

TOWN OF BRANDON, VERMONT
FINANCIAL & COMPLIANCE REPORTS
JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectpersons

Town of Brandon, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Town of Brandon, Vermont, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Brandon, Vermont's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, business type activities, each major fund, and the aggregate remaining fund information of Town of Brandon, Vermont, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-5 and 27-31 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Brandon, Vermont's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate 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 combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015, on our consideration of Town of Brandon, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Town of Brandon, Vermont's internal control over financial reporting and compliance.

Morrison & Bradley CPAs P.C.

Morrison & Bradley CPAs, P.C.
December 10, 2015
Rutland, Vermont
VT License 092-0000515

TOWN OF BRANDON, VERMONT MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

The Town of Brandon (the "Town") herein sets forth an overview and analysis of its financial operations for the fiscal year ended June 30, 2015.

Financial Highlights

Government-wide Financial Statements

- Assets exceeded liabilities and deferred inflows of resources (*Net Position*) on June 30, 2015 by \$9,387,547. Of this amount, \$245,773 (*Unrestricted Net Position*) may be used by the various funds of the Town to meet the Town's ongoing obligations.
- The Town's total net position increased by \$766,449 in FY 15. Of this amount, net position attributable to governmental activities increased by \$692,774.
- Net position attributable to business-type activities increased by \$73,675.

Governmental Fund Financial Statements

- Fund balances of governmental funds increased during fiscal 2014-15 by \$320,107 from \$2,212,570 to \$2,532,677 at June 30, 2015. Much of this increase is attributed to a marked increase in delinquent tax collections, as well as cost savings in buildings and grounds, public safety and administrative expenses.

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.

The following are schedules detailing the financial activities of the Town during fiscal year 2014-2015:

	<i>Governmental Fund Types:</i>		<i>Proprietary Fund Type:</i>	
	2015	2014	2015	2014
Current Assets	\$ 2,881,275	\$ 3,449,821	\$ 467,611	\$ 472,451
Other Assets	883,917	531,241	-	-
Capital Assets, net	7,387,641	6,943,862	1,685,240	1,701,868
Total Assets	\$ 11,152,834	\$ 10,924,924	\$ 2,152,851	\$ 2,174,319
Current Liabilities	\$ 490,748	\$ 981,726	\$ 44,198	\$ 124,884
Noncurrent Liabilities	1,938,441	2,201,191	494,840	509,297
Deferred Inflows	949,911	661,046	-	-
Total Liabilities & Deferred Inflows	3,379,100	3,843,963	539,038	634,181
Nonspendable Fixed Assets	5,409,883	4,593,933	1,190,400	1,192,571
Restricted Net Position	2,118,498	1,993,886	423,412.75	-
Unassigned Net Position	245,353	493,142	0	347,567
Total Net Position	7,773,734	7,080,961	1,613,813	1,540,138
Total Liabilities, Deferred Items and Net Position	\$ 11,152,834	\$ 10,924,924	\$ 2,152,851	\$ 2,174,319

	<i>Governmental Fund Types:</i>		<i>Proprietary Fund Types:</i>	
	2015	2014	2015	2014
<i>Program Revenues:</i>				
Grants and Contributions	\$ 670,883	\$ 1,921,875	\$ -	\$ 954
<i>General Revenues:</i>				
Property taxes and related charges	6,736,481	2,316,901	-	-
Fees for Service	313,407	439,316	678,100	668,188
Other	-	2,262	69	10,350
Interest Earnings	22,403	94,902	23,158	-
Total General Revenues	7,072,291	2,853,381	701,327	678,538
Total Revenues	7,743,174	4,775,256	701,327	679,492
<i>Programs:</i>				
General Government Services	2,548,414	2,045,739	-	-
Public Works	736,793	2,263,362	627,652	596,969
Public Education	3,753,034	-	-	-
Interest Expense	12,159	105,615	-	-
Total Expenses	7,050,400	4,414,716	627,652	596,969
Change in Net Position	692,774	360,540	73,675	82,523
Net Position - Beginning (as adjusted)	7,080,960	6,720,420	1,540,138	1,457,615
Net Position - Ending	\$ 7,773,734	\$ 7,080,960	\$ 1,613,813	\$ 1,540,138

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

The largest portion of the Town's net position is in its investment in capital assets at 70% for FY 15 as compared to 66% for FY 14. These assets are used to provide services to its citizens (e.g., land, buildings, equipment and infrastructure). Therefore, these assets are not available for future spending. A portion (22% or \$2,118,498) of the Town's net position is subject to restrictions on how it may be used. The Town's unrestricted net position of \$245,353 may be used to meet its ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities increased the Town's net position by \$692,774 during fiscal year 2014-15. Much of this increase is attributed to an increase in delinquent tax collections, as well as cost savings in buildings and grounds, public safety and administrative expenses.

Business-type activities. Business-type activities increased the Town's net position by \$73,675 in FY 15 as compared to an increase of \$82,523 in FY 2013-14. The Sewer Fund net position increased to \$1,613,813 during the current fiscal year.

The Town's current year depreciation for capital assets for business-type activities exceeded additions by \$47,648.

Financial Analysis of Major Governmental Funds

The General Fund. The General Fund's fund balance increased by \$344,996 to \$414,180 at the end of FY 15. The increase is largely due to greater than expected property tax collections as well as cost savings related to less than anticipated law enforcement and planning/zoning expenditures.

Trustees of Public Funds Fund. The Trustees of Public Funds fund balance was \$677,965 as of June 30, 2015. This is a decrease of \$21,141 from its June 30, 2014 fund balance. The decrease is due to less than anticipated investment income as compared to expenditures and transfer out.

Economic Factors and Next Year's Budgets and Rates

The Town-wide taxable grand list for the Town of Brandon was established to raise \$3,296,479 to cover the Town's FY16 expenditures. 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. Beginning in 2016, employees will pay 10% of the Blue Cross & Blue Shield Platinum Premium plan, and the Town will also offer a Health Savings Account to cover employee co-pays.

These factors were taken into consideration when preparing the FY 16 budget adopted in March 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, VT 05733.

TOWN OF BRANDON, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2015

	<i>Governmental Activities</i>	<i>Business Type Activities</i>	<i>Totals</i> <i>June 30, 2015</i>
ASSETS			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 2,117,940	\$ -	\$ 2,117,940
Accounts Receivable	83,996	593,512	677,508
Prepaid Items	14,268	3,023	17,292
Internal Balances	128,924	(128,924)	-
Delinquent Taxes Receivable	536,147	-	536,147
Total Current Assets	2,881,276	467,611	3,348,887
<i>Noncurrent Assets:</i>			
Loan Receivable	832,337	-	832,337
Capital Assets (Net of Accumulated Depreciation)	7,387,641	1,685,240	9,072,881
<i>Deferred Outflows of Resources:</i>			
Proportional Share of Multi-Employer Pension Plan	51,580	-	51,580
TOTAL ASSETS	\$ 11,152,834	\$ 2,152,851	\$ 13,305,686
LIABILITIES, DEFERRED ITEMS & NET POSITION			
<i>Current Liabilities:</i>			
Accrued Expenses	\$ 281,076	\$ 26,266	\$ 307,343
Current Portion of Leases Payable	28,775	-	28,775
Current Portion of Long Term Debt	180,897	17,932	198,829
Total Current Liabilities	490,748	44,198	534,947
<i>Noncurrent Liabilities:</i>			
Capital Leases	59,864	-	59,864
Compensated Absences	81,716	-	81,716
Notes & Bonds Payable	1,796,861	494,840	2,291,701
Total Noncurrent Liabilities	1,938,441	494,840	2,433,281
Total Liabilities	2,429,190	539,038	2,968,228
<i>Deferred Inflows of Resources:</i>			
Net Municipal Pension Liability	33,210	-	33,210
Proportional Share of Multi-Employer Pension Plan	16,840	-	16,840
Deferred Revenue	899,861	-	899,861
Total Deferred Inflows of Resources	949,911	-	949,911
<i>Net Position:</i>			
Nonspendable General Fixed Assets	5,409,883	1,190,400	6,600,283
Restricted for Specific Purposes	2,118,498	423,413	2,541,911
Unassigned	245,353	-	245,353
Total Net Position	7,773,734	1,613,813	9,387,547
TOTAL LIABILITIES, DEFERRED ITEMS & NET POSITION	\$ 11,152,834	\$ 2,152,851	\$ 13,305,686

The accompanying notes are an integral part of these financial statements.

**TOWN OF BRANDON, VERMONT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>June 30, 2015 Total</u>
<i>Governmental Activities:</i>							
General Government	\$ 1,376,180	\$ 260,580	\$ -	\$ -	\$ (1,115,600)	\$ -	\$ (1,115,600)
Public Education	3,753,034	-	3,753,034	-	-	-	-
Public Safety	682,066	52,827	-	111,853	(517,385)	-	(517,385)
Public Works	736,793	-	-	559,030	(177,763)	-	(177,763)
Recreation & Free Library	200,305	-	-	-	(200,305)	-	(200,305)
Community Development	289,863	-	-	-	(289,863)	-	(289,863)
Interest on Long Term Debt	12,159	-	-	-	(12,159)	-	(12,159)
Total Governmental Activities	7,050,400	313,407	3,753,034	670,883	(2,313,076)	-	(2,313,076)
<i>Business Type Activities:</i>							
Sewer Operations	627,652	678,100	-	-	-	50,448	50,448
Total Expenses	7,678,053	991,508	3,753,034	670,883	(2,313,076)	50,448	(2,262,628)
 <i>General Revenues:</i>							
Property taxes and related charges, levied for general purposes					2,983,447	-	2,983,447
Investment & other earnings					22,403	23,158	45,560
Miscellaneous					-	69	69
Total General Revenues					3,005,850	23,227	3,029,077
Change in Net Position					692,774	73,675	766,449
Net Position - Beginning (as adjusted)					7,080,960	1,540,138	8,621,098
Net Position - Ending					\$ 7,773,734	\$ 1,613,813	\$ 9,387,547

The accompanying notes are an integral part of these financial statements.

**TOWN OF BRANDON, VERMONT
COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	<i>Governmental Funds</i>		June 30, 2015 Totals
	General Fund	Other Governmental Funds	
ASSETS			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 1,318,586	\$ 799,355	\$ 2,117,940
Loans & Grants Receivable	-	832,337	832,337
Accounts Receivable	83,996	-	83,996
Delinquent Taxes Receivable	536,147	-	536,147
Prepaid Items	14,268	-	14,268
Due from Other Funds	-	1,213,576	1,213,576
TOTAL ASSETS	\$ 1,952,997	\$ 2,845,268	\$ 4,798,264
LIABILITIES, DEFERRED ITEMS & FUND BALANCES			
<i>Current Liabilities:</i>			
Accrued Expenses	\$ 142,928	\$ 138,148	\$ 281,076
Due to Other Funds	984,860	99,792	1,084,651
Total Liabilities	1,127,787	237,940	1,365,727
<i>Deferred Inflows of Resources:</i>			
Deferred Property Taxes	411,030	-	411,030
Deferred Revenue	-	488,830	488,830
Total Deferred Inflows of Resources	411,030	488,830	899,861
<i>Fund Balances:</i>			
Restricted for Infrastructure and Other Purposes	-	2,118,498	2,118,498
Nonspendable Prepaid Items	14,268	-	14,268
Unassigned	399,911	-	399,910
Total Fund Balances	414,180	2,118,498	2,532,676
TOTAL LIABILITIES, DEFERRED ITEMS & FUND BALANCES	\$ 1,952,997	\$ 2,845,268	\$ 4,798,264

The accompanying notes are an integral part of these financial statements.

TOWN OF BRANDON, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2015

	<i>Governmental Activities</i>	<i>Business Type Activities</i>
Fund Balances - Governmental Fund Types	\$ 2,532,676	\$ 1,613,813
<i>Amounts reported for Governmental Activities in the Statement of Net Position are different due to the following:</i>		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	7,387,641	-
Deferred outflows and deferred inflows of resources are reported as governmental activities, but are not current financial resources, or uses, and are not reported in the fund financials.	1,530	-
Compensated Absences are not recognized in the governmental fund financial statements until paid, while the government wide statements include the entire liability as earned by the employees.	(81,716)	-
Long Term Debt is not recorded in the governmental fund financial statements. However, the government wide financial statements include long term debt.	(2,066,397)	-
<i>Net Position - Government-Wide Financial Statements</i>	<u>\$ 7,773,734</u>	<u>\$ 1,613,813</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF BRANDON, VERMONT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Other Governmental Funds	TOTALS June 30, 2015
<i>Revenues:</i>			
Property Taxes - Current Year	\$ 6,015,386	\$ -	\$ 6,015,386
Property Taxes - Delinquent	573,045	-	573,045
Interest & Penalties on Delinquent Taxes	108,304	-	108,304
State Payments in Lieu of Taxes	39,746	-	39,746
Traffic & Other Ordinance Fines	52,827	-	52,827
State & Federal Grants & Reimbursements	149,232	521,651	670,883
Licenses, Permits & Fees for Services	174,415	-	174,415
Recording Fees	33,708	-	33,708
Miscellaneous Reimbursements & Donations	5,831	46,626	52,457
Interest Income	8,075	14,327	22,403
Total Revenues	<u>7,160,571</u>	<u>582,604</u>	<u>7,743,174</u>
<i>Expenditures:</i>			
<i>Public Schools:</i>			
Payments to/on behalf Brandon Town School District	3,753,034	-	3,753,034
<i>Public Safety:</i>			
Law Enforcement	741,644	-	741,644
Total Public Safety	<u>741,644</u>	<u>-</u>	<u>741,644</u>
<i>Community & Municipal Infrastructure:</i>			
Road, Highway & Bridge Infrastructure	736,793	-	736,793
Library	85,500	-	85,500
Recreation	114,805	-	114,805
Taxes & Assessments to Regional Organizations	74,248	-	74,248
Appropriated Funds to Local Organizations	215,615	-	215,615
Total Community Infrastructure	<u>1,226,961</u>	<u>-</u>	<u>1,226,961</u>
<i>Administration:</i>			
Selectboard & Town Manager	334,038	-	334,038
Town Clerk & Treasurers Office	187,052	-	187,052
Listers	27,718	-	27,718

The accompanying notes are an integral part of these financial statements.

TOWN OF BRANDON, VERMONT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Other Governmental Funds	TOTALS June 30, 2015
<i>Administration (continued):</i>			
Elections	4,535	-	4,535
Legal & Professional Fees	50,977	-	50,977
Municipal Buildings & Grounds	192,406	616,536	808,942
Planning & Zoning	41,163	-	41,163
Total Administration	<u>837,889</u>	<u>616,536</u>	<u>1,454,425</u>
<i>Debt Service:</i>			
Interest & Principal	247,004	-	247,004
Total Expenditures	<u>6,806,531</u>	<u>616,536</u>	<u>7,423,068</u>
Excess (Deficiency) of Revenues Over Expenditures	354,039	(33,932)	320,107
 <i>Designated Fund Transfers:</i>			
Transportation Grant Fund	(18,294)	18,294	-
Trustees of Public Funds	9,250	(9,250)	-
Total Designated Fund Transfers	<u>(9,044)</u>	<u>9,044</u>	<u>-</u>
 Excess of Revenues Over Expenditures and Other Financing Uses	 344,996	 (24,889)	 320,107
 Fund Balances - Beginning (as adjusted)	 <u>69,184</u>	 <u>2,143,386</u>	 <u>2,212,570</u>
 Fund Balances - Ending	 <u>\$ 414,180</u>	 <u>\$ 2,118,497</u>	 <u>\$ 2,532,677</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF BRANDON, VERMONT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Governmental Activities	Business Type Activities	Totals
Amounts reported for governmental activities in the statement of activities are different because:			
Net change in fund balances & equity	\$ 320,107	\$ 73,675	\$ 393,782
Delinquent taxes are recognized as revenue in the period in which they are levied in the government-wide financial statements, but are reported as revenue as measurable and available in the fund financial statements.	222,230	-	222,230
Changes in the Compensated Absences liability are recognized in the government wide financial statements.	3,081	-	3,081
In the statement of activities, deferred pension expenses are reported as deferred outflows. In the governmental fund statements, expenditures for pension expense is measured by the amount of financial resources used.	189,824	-	189,824
Repayment of bond principal is not an expense in the Statement of Activities	234,844	-	234,844
In the Statement of Activities, the cost of fixed assets is allocated over their estimated useful lives and reported as depreciation expense annually.	(277,312)	-	(277,312)
Change in Net Position - Statement of Activities	<u>\$ 692,774</u>	<u>\$ 73,675</u>	<u>\$ 766,449</u>

TOWN OF BRANDON, VERMONT
STATEMENT OF NET POSITION - PROPRIETARY FUND TYPE
JUNE 30, 2015

	<i>Proprietary Fund</i>
	Wastewater
	Fund
ASSETS	
<i>Current Assets:</i>	
Accounts Receivable	\$ 593,512
(net of allowance for uncollectible accounts)	
Prepaid Items	3,023
<i>Noncurrent Assets:</i>	
Capital Assets (less accumulated depreciation)	1,685,240
TOTAL ASSETS	\$ 2,281,775
LIABILITIES AND NET POSITION	
<i>Current Liabilities:</i>	
Accrued Expenses	\$ 24,767
Current Portion of Long Term Debt	17,932
Accrued Interest Payable	1,500
Due to Other Funds	128,924
Total Current Liabilities	173,123
<i>Noncurrent Liabilities:</i>	
Notes Payable	494,840
Total Liabilities	667,963
<i>Net Position:</i>	
Restricted for Infrastructure and Other Purposes	1,172,468
Unassigned	441,344
Total Net Position	1,613,813
TOTAL LIABILITIES & NET POSITION	\$ 2,281,776

The accompanying notes are an integral part of these financial statements.

TOWN OF BRANDON, VERMONT
Combined Statement of Revenues, Expenses and Changes
In Net Position - Proprietary Fund Type
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<i>Proprietary Fund Type</i>		TOTALS
	Wastewater		June 30, 2015
	Fund		
<i>Revenues:</i>			
Rents and Usage Charges	\$ 654,943	\$	654,943
Miscellaneous	-		-
Interest Revenue	23,158		23,158
Total Revenues	678,100		678,100
<i>Expenses:</i>			
Salaries & Benefits	170,648		170,648
Collection & Disposal Costs	105,912		105,912
Utilities	61,853		61,853
Operating Supplies	39,965		39,965
Plant Maintenance	38,520		38,520
Office Supplies	1,638		1,638
Contracted Services	34,116		34,116
Vehicle Operating Costs	7,038		7,038
Insurance	21,965		21,965
Professional Fees	8,500		8,500
Capital Expenditures	3,795		3,795
Depreciation	90,310		90,310
Interest Expense	20,165		20,165
Total Expenditures	604,425		604,425
Change in Net Position	73,675		73,675
Net Position - Beginning	1,540,138		1,540,138
Net Position - Ending	\$ 1,613,813	\$	1,613,813

The accompanying notes are an integral part of these financial statements.

**TOWN OF BRANDON, VERMONT
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<i>Proprietary Fund Type</i>		TOTALS
	Wastewater		June 30, 2015
	Fund		
<i>Cash flows from Operating Activities:</i>			
Cash Received from Customers	\$ 571,368	\$	571,368
Cash Payments to Suppliers for Goods and Services	(491,594)		(491,594)
Net Cash Provided By (For) Operating Activities	79,774		79,774
<i>Cash Flows from Financing Activities:</i>			
Payments for Debt Service	(20,165)		(20,165)
Net borrowings (to) from other funds	(50,914)		(50,914)
Total Cash Flows from Financing Activities	(71,079)		(71,079)
<i>Cash Flows from Investing Activities:</i>			
Capital Improvement Costs	(3,795)		(3,795)
Interest Income	-		-
Total Cash Flows from Investing Activities	(3,795)		(3,795)
<i>Net increase (decrease) in Cash</i>			
Cash - Beginning	-		-
Cash - Ending	\$ -	\$	-
<i>Reconciliation of Operating Income (Loss) to net cash provided by Operating Activities:</i>			
Increase (Decrease) in Retained Earnings	\$ 73,675	\$	73,675
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operations:</i>			
<i>Changes in assets and liabilities:</i>			
Decrease (Increase) in Current Assets	11,897		11,897
(Decrease) Increase in Accrued Expenses	(5,798)		(5,798)
Total Adjustments	6,099		6,099
Total Cash Flows from Operating Activities	\$ 79,774	\$	79,774

The accompanying notes are an integral part of these financial statements.

TOWN OF BRANDON, VERMONT NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of significant accounting policies The Town of Brandon, Vermont (the Town) operates under a Manager/Select Board 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.

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.

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.

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 non-fiduciary activities of the Town. The effect of inter-fund 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. Non-major funds, if any, are summarized in a single column.

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.

The Town reports the following major governmental funds: *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. *Other Governmental Funds* used to account for the assets and activity of monies left to the Town through trust and grant agreements, or capital project expenditures incurred for specific Town infrastructure projects.

The Town reports the following major proprietary fund, the Sewer Fund for its operating and capital activities of the Town.

Measurement focus and basis of accounting - 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

TOWN OF BRANDON, VERMONT NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of significant accounting policies (continued)

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 non-operating 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 non-operating revenues and expenses. Unbilled service revenue is accrued in the Sewer Fund.

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 Select Board 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.

Property taxes - Property taxes attach as an enforceable lien on property owned as of April 1st. The Assessor establishes a grand list of all property and the Board 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 are payable in four installments due on the 15th day of August, November, February and May of the fiscal year assessed. Interest is assessed at 1% per month and an 8% penalty is assessed when the taxes become delinquent on May 16th. 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.

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.

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.

**TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - Summary of significant accounting policies (continued)

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.

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.

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

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 and the cumulative liability is not included in these financial statements. Vacation accrues for annual use.

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.

Fund Equity - In the fund financial statements, governmental funds may report five categories of fund balances: non-spendable, restricted, committed, assigned and unassigned.

Non-spendable 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 Select Board. *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**

NOTE 1 - Summary of significant accounting policies (continued)

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.

New accounting standards - The Town has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* as required.

NOTE 2 - Deposits and investments

As of June 30, 2015, the Town's deposit accounts were fully insured or collateralized.

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 Board. The classification and fair value of investments held at June 30, 2015 are as follows:

Fair Value	
Exchange traded funds - equities	\$188,076
Mutual funds (Bonds, Domestic & International Equities)	492,566
Total	\$672,322

Investments are carried at market value. Any unrealized gains or losses are recognized annually. *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. *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, 2015, 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. There shall be no investments in non-marketable securities.

**TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - Deposits and investments (continued)

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. The investment policy must be reviewed at least annually by the Committee and revised or confirmed as appropriate.

NOTE 3 - Inter-fund receivable and payable balances

Inter-fund receivable and payable balances, due to the pooling of cash for cash receipts and disbursements, as decisions concerning the portfolio's assets; however, it shall not necessarily be bound solely. Inter-fund transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Transfers from Other Governmental Funds to the General Fund were to cover expenses that had been incurred on their behalf.

Fund	General Fund	Other Governmental Funds	Wastewater Fund
Revolving Loan Funds	(117,131)	117,131	-
Reappraisal Reserve	(158,609)	158,609	-
Transportation Grant	77,350	(77,350)	-
Equipment & Infrastructure	(731,153)	731,153	-
Town Office Funds	(172,786)	172,786	-
Public Safety	(9,804)	9,804	-
Other Grants	(1,651)	1,651	-
Wastewater Fund	128,924	-	(128,924)
Totals	(984,860)	1,113,784	(128,924)

NOTE 4 - 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. During the fiscal year, it was determined that the receivables from Sheri's Diner totaling \$47,724 was determined to be worthless and was previously recorded in the Town's allowance for uncollectible accounts. Loans receivable at June 30, 2015 were as follows:

**TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - Loans receivable (continued)

Borrower	Principal	Interest Rate	Terms
11 Center Street Ventures, LLC	\$36,143	1.25%	\$559 received monthly through December 2015; balloon payment \$33,042 January 2016
Park Village Partners, LLC	45,993	1.25%	\$327 received monthly through January 2018, balloon payment \$37,194; Secured with real estate
Neshobe River Winery	31,938	1.25%	\$339 received monthly through October 2018, balloon payment \$19,748 November 2018; Secured with real estate
Swan & Stone, LLC	33,879	1.25%	\$355 received monthly through June 2019, \$19,748 balloon payment \$20,980 due July 2019
Brandon Industrial Corporation Loan Fund	199,317	1.0%	Demand - \$176,800 Secured by Mortgages (including accrued interest)
Rutland County Community Land Trust Grant Fund (net of loan discounts)	141,560	1.0%	\$1,278 received monthly beginning July 10, 2030 through 2060, secured by mortgage
TOTAL	\$488,830		

NOTE 5 - Debt

Governmental Funds Long-term as of June 30, 2015 is as follows:

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%. Principal paid fiscal year ending June 30, 2015 \$140,000.

State of Vermont Promissory Equipment Note, payable annually with 2% interest from December 2012 through December 2016. Principal paid fiscal year ending June 30, 2015 \$21,147.

Vermont Municipal Bond Bank, Public Building Improvement Bond, 2-5% interest, with annual principal payments through December 2032. Principal paid fiscal year ending June 30, 2015 \$19,750.

Long-term Business-type debt at June 30, 2015 is as follows:

Wastewater system improvements, interest at 0%, annual principal payments of \$12,557 from August 2010 through August 2015. Wastewater System preliminary engineering study, interest at 0%, annual payments of \$1,520 from March 2017 through March 2021.

Vermont Municipal Bond Bank, Wastewater System Improvements, various interest rates currently 6.383%, \$5,000 annual principal payments plus interest through December 2015. 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. 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.

**TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - Debt (continued)

	<i>Governmental Activities</i>		<i>Business Type Activities</i>	
Fiscal year ending	Principal	Interest	Principal	Interest
June 30, 2016	\$180,897	\$82,595	\$17,633	\$18,000
June 30, 2017	180,897	75,500	19,797	17,345
June 30, 2018	154,750	68,439	20,464	16,666
June 30, 2019	154,750	61,834	21,155	15,962
June 30, 2020	154,750	55,259	21,856	15,261
Thereafter	1,201,751	285,552	411,867	29,222
Totals	\$2,027,795	\$629,179	\$512,772	\$212,456

NOTE 6 - Landfill closure and Post closure 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. 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.

NOTE 7 - 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 amortized lease debt has been included in the long term debt section of these financial statements.

NOTE 8 - Fixed Assets and Depreciation

Depreciation expense in the governmental activities totaling \$269,789 was allocated to the following functions: General government \$33,220; Public safety \$17,296; Public works \$208,991. Depreciation expense in the business type activities totaling \$90,310 was allocated to the sewer operations.

The following is a schedule detailing the Town's investment in capital assets:

**TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – Fixed Assets and Depreciation

	Balance - July 1, 2014	Net Activity	Depreciation	Beginning Accumulated Depreciation	Net Asset Value - June 30, 2015
<i>Governmental Funds:</i>					
Land	\$ 322,084	\$ -	\$ -	\$ -	322,084
Construction in progress	2,976,328	-	-	-	2,976,328
Total capital assets, not depreciated	3,298,412	-	-	-	3,298,412
Buildings & Improvements	1,397,355	40,253	30,411	404,252	1,002,945
Equipment & Furnishings	289,358	-	17,305	138,483	133,570
Vehicles	1,043,220	59,578	66,350	624,109	412,339
Infrastructure	3,002,504	613,617	155,723	920,023	2,540,375
Subtotal	9,030,849	713,448	269,789	2,086,867	7,387,641
<i>Business Type Activities:</i>					
Construction in Progress	22,832	1,332	-	-	24,164
Buildings & Improvements	2,011,963	-	41,621	823,016	1,147,326
Equipment	793,799	15,176	39,821	585,021	184,133
Sewer Lines	425,979	26,154	8,868	113,648	329,617
Subtotal	3,254,573	42,662	90,310	1,521,685	1,685,240
GRAND TOTALS	\$ 12,285,422	\$ 756,110	\$ 360,099	\$ 3,608,552	\$ 9,072,881

NOTE 9 – Pension plan

Vermont Municipal Employees' Retirement System

The Town contributes to the Vermont Municipal Employees' Retirement System (VMERS), a cost-sharing multiple-employer public employee retirement system (PERS) 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. Defined Benefit Plan members are required to contribute 2.5% (Group A), 4.625% (Group B) of their annual covered salary, and the Town is required to contribute 4% (Group A), 5.125% (Group B). 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. This liability is actuarially determined annually by VMERS and the aggregate funding as compared to its potential liability is approximately 86%.

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, 2015, 2014, and 2013 were \$51,580, \$46,938 and \$46,084, respectively. The amounts contributed were equal to the required contributions for each year.

During the fiscal year, it was determined that the net pension liability for the Town's proportionate share of the Vermont Municipal Retirement System underfunded pension liability recognized in these financial statements decreased to \$33,210, a favorable outcome of \$106,154. In accordance with the implementation of

TOWN OF BRANDON, VERMONT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Pension plan (continued)

GASB 68 *Accounting and Financial Reporting for Pensions*, the net assets of the Town were reduced \$139,774 as of June 30, 2014 as a prior period adjustment as a change in accounting principle to reflect the liability balance for the prior fiscal year.

The following is a discussion of the significant assumptions employed in the measurement of the net pension liability: A select and ultimate interest rate set is restarted each year based on the employee's entry date; employee salary increases are estimated at 5% per year; cost of living adjustments are made 1.5% for Group A members and 1.8% for Groups B, C & D. Inflation rates are consistent with stated assumptions for investment return, salary increases and cost of living adjustments are consistent with a 3% to 3.25% per year. Assumptions related to the discount rate and the impact on the total pension liability of a 1 percentage point increase would increase the District's net pension liability by (\$47,525) and decrease in the discount rate would decrease the District net pension liability by \$46,570.

NOTE 10 - Deferred compensation plan

The Town also offers its employees a deferred compensation plan 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.

NOTE 11 - Related party transactions

The position of the Town Manager is a member of the Board of Directors of Brandon Industrial Corporation. The total amount due from the Corporation to the Town at June 30, 2015 was \$199,317.

NOTE 12 – Commitments & Contingencies

The Town is exposed to various risks of loss related to torts; theft, damage and destruction of its assets; injuries. Any claims under these policies have not exceeded coverage in any of the immediately preceding three fiscal years. If the insurance funds noted above should ever become insolvent, the Town could be liable for a proportionate share of the Fund's liabilities.

The Town receives grant support from various State, Local and Federal sources. These programs are subject to financial and compliance audits by these grantors. Management believes that any possible disallowed costs, if any, would be immaterial to these financial statements. On January 16, 2015, the Town entered into a lease agreement for town office space for a one-year term with monthly rent payments of \$2,000. The lease agreement ends December 31, 2015 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.

NOTE 9 – Fund Balance & Net Position Adjustments

The beginning fund balances and net position amounts have been adjusted as compared with previously issued financial statements. The adjustments were made as a result of the implementation of GASB 67 and 68 during the current fiscal year related to the District's proportionate share of the projected future net pension liability for past and present employees of the District as discussed in Note 6.

Morrison & Bradley CPAs, P.C.

~ Members ~

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
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, each major fund, and the aggregate remaining fund information of the Town of Brandon, Vermont, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Brandon, Vermont's basic financial statements, and have issued our report thereon dated December 10, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Brandon, Vermont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Brandon, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Brandon, Vermont's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 communication is not suitable for any other purpose.

Morrison & Bradley CPAs P.C.

Morrison & Bradley CPAs, P.C.

Rutland, Vermont

December 10, 2015

**TOWN OF BRANDON, VERMONT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<i>Original/Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Revenues:</i>			
Property Taxes - Current Year	\$ 6,356,774	\$ 6,015,386	\$ (341,388)
Property Taxes - Delinquent	-	573,045	573,045
Interest & Penalties on Delinquent Taxes	65,000	108,304	43,304
State Payments in Lieu of Taxes	38,000	39,746	1,746
Traffic & Ordinance Fines/Grants	49,100	52,827	3,727
State and Federal Grants	145,000	149,232	4,232
Licenses, Permits & Fees for Services	264,275	174,415	(89,860)
Recording Fees	37,500	33,708	(3,792)
Miscellaneous Reimbursements	1,800	5,831	4,031
Interest Income	4,000	8,075	4,075
Total Revenues	6,961,449	7,160,571	199,122
<i>Expenditures:</i>			
<i>Public Schools:</i>			
Payments to/on behalf Brandon School District	3,753,034	3,753,034	-
<i>Public Safety:</i>			
Law Enforcement	768,985	741,644	27,341
Total Public Safety	768,985	741,644	27,341
<i>Community & Municipal Infrastructure:</i>			
Road, Highway & Bridge Infrastructure	755,255	736,793	18,462
Library	85,500	85,500	-
Recreation	103,735	114,805	(11,070)
Taxes & Assessments to Regional Organizations	69,625	74,248	(4,623)
Appropriated Funds to Local Organizations	215,615	215,615	-
Total Community & Municipal Infrastructure	1,229,730	1,226,961	2,769
<i>Administration:</i>			
Selectboard & Town Manager	380,365	334,038	46,327
Town Clerk & Treasurers Office	174,080	187,052	(12,972)
Listers	26,595	27,718	(1,123)

TOWN OF BRANDON, VERMONT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<i>Original/Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Administration (continued):</i>			
Elections	4,100	4,535	(435)
Legal & Professional Fees	45,000	50,977	(5,977)
Municipal Buildings & Grounds	269,200	192,406	76,794
Planning & Zoning	52,270	41,163	11,107
Total Administration	<u>951,610</u>	<u>837,889</u>	<u>113,721</u>
<i>Debt Service:</i>			
Interest & Principal	<u>258,090</u>	<u>247,004</u>	<u>11,086</u>
Total Expenditures	<u>6,961,449</u>	<u>6,806,531</u>	<u>154,917</u>
Excess (Deficiency) of Revenues Over Expenditures	-	354,039	354,039
<i>Fund Transfers to Reserve (Other Governmental) Funds:</i>			
Transportation Grant Fund		(18,294)	(18,294)
Trustees of Public Funds	-	9,250	9,250
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ 344,996</u>	<u>\$ 344,996</u>

**TOWN OF BRANDON, VERMONT
STATEMENT OF EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<i>Original/Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Public Schools:</i>			
Payments to/on behalf Brandon School District	\$ 3,753,034	\$ 3,753,034	\$ -
Less: Related Property Taxes Assessed	(3,753,034)	(3,753,034)	-
Total Public Schools	-	-	-
<i>Public Safety:</i>			
<i>Law Enforcement</i>			
Salaries & Benefits	613,717	611,932	1,785
Salaries - School Resource Officer	26,693	21,602	5,091
Fuel & Vehicle Maintenance	40,500	31,495	9,005
Occupancy Costs	14,100	7,295	6,805
Insurance	40,575	38,274	2,301
Operating Supplies	5,200	4,989	211
Professional Development	7,500	11,300	(3,800)
Communications	7,500	6,702	798
Computer and Equipment	9,200	8,055	1,145
Animal Control	4,000	-	4,000
<i>Total Law Enforcement</i>	768,985	741,644	27,341
<i>Appropriations to Local Organizations</i>			
Brandon 4th of July Committee	6,000	6,000	-
Brandon Area Rescue Squad	20,735	20,735	-
Brandon Chamber of Commerce	1,000	1,000	-
Rutland Senior Volunteers Program	406	406	-
Southwestern Vermont Council On Aging	2,400	2,400	-
Rutland Area Visiting Nurses Association	10,200	10,200	-
Rutland Mental Health Services	6,624	6,624	-
ARC of Rutland	3,500	3,500	-
Brandon Community Health Services	750	750	-
Foxcroft Farms	15,000	15,000	-
Union Street Partners	125,000	125,000	-
Wheeler Road Bridge	24,000	24,000	-
<i>Total Appropriations to Local Organizations</i>	215,615	215,615	-
<i>Road, Highway & Bridge Infrastructure</i>			
Salaries & Benefits	310,845	316,279	(5,434)
Construction Costs	245,620	247,754	(2,134)
Occupancy Costs	23,550	15,653	7,897
Operating Supplies	750	389	361
Fuel, Materials and Supplies	77,750	62,739	15,011
Insurance	17,740	15,695	2,045
Training	500	269	231
Payments on Leased Equipment	78,500	78,014	486
<i>Total Road, Highway & Bridge Infrastructure</i>	755,255	736,793	18,462
<i>Library Support</i>	85,500	85,500	-
<i>Recreation</i>			
Salaries & Benefits	54,920	60,502	(5,582)
Program Activities	41,245	47,633	(6,388)
Occupancy Costs	4,000	3,235	765
Insurance	3,570	3,435	135
<i>Total Recreation</i>	103,735	114,805	(11,070)

**TOWN OF BRANDON, VERMONT
STATEMENT OF EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<i>Original/Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Taxes & Assessments to Regional Organizations</i>			
Mosquito Control District	29,500	29,500	-
Brandon Senior Citizen Center	12,825	12,825	-
Marble Valley Regional Transit District	3,500	3,500	-
Vermont Green Up Day	300	300	-
Vermont League of Cities & Towns	-	5,075	(5,075)
Rutland Economic Development Corporation	500	125	375
Rutland Regional Planning Commission	900	900	-
Rutland County Tax	22,100	22,023	77
	<u>69,625</u>	<u>74,248</u>	<u>(4,623)</u>
<i>Selectboard & Town Manager</i>			
Salaries - Selectboard	6,000	6,040	(40)
Salaries - Town Manager	86,460	93,569	(7,109)
Salaries - Clerical Staff	119,700	87,646	32,054
Salaries - Economic Development	10,170	7,692	2,478
Salaries - Custodial	6,350	4,361	1,989
Payroll Taxes	18,690	18,210	480
Health Insurance	57,040	56,052	988
Municipal Retirement	14,980	13,817	1,163
Training	15,425	6,321	9,104
Insurance	36,105	33,658	2,447
Workmans Compensation Insurance	9,445	6,672	2,773
<i>Selectboard & Town Administrator</i>	<u>380,365</u>	<u>334,038</u>	<u>46,327</u>
<i>Town Clerk & Treasurer's Office</i>			
Salaries & Benefits - Clerks Office	117,100	129,297	(12,197)
Salaries - Board of Civil Authority	1,280	530	750
Vault Maintenance	5,900	3,853	2,047
Office Supplies	10,000	9,841	159
Postage & Envelopes	7,000	9,263	(2,263)
Telephone	6,500	8,070	(1,570)
Supplies	7,300	7,885	(585)
Town Report	5,000	5,875	(875)
Computer & Equipment Service	13,000	10,060	2,940
Legal Notices	1,000	2,379	(1,379)
<i>Town Clerk & Treasurer's Office</i>	<u>174,080</u>	<u>187,052</u>	<u>(12,972)</u>
<i>Listers</i>			
Salaries	8,695	8,938	(243)
Contracted Services and Supplies	17,900	18,780	(880)
<i>Listers</i>	<u>26,595</u>	<u>27,718</u>	<u>(1,123)</u>
<i>Elections</i>			
	<u>4,100</u>	<u>4,535</u>	<u>(435)</u>
<i>Legal & Professional Fees</i>			
Tax Collector Fees			-
Audit	20,000	27,250	(7,250)
Legal	25,000	23,727	1,273
<i>Legal & Professional Fees</i>	<u>45,000</u>	<u>50,977</u>	<u>(5,977)</u>

TOWN OF BRANDON, VERMONT
STATEMENT OF EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<i>Original/Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<i>Municipal Buildings & Grounds</i>			
Town Office	25,500	12,243	13,257
Parks	1,000	8,835	(7,835)
Rentals	12,000	12,000	-
Cemetery	1,000	-	1,000
EWM Payments	70,000	72,827	(2,827)
Waste Disposal	86,000	13,349	72,651
Insurance	1,315	839	476
Occupancy Costs	27,400	14,909	12,491
Capital Improvements	17,885	43,783	(25,898)
Building Maintenance	27,100	13,621	13,479
Total Municipal Buildings & Grounds	269,200	192,406	76,794
<i>Planning & Zoning</i>			
Zoning Administrator	35,670	37,374	(1,704)
Supplies	11,000	855	10,145
Training	2,300	284	2,016
Tax Maps	3,300	2,650	650
Planning & Zoning	52,270	41,163	11,107
<i>Debt Service:</i>			
Interest & Principal	258,090	247,004	11,086
Total Expenditures	\$ 3,208,415	\$ 3,053,498	\$ 154,917

TOWN OF BRANDON, VERMONT
 COMBINED BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Reappraisal Reserve	Revolving Loan Funds	Transportation Grant Funds	Equipment & Infrastructure Fund	Town Office Funds	Public Safety Funds	Town Farm Fund	Other Grant Programs	Trustees of Public Funds	June 30, 2015 Totals
ASSETS										
Cash and Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303	\$ 113,274	\$ 7,812	\$ 677,965	\$ 799,355
Loans & Grants Receivable	-	488,830	72,105	269,065	-	-	-	2,337	-	832,337
Due From Other Funds	158,609	117,131	702,119	51,475	172,786	9,804	-	1,651	-	1,213,576
TOTAL ASSETS	\$ 158,609	\$ 605,961	\$ 774,224	\$ 320,540	\$ 172,786	\$ 10,108	\$ 113,274	\$ 11,800	\$ 677,965	\$ 2,845,268
LIABILITIES AND FUND BALANCES										
<i>Liabilities:</i>										
Due To Other Funds	\$ -	\$ -	-	\$ 99,792	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,792
Accounts Payable	-	-	66,478	69,453	1,717	-	-	500	-	138,148
Deferred Revenue	-	488,830	-	-	-	-	-	-	-	488,830
Total Liabilities	-	488,830	66,478	169,245	1,717	-	-	500	-	726,770
<i>Fund Balances:</i>										
Restricted for Specific Purposes	158,609	117,131	707,747	151,295	171,069	10,108	113,274	11,300	677,965	2,118,498
TOTAL LIABILITIES & FUND BALANCES	\$ 158,609	\$ 605,961	\$ 774,224	\$ 320,540	\$ 172,786	\$ 10,108	\$ 113,274	\$ 11,800	\$ 677,965	\$ 2,845,268

TOWN OF BRANDON, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND -
 CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Reappraisal Reserve	Revolving Loan Funds	Transportation Grant Funds	Equipment & Infrastructure Fund	Town Office Funds	Public Safety Funds	Town Farm Fund	Other Grant Programs	Trustees of Public Funds	June 30, 2015 Totals
<i>Revenues:</i>										
Investment Income	\$ -	\$ 2,575	\$ 6,396	\$ -	\$ -	\$ -	\$ 212	\$ 34	\$ 5,109	\$ 14,327
Donations & Miscellaneous	-	33,288	-	1,872	11,465	-	-	-	-	46,626
Federal & State Grants	23,550	-	216,715	269,065	-	5,695	-	6,625	-	521,651
Fees for Goods & Services	-	-	-	-	-	-	-	-	-	-
Total Revenue	23,550	35,864	223,112	270,938	11,465	5,695	212	6,659	5,109	582,604
<i>Expenditures:</i>										
Salaries & Related Expenses	-	-	-	-	-	-	-	-	-	-
Capital Items	-	-	237,725	323,469	12,600	5,280	-	-	-	579,075
Operations & Maintenance	-	25	-	-	13,812	-	-	6,625	17,000	37,462
Total Expenditures	-	25	237,725	323,469	26,412	5,280	-	6,625	17,000	616,536
Excess (Deficiency) of Revenues Over Expenditures	23,550	35,839	(14,613)	(52,532)	(14,947)	415	212	34	(11,891)	(33,932)
<i>Other Financing Sources (Uses):</i>										
Operating Transfers In (Out)	-	-	998,073	(979,779)	-	-	-	-	(9,250)	9,044
Excess (Deficiency) of Revenues Over Expenditures	23,550	35,839	983,459	(1,032,311)	(14,947)	416	212	34	(21,141)	(24,889)
Fund Balances - Beginning (As adjusted)	135,059	81,292	(275,712)	1,183,606	186,015	9,692	113,062	11,266	699,106	2,143,386
Fund Balances - Ending	\$ 158,609	\$ 117,131	\$ 707,747	\$ 151,295	\$ 171,069	\$ 10,108	\$ 113,274	\$ 11,300	\$ 677,965	\$ 2,118,498