Park Village Partners, LLC, interest at 1.25% with monthly interest and principal payments of \$327 through January 2018, and a final payment of \$37,194 due February 2018, secured by real estate	49,324
---	--------

**TOWN OF BRANDON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**5. Loans receivable (continued):**

Governmental activities (continued) -

Nexus Grant Fund (continued):

Neshobe River Winery, interest at 1.25% with monthly interest and principal payments of \$339 through October 2018, and a final payment of \$19,748 due November 2018. Secured by a collateral agreement 35,590

Swan & Stone, LLC, interest at 1.25% with monthly interest and principal payments of \$355 through June 2019, and a final payment of \$20,980 due July 2019, secured by a collateral agreement 40,000

Allowance for loan losses, for Sheri's Diner loans (47,723)  
180,395

Brandon Industrial Corporation Loan Fund:

Brandon Industrial Corporation, interest at 1.0%, due on demand, secured by mortgage 65,000

Brandon Industrial Corporation, interest at 1.0%, due on demand, secured by mortgage 111,800  
176,800

Rutland County Community Land Trust Grant Fund:

Housing Trust of Rutland County, Inc., interest at 1.0%, monthly payments of \$1,278 starting July 10, 2030 through July 10, 2060, secured by mortgage 391,000

Loan discounts (249,440)  
141,560

Total loans receivable \$ 498,755

**6. Debt:**

Long-term - Outstanding long-term debt as of June 30, 2014 is as follows:

Governmental activities -

Vermont Municipal Bond Bank - 2006 Series 1, for resurfacing and infrastructure improvements due December 2026, payable in annual principal payments, plus interest at rates ranging from 3.835% to 4.665% \$ 1,770,000

State of Vermont Promissory Equipment Note, payable in five annual installments with 2% interest from December 2012 through December 2016 63,442

Vermont Municipal Bond Bank, Public Building Improvement Bond, 2-5% interest, with annual principal payments of \$19,750 through December 2032 375,250

\$ 2,208,692

**TOWN OF BRANDON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**6. Debt (continued):**

Long-term (continued) -

Business-type activities -

State of Vermont Revolving Fund Loans payable:

Wastewater system improvements, interest at 0%, annual principal payments of \$12,557 from August 2010 through August 2014 \$ 12,556

Wastewater system preliminary engineering study, interest at 0%, annual payments of \$1,520 from March 2017 through March 2021 7,317

Bonds payable:

Vermont Municipal Bond Bank, Wastewater system improvements, various interest rates currently 6.383%, \$5,000 annual principal payments plus interest through December 2014 5,000

Vermont Municipal Bond Bank, Public Building Improvement Bond, refinancing USDA Rural Development Loan, semi-annual interest of 2-5%, with annual principal payments from December 2013 through December 2025 45,108

Vermont Municipal Bond Bank, Public Building Improvement Bond, refinancing USDA Rural Development Loan, semi-annual interest of 2-5%, with annual principal payments from December 2013 through December 2036 473,885

\$ 543,866

Long-term debt activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
<b>Governmental activities -</b>					
Resurfacing/Infrastructure	\$ 1,910,000	\$ -	\$ 140,000	\$ 1,770,000	\$ 140,000
Equipment Note	84,589	-	21,147	63,442	21,147
VMBB Public Improvement Bond	<u>395,000</u>	<u>-</u>	<u>19,750</u>	<u>375,250</u>	<u>19,750</u>
Total governmental activities	\$ <u>2,389,589</u>	\$ <u>-</u>	\$ <u>180,897</u>	\$ <u>2,208,692</u>	\$ <u>180,897</u>
<b>Business-type activities -</b>					
Vermont Special Environmental Revolving Fund Loans:					
Wastewater System	\$ 25,113	\$ -	\$ 12,557	\$ 12,556	\$ 12,556
Wastewater Pollution	52,235	-	52,235	-	-
Wastewater System Study	5,973	1,344	-	7,317	-
VMBB Wastewater System	10,000	-	5,000	5,000	5,000
VMBB Sewer Improvement Bond	48,063	-	2,955	45,108	3,063
VMBB Sewer Improvement Bond	<u>487,343</u>	<u>-</u>	<u>13,458</u>	<u>473,885</u>	<u>13,950</u>
Total business-type activities	\$ <u>628,727</u>	\$ <u>1,344</u>	\$ <u>86,205</u>	\$ <u>543,866</u>	\$ <u>34,569</u>

**TOWN OF BRANDON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**6. Debt (continued):**

Long-term (continued) -

Debt service requirements to maturity are as follows:

Year ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 180,897	\$ 86,605	\$ 34,569	\$ 18,792
2016	180,897	82,595	17,633	18,000
2017	180,897	75,500	19,797	17,345
2018	154,750	68,439	20,464	16,666
2019	154,750	61,834	21,155	15,962
2020-2024	773,750	208,215	112,505	68,315
2025-2029	503,750	49,386	116,306	47,222
2030-2034	79,001	5,210	128,479	25,428
2035-2037	-	-	72,958	3,518
	<u>\$ 2,208,692</u>	<u>\$ 637,784</u>	<u>\$ 543,866</u>	<u>\$ 231,248</u>

Short-term - Short-term debt activity for the year ended June 30, 2014 was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental activities -				
Tax Anticipation Note, National Bank of Middlebury, 1.15%, due June 2013	\$ 500,000	\$ -	\$ 500,000	\$ -
Tax Anticipation Note, National Bank of Middlebury, 0.95%, due June 2014	-	100,000	100,000	-
Total governmental activities	<u>\$ 500,000</u>	<u>\$ 100,000</u>	<u>\$ 600,000</u>	<u>\$ -</u>
Business-type activities -				
Sewer Fund, Lake Sunapee Bank, NA 1.31%, due April 2014	\$ 60,000	\$ -	\$ 60,000	\$ -
Sewer Fund, National Bank of Middlebury, 1.35%, due May 2015	-	60,000	-	60,000
Total business-type activities	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 60,000</u>

Subsequent to year end, the Town obtained a current expense note in the amount of \$1,500,000 with interest of 1.75% which matured October 3, 2014 to fund Town services in the absence of an approved budget. The Town borrowed and repaid \$350,000 on this note.

Subsequent to year end, the Town obtained a tax anticipation note in the amount of \$504,907 with interest of 1.4%, which matures June 30, 2015. As of the date of the report, the Town has not borrowed on this note.



**TOWN OF BRANDON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**7. Landfill closure and postclosure care costs:**

The Town landfill ceased operation in 1990. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site for 20 years after closure and report monitoring results to the state regulatory agency. Since closure, the Town has completed testing and monitoring periodically, as required, and filed the results with the appropriate agency. As of June 30, 2014, the state has requested the Town to continue to monitor the site without specifying the number of years it will require the Town to monitor. Testing and monitoring expenses will be reflected as expenses in the years in which they occur. Management believes that the obligation for future monitoring costs is not reasonably estimable, but that the overall obligation would not be material to these financial statements.

**8. Capital leases:**

The Town has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, the cost and depreciation of these assets are included with other capital assets of the Town. The cost of the assets acquired by capital leases is the present value of the future lease payments. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 are as follows:

	<u>Truck</u>	<u>Caterpillar</u>	<u>Total</u>
Year ending June 30,			
2015	\$ 27,373	\$ 28,225	\$ 55,598
2016	-	28,225	28,225
2017	-	28,225	28,225
2018	-	28,225	28,225
2019	-	7,057	7,057
	<u>27,373</u>	<u>119,957</u>	<u>147,330</u>
Less interest	<u>(861)</u>	<u>(5,232)</u>	<u>(6,093)</u>
	\$ <u>26,512</u>	\$ <u>114,725</u>	\$ <u>141,237</u>

**9. Capital assets:**

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

	<u>Balance July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2014</u>
Governmental activities -				
Capital assets, not depreciated:				
Land	\$ 193,479	\$ 128,605	\$ -	\$ 322,084
Construction in progress	<u>2,828,339</u>	<u>256,162</u>	<u>108,173</u>	<u>2,976,328</u>
Total capital assets, not depreciated	<u>3,021,818</u>	<u>384,767</u>	<u>108,173</u>	<u>3,298,412</u>

**TOWN OF BRANDON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**9. Capital assets (continued):**

	Balance <u>July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2014</u>
Governmental activities (continued) -				
Capital assets, depreciated:				
Buildings and improvements	1,396,551	8,464	7,780	1,397,235
Equipment and furniture	234,908	54,450	-	289,358
Vehicles	913,570	134,650	5,000	1,043,220
Infrastructure	<u>2,964,344</u>	<u>38,160</u>	<u>-</u>	<u>3,002,504</u>
Total capital assets, depreciated	<u>5,509,373</u>	<u>235,724</u>	<u>12,780</u>	<u>5,732,317</u>
Less accumulated depreciation for:				
Buildings and improvements	384,215	27,817	7,780	404,252
Equipment and furniture	125,286	13,197	-	138,483
Vehicles	560,096	69,013	5,000	624,109
Infrastructure	<u>770,543</u>	<u>149,480</u>	<u>-</u>	<u>920,023</u>
Total accumulated depreciation	<u>1,840,140</u>	<u>259,507</u>	<u>12,780</u>	<u>2,086,867</u>
Total capital assets, depreciated, net	<u>3,669,233</u>	<u>(23,783)</u>	<u>-</u>	<u>3,645,450</u>
Capital assets, net	\$ <u>6,691,051</u>	\$ <u>360,984</u>	\$ <u>108,173</u>	\$ <u>6,943,862</u>
Business-type activities -				
Capital assets, not depreciated:				
Construction in progress	\$ <u>19,346</u>	\$ <u>3,486</u>	\$ <u>-</u>	\$ <u>22,832</u>
Capital assets, depreciated:				
Buildings and improvements	2,011,963	-	-	2,011,963
Equipment	758,754	-	-	758,754
Sewer lines	<u>404,079</u>	<u>21,900</u>	<u>-</u>	<u>425,979</u>
Total capital assets, depreciated	<u>3,174,796</u>	<u>21,900</u>	<u>-</u>	<u>3,196,696</u>
Less accumulated depreciation for:				
Buildings and improvements	773,211	45,780	-	818,991
Equipment	549,994	35,027	-	585,021
Sewer lines	<u>105,128</u>	<u>8,520</u>	<u>-</u>	<u>113,648</u>
Total accumulated depreciation	<u>1,428,333</u>	<u>89,327</u>	<u>-</u>	<u>1,517,660</u>
Total capital assets, depreciated, net	<u>1,746,463</u>	<u>(67,427)</u>	<u>-</u>	<u>1,679,036</u>
Capital assets, net	\$ <u>1,765,809</u>	\$ <u>(63,941)</u>	\$ <u>-</u>	\$ <u>1,701,868</u>

Depreciation expense in the governmental activities totaling \$259,507 was allocated to the following functions: General government \$33,220; Public safety \$18,747; Public works \$207,540. Depreciation expense in the business-type activities totaling \$89,327 was allocated to the sewer operations.

**TOWN OF BRANDON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**10. Pension plan:**

Vermont Municipal Employees' Retirement System -

Plan description: The Town contributes to the Vermont Municipal Employees' Retirement System (VMERS) a cost-sharing multiple-employer public employee retirement system with defined benefit and defined contribution plans, administered by the State of Vermont. VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The state statutory provisions, found in Title 24, Chapter 125, of the V.S.A., govern eligibility for benefits, service requirements and benefit provisions. The general administration and responsibility for the proper operation of VMERS is vested in the Board of Trustees consisting of five members. VMERS issues annual financial information which is available and may be reviewed at the VMERS' office, 109 State Street, Montpelier, Vermont, 05609-6901 or by calling (802) 828-2305.

Funding policy: Defined Benefit Plan members are required to contribute 2.5% (Group A), 4.625% (Group B) or 9.50% (Group C) of their annual covered salary, and the Town is required to contribute 4% (Group A), 5.125% (Group B) or 6.75% (Group C) of the employees' compensation. Defined Contribution Plan members are required to contribute 5% of their annual covered salary and the Town is required to contribute an equal dollar amount. The contribution requirements of plan members and the Town are established and may be amended by the Board of Trustees. The Town has elected to participate only in Group A and Group B, and also elected to pay 8.125% for Group B and the full pension contribution of 6.5% for Group A. The Town's contributions to VMERS for the Defined Benefit Plan for the years ended June 30, 2014, 2013, and 2012 were \$75,522, \$73,759 and \$69,780, respectively. The amounts contributed were equal to the required contributions for each year.

The July 1, 2013 actuarial valuation of VMERS reports asset actuarial value of \$446,235,922 and actuarial accrued liability of \$528,426,358, leaving an unfunded accrued liability of \$82,190,436.

**11. Deferred compensation plan:**

The Town also offers its employees a deferred compensation plan through the International City Managers Association's "ICMA" Retirement Corporation in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Town has no liability for losses under this plan but does have the duty of due care that would be required of an ordinary prudent investor. All of the investments are self-directed by each employee.

**12. Related party transactions:**

The position of the Town Manager is automatically on the Board of Directors of the Brandon Industrial Corporation. The total amount due from the Corporation to the Town at June 30, 2014 was \$199,317.

**TOWN OF BRANDON, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**13. Fund balance classifications:**

The General Fund had the following fund balances classified for the following purposes at June 30, 2014:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
Prepaid expenditures	\$ 87,486	\$ -	\$ -	\$ -
Public safety	-	402	303	-
Public works	-	9,699	220	-
Appropriation of fund balance	-	-	-	42,182
	<u>\$ 87,486</u>	<u>\$ 10,101</u>	<u>\$ 523</u>	<u>\$ 42,182</u>

**14. Budgetary basis of accounting:**

These financial statements include totals for General Fund revenues and expenditures on the Town's budgetary accounting basis, which vary from the totals of revenues and expenditures recognized on the basis of accounting prescribed by U.S. GAAP, as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
U.S. GAAP basis	\$ 3,039,936	\$ 3,215,852	\$ 108,231
Outlay/Proceeds from loans	134,650	-	(134,650)
Operating transfers budgeted as revenues and expenditures	<u>83,581</u>	<u>110,000</u>	<u>26,419</u>
Budget basis	<u>\$ 3,258,167</u>	<u>\$ 3,325,852</u>	<u>\$ -</u>

**15. Commitments:**

The Town was awarded a Highway Planning and Construction Grant through the State of Vermont to conduct preliminary engineering and obtain right-of-ways in anticipation of reconstruction of a portion of U.S. Route 7 within the Town. The original award amount was for \$2,183,745. The grant has been amended numerous times to include the costs of construction, and the total award amount at the date of this report is \$4,462,745. At June 30, 2014, approximately \$3,741,306 had been spent and included in the Route 7 Waterline Project which was near completion at that time. Another amendment is awaiting approval.

On January 16, 2014, the Town entered into a lease agreement for town office space for a one-year term with monthly rent payments of \$2,000. Lease payments were \$12,000 for the period ended June 30, 2014. The lease agreement ends December 31, 2014 with the option to extend the term of the lease on a month to month basis for an additional year for \$2,100 rent per month.

**16. Subsequent events:**

Subsequent to year end, the Town received a federal grant in the amount of \$500,000 for the reconstruction of the Town offices.

**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***

The Selectboard  
Town of Brandon, Vermont

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Brandon, Vermont (the Town) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 31, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 entity'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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2014-001 through 2014-003 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town'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*.

### **Town's Response to Findings**

Management's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

### **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 entity'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 entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Mudgett, Jennett &  
Krogh-Wisner, P.C.*

Montpelier, Vermont  
March 31, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Selectboard  
Town of Brandon, Vermont

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Brandon, Vermont's (the Town) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2014. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Responses.

***Management's Responsibility***

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Town of Brandon, Vermont complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit

of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2014-004 to be a material weakness.

Management's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Management's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Montpelier, Vermont  
March 31, 2015

*Mudgett, Jennett &  
Krogh-Wasner, P.C.*



**TOWN OF BRANDON, VERMONT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<b>U.S. Department of Justice:</b>			
Public Safety Partnership and Community Policing Grants -			
ARRA - COPS Hiring Recovery Program	16.710	2009RKWX0867	\$ <u>26,092</u>
<b>U.S. Department of Homeland Security:</b>			
National Flood Insurance Program	97.UNKNOWN		8,769
Passed through the Vermont Department of Public Safety -			
Hazard Mitigation Grant	97.039	02140-34000-004	93,855
Homeland Security Grant Program	97.067	02140-71164V-531	<u>48,860</u>
			<u>151,484</u>
<b>U.S. Department of Housing and Urban Development:</b>			
Passed through Two Rivers-Ottawaquechee Regional Commission -			
Community Development Block Grants	14.228		<u>22,516</u>
<b>U.S. Department of Transportation - Federal Highway Administration:</b>			
Passed through the Vermont Agency of Transportation - Agency of Transportation -			
Highway Planning and Construction			
Pittsford-Brandon NH	20.205	CA0067	1,135,111
Brandon BHF	20.205	CA0290	<u>28,639</u>
			<u>1,163,750</u>
<b>U.S. Department of Transportation - National Highway Traffic Safety Administration:</b>			
Passed through the Vermont Department of Public Safety -			
State and Community Highway Safety -			
2013 Equipment Incentives	20.600	02140-1213-2205	5,030
2014 OP Enforcement	20.600	02140-1314-1004	<u>2,747</u>
			<u>7,777</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated -			
2013 DUI Enforcement	20.608	02140-1113-5003	1,588
2014 DUI Enforcement	20.608	02140-1114-5004	<u>717</u>
			<u>2,305</u>
			<u>10,082</u>
			\$ <u>1,373,924</u>

The accompanying notes are an integral part of this schedule.

**TOWN OF BRANDON, VERMONT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2014**

**1. Summary of significant accounting policies:**

The Town of Brandon, Vermont (the Town) is a unit of local government organized under the statutes of the State of Vermont and is governed by a Manager/Selectboard. The Town provides various services as authorized and funded by state statute or Town voters.

- A. Single Audit reporting entity - For purposes of complying with the Single Audit Act of 1984, as amended, the Town includes all funds and programs that are considered part of the primary governmental unit, as described in the basic financial statements as of and for the year ended June 30, 2014.
- B. Basis of presentation - The information in the accompanying schedule is presented in accordance with Office of Management and Budget (OMB) Circular A-133.
  - 1. Federal award - Pursuant to the Single Audit Act and OMB Circular A-133, federal award means federal financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. The Town received direct federal awards and awards which were passed primarily through the State of Vermont.
  - 2. Federal financial assistance - In the Single Audit Act and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Federal financial assistance does not include direct federal cash payments to individuals.
  - 3. Major and nonmajor programs - OMB Circular A-133 establishes risk-based criteria for determining those major programs to be tested for compliance with program requirements. Nonmajor federal programs are included on the Schedule of Expenditures of Federal Awards but are subject to lower levels of testing.
- C. Basis of accounting - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**TOWN OF BRANDON, VERMONT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**A. Summary of Auditor's Results:**

**Financial Statements -**

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? *Yes*
- Significant deficiency(ies) identified? *None reported*

Noncompliance material to financial statements noted? *No*

**Federal Awards -**

Internal control over major programs:

- Material weakness(es) identified? *Yes*
- Significant deficiency(ies) identified? *None reported*

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported  
in accordance with Section 510(a) of OMB Circular A-133? *Yes*

Identification of major programs:

- *U.S. Department of Transportation - Federal Highway Administration:  
CFDA 20.205 - Highway Planning and Construction Grants*

Dollar threshold used to distinguish between type A and type B programs: *\$300,000*

Auditee qualified as low-risk auditee? *No*

**B. Audit Findings - Financial Statements:**

**2014-001 Cash and accounts payable:**

Condition - The Town prepared and held some checks from two warrants at fiscal year end that totaled \$118,950. The checks were listed as outstanding checks in the cash reconciliation. This condition was corrected with an audit adjustment.

Criteria - Internal controls over cash should consider cash flow before checks are created when making decisions about who to pay, how much to pay and when to pay bills. Controls should also require that signed checks are mailed or delivered promptly, and that disbursements are recorded in the proper period.

Cause - The Town did not have sufficient cash at fiscal year end to release the checks.

Effect - The Town understated cash and accounts payable at June 30, 2014 prior to the audit.

Recommendation - We recommend that the Town assess cash flow before preparing checks and prepare only those checks which can be mailed or delivered promptly. Expenditures at fiscal year end that are not paid until the next fiscal year should be properly recorded as accrued expenditures and accounts payable.

**TOWN OF BRANDON, VERMONT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**B. Audit Findings - Financial Statements (continued):**

**2014-001 Cash and accounts payable (continued):**

Management's response - Management agrees that there were payments in transit at year end. The Town prepared and held some checks from two warrants at fiscal year end which totaled \$118,950. As the budget had not yet passed, we did not qualify for a tax anticipation note to cover all of the invoices that were printed. We were not able to secure a current expense loan on a timely basis so some of these checks were held until funds were received. In the future the Town will assess cash flow and prepare only those checks that can be mailed promptly.

**2014-002 Revenue and receivables:**

Condition - The Town recorded insurance revenue and a receivable of \$33,069 in the Town Office Fund that was not available revenue. In addition, the Town recorded revenue and a receivable of \$19,697 in the Resurfacing Grant Fund for revenue related to the next fiscal year. These conditions were corrected with audit adjustments.

Criteria - Revenues are recognized in the period in which they are earned as they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Cause - The Town did not submit certain expenses in support of a claim to the insurer by the June 20, 2014 deadline despite clear communication from the insurer on March 24, 2014. For the Resurfacing Grant Fund, the Town did not accurately consider the period in which the revenue was earned.

Effect - The Town overstated revenues and accounts receivable at June 30, 2014 prior to the audit.

Recommendation - We recommend that the Town more closely monitor potential reimbursements and submit reimbursable expenses periodically before established deadlines. The Town should evaluate recorded revenues and receivables at least annually to determine they are recorded in the proper period and available, and adjust recorded amounts as appropriate.

Management's response - Management agrees that the Town recorded insurance revenue and a receivable of \$33,069 in the Town Office Fund that was not available revenue and recorded revenues and receivables of \$19,697 in the Resurfacing Grant Fund for revenues related to the next fiscal year. We were not aware of the expiration of the insurance claim until March of 2015. The Resurfacing Grant Fund receivable was due to contract changes to the Route 7 Project. In the future management will monitor potential reimbursements and submit reimbursement requests in a timely manner and will record revenue in the proper period.

**2014-003 Capital assets:**

Condition - The Town included expenditures of \$1,304,688 for water line improvements that belong to the Brandon Fire District No. 1 in its capital assets schedule. This condition was corrected with an audit adjustment.

**TOWN OF BRANDON, VERMONT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**B. Audit Findings - Financial Statements (continued):**

**2014-003 Capital assets (continued):**

Criteria - The Town should only include capital assets that belong to the Town on its capital assets schedule.

Cause - The Town did not consider the ownership of the water lines when reviewing capital outlays for recording on the Town's capital asset schedule.

Effect - The Town overstated capital assets at June 30, 2014 prior to the audit.

Recommendation - We recommend that the Town consider all relevant information when recording capital asset balances and activity in the general ledger throughout the year.

Management's response - Management, after discussion, agrees that the Town included capital assets of \$1,304,688 for water line improvements that belong to the Brandon Fire District No. 1 in its capital asset schedule. The Town had included these assets as part of "Construction in Progress" for the ongoing Route 7 Reconstruction project. The Town will monitor documents and other relevant information when recording capital asset balances and activity in the future.

**C. Audit Findings - Federal Awards:**

**2014-004 U.S. Department of Transportation - National Highway Traffic Safety Administration - Highway Planning and Construction (CFDA 20.205), U.S. Department of Housing and Urban Development - Community Development Block Grant (CFDA 14.228):**

Condition - The Town reported state expenditures that totaled \$184,785 in its Schedule of Expenditures of Federal Awards presented to us for audit. The Town did not include \$22,516 in federal expenditures related to a grant passed through the Two Rivers - Ottauquechee Regional Commission in its Schedule of Expenditures of Federal Awards. In addition, the Town included \$13,644 in federal expenditures that were incurred in a prior fiscal year on its Schedule of Expenditures of Federal Awards for the year ended June 30, 2014.

Criteria - The requirements for preparing a schedule of expenditures of federal awards are contained in 29 CFR Part 99. The Town is required to "provide total federal awards expended for each individual federal program" on the schedule of expenditures of federal awards.

Cause - The Town did not compare its Schedule of Expenditures of Federal Awards to grant agreements. The Town also did not allocate expenditures for a federal grant to the period in which the expenditures occurred.

Effect - The Town did not prepare an accurate Schedule of Expenditures of Federal Awards for audit. The Schedule of Expenditures of Federal Awards was corrected during the audit.

**TOWN OF BRANDON, VERMONT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014**

**C. Audit Findings - Federal Awards (continued):**

**2014-004 U.S. Department of Transportation - National Highway Traffic Safety Administration - Highway Planning and Construction (CFDA 20.205), U.S. Department of Housing and Urban Development - Community Development Block Grant (CFDA 14.228) (continued):**

Recommendation - We recommend that the Town compare amounts that are reported on its Schedule of Expenditures of Federal Awards to grant agreements and to the annual expenditures.

Management's response - Management agrees that the Town reported state expenditures totaling \$184,785 in its Schedule of Expenditures of Federal Awards and did not include \$22,516 in federal expenditures related to a grant passed through the Two Rivers - Ottauquechee Regional Commission in its Schedule of Expenditures of Federal Awards. The Town will consider all grant documents when preparing the Schedule of Expenditures of Federal Awards prior to the next audit.

**STATUS OF PRIOR AUDIT FINDINGS  
AS OF JUNE 30, 2014**

We consider audit finding 13-01 to be resolved.