

TOWN OF DORSET, VERMONT
FINANCIAL STATEMENTS
JUNE 30, 2013
AND
INDEPENDENT AUDITOR'S REPORTS

TOWN OF DORSET, VERMONT

JUNE 30, 2013

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report.....	1 - 3
Management's Discussion and Analysis.....	4 - 7
Basic Financial Statements:	
Government-wide Financial Statements -	
Government-wide Statement of Net Position	8
Government-wide Statement of Activities	9
Fund Financial Statements -	
Balance Sheet - Governmental Funds.....	10 - 11
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds.....	12 - 13
Statement of Revenue and Expenditures - Budget and Actual - General Fund.....	14 - 15
Statement of Net Position - Fiduciary Funds.....	16
Statement of Changes in Net Position - Fiduciary Funds.....	17
Notes to Financial Statements	18 - 24
Supplementary Schedules:	
Schedule 1 - Combining Balance Sheet - Other Governmental Funds.....	25
Schedule 2 - Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Other Governmental Funds.....	26
Compliance Reports:	
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 <i>Government Auditing Standards</i>	27 - 28
Schedule of Findings and Responses.....	29

INDEPENDENT AUDITOR'S REPORT

The Selectboard
Town of Dorset, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Dorset, Vermont (the Town) as of and for the year ended June 30, 2013, 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.

Summary of Opinions

We have expressed a qualified opinion on the governmental activities.

We have expressed unmodified opinions on the General Fund, Equipment Replacement Fund, Highway Paving Fund, Reappraisal Fund and the aggregate remaining fund information.

Basis for Qualified Opinion on the Governmental Activities

As described in note 1.I., the Town has used appraisal values for certain land and buildings that are included in the capital assets reported in the government-wide statement of net position.

Qualified Opinion

In our opinion, except for the effects, if any, of the matter described in the “Basis for Qualified Opinion on the Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Town of Dorset, Vermont as of June 30, 2013 and the change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Dorset, Vermont as of June 30, 2013, and the respective changes in financial position 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 schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedules 1 and 2 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 accompanying schedules 1 and 2 are 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 December 5, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

Montpelier, Vermont
December 5, 2013

TOWN OF DORSET, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

This discussion and analysis is intended to serve as an introduction of the Town of Dorset's (the Town) basic financial statements. The Town's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This document also contains other supplementary information and audit reports in addition to the basic financial statements. Our narrative overview is intended to be read in conjunction with the attached financial statements and schedules.

Financial Statements

Government-wide Financial Statements - The government-wide financial statements are designed to provide the readers with a broad overview of Dorset's finances in a manner similar to a private sector business. These statements present the financial picture of the Town from the "economic resources" measurement focus using the accrual basis of accounting. The *statement of net position* presents information on all of Dorset's assets and liabilities, with the difference between the two reported as *net position*. Net position includes capital assets, net of depreciation, and are reduced by the balance of any long-term debt. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Dorset is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. 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*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes or the Community Development note receivable).

The government-wide financial statements for Dorset include general governmental administrative expenses, community services and highway expenses which are principally supported by taxes and intergovernmental revenue. Dorset does not have any enterprise funds or business-type activities for which a significant portion of revenues would be generated through user fees.

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. State and local governments use fund accounting to ensure and demonstrate compliance with financially regulated legal requirements. All of the funds of Dorset are divided into two categories: *governmental funds* and *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in government-wide financial statements. However, governmental funds focus on annual *inflows and outflows of spendable resources*, and the *balances of spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The General Fund, Equipment Replacement Fund, Highway Paving Fund and Reappraisal Fund are the Town's major governmental funds. In addition, the Town of Dorset maintains other governmental funds which are

restricted or committed for specific purposes. These funds are reported individually in supplementary schedules 1 and 2 on pages 25 and 26.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town of Dorset's own programs. The Town's fiduciary funds are the Dillon Fund and the East Dorset Cemetery Fund.

Government-wide Financial Analysis

Dorset's Net Position June 30, 2013 and 2012

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Current assets	\$ 796,916	\$ 802,343
Noncurrent assets	2,240,324	2,143,406
Total assets	<u>3,037,240</u>	<u>2,945,749</u>
Current liabilities	<u>46,333</u>	<u>142,669</u>
Net position:		
Net investment in capital assets	2,019,812	1,931,376
Restricted	300,443	273,635
Unrestricted	<u>670,652</u>	<u>598,069</u>
Total net position	<u>\$ 2,990,907</u>	<u>\$ 2,803,080</u>

The Statement of Net Position shows total assets of the Town as of June 30, 2013 are \$3,037,240; total assets as of June 30, 2012 were \$2,945,749. Of these totals, \$796,916 and \$802,343 represent current assets. The noncurrent assets of \$2,240,324 and \$2,143,406 at June 30, 2013 and June 30, 2012, respectively, are notes receivable and the net capital assets including land, buildings and equipment.

Capital Assets as of June 30, 2013 and 2012
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Construction in process	\$ 2,935	\$ -
Land	253,970	251,970
Buildings and improvements	434,228	440,842
Office equipment and furnishings	4,420	5,831
Computer systems	4,977	5,101
Infrastructure	766,210	583,391
Machinery and equipment	<u>553,072</u>	<u>644,241</u>
Net capital assets	<u>\$ 2,019,812</u>	<u>\$ 1,931,376</u>

The liabilities of the Town as of June 30, 2013 are \$46,333; liabilities as of June 30, 2012 were \$142,669. The liabilities are all current liabilities, including accounts payable and cash held in escrow.

Change in Net Position for Fiscal Years Ended in 2013 and 2012

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Revenues		
Program Revenues		
Grants and contributions	\$ 225,408	\$ 354,650
Charges for services	90,395	82,973
Other	598	13,363
General Revenue		
Property taxes	9,744,951	9,921,659
Investment income	52,697	66,813
Total Revenues	<u>10,114,049</u>	<u>10,439,458</u>
Expenses		
Governmental Activities		
General government	625,813	625,373
Education - State and Local	8,444,696	8,686,202
Highway and roads	461,679	548,783
Other programs	394,034	281,545
Total Expenses	<u>9,926,222</u>	<u>10,141,903</u>
Change in net position	187,827	297,555
Net position - Beginning	<u>2,803,080</u>	<u>2,505,525</u>
Net position - Ending	<u>\$ 2,990,907</u>	<u>\$ 2,803,080</u>

The Statement of Activities reports that the 2013 educational expenses for Dorset were 85.1% (\$8,444,696) of the total operating expenses of \$9,926,222 for the year; the 2012 educational expenses were 85.6% (\$8,686,202) of the total operating expenses of \$10,141,903 for the year. The accrual basis total includes all fund expenditures plus depreciation of capital assets, but excludes capital asset purchases. Certain revenues (labeled Program Revenues) offset expenses as they relate to specific programs, such as state and federal grants or fees charged for specific services.

Total revenues, mainly property taxes, totaled \$10,114,049 for 2013 and \$10,439,458 for 2012. The 2013 revenues were \$187,827 more than the expenses, which increased net position in 2013. The 2012 revenues were \$297,555 more than the expenses. At June 30, 2013 net position totaled \$2,990,907. The June 30, 2012 net position totaled \$2,803,080.

Fund Financial Analysis

At June 30, 2013, the Town's governmental funds reported a combined ending fund balance of \$627,004, an increase of \$108,156 from the combined fund balance at the end of the prior year. At June 30, 2012, the Town's governmental funds reported a combined ending fund balance of \$518,848, a decrease of \$245,986 from the combined fund balance at the end of the prior year. Of the 2013 fund balance, \$142,122 constitutes unassigned fund balance of the General Fund, which is available for future use at the Town's discretion. We believe that the Town should maintain an unreserved surplus in fund equity from year to year for unanticipated expenditures and to limit the Town's need for borrowing to provide working capital for normal operations. The remainder of the fund balance is classified as described in note 9, and schedules 1 and 2 on pages 25 and 26.

General Fund - At June 30, 2013, assets of the General Fund were \$716,985 and liabilities were \$390,424; at June 30, 2012, assets of the General Fund were \$794,996 and liabilities were \$495,525. General Fund revenue for 2013 was less than budgeted by \$17,056 due primarily to property taxes being less than anticipated; the total expenditures were less than budgeted by \$44,146, with favorable variances in several categories. Details of revenue and expenditures compared to the 2013 budget are shown on the Statement of Revenue and Expenditures - Budget and Actual - General Fund.

Fiduciary Funds - These financial statements separately report the trust funds, totaling \$23,731, as fiduciary funds. The Town is responsible for maintenance of these funds in accordance with the Trust requirements.

Capital Assets and Debt Administration

The Town has maintained an inventory of capital assets and reports depreciation of those assets in the government-wide financial statements. Machinery and equipment, office furniture, and computer systems have been recorded at their cost and depreciated over their estimated useful lives. The Town has used appraisal values instead of historical cost to record land and buildings as historical cost information was not readily available when the current reporting model was adopted. The Town has now done research on the acquisition date and cost of those assets and may change the recorded values for future reports. Since 2011, the Town has recorded new infrastructure improvements and will depreciate them over their estimated useful lives; the Town was not required, as a small government, to record the cost and depreciation associated with infrastructure improvements that occurred prior to its implementation of the current reporting model.

The Town presently has no long-term debt (bonds, notes, leases) and did not enter into any short-term debt during fiscal 2013.

Requests for Information

This financial report is designed to provide a general overview of the Town of Dorset's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Manager, Town of Dorset, P.O. Box 715, Dorset, Vermont 05253-0715.

TOWN OF DORSET, VERMONT
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>
ASSETS:	
Current assets -	
Cash	\$ 618,705
Property taxes receivable	160,864
Prepaid expenditures	3,888
Restricted asset - cash	<u>13,459</u>
Total current assets	<u>796,916</u>
 Noncurrent assets -	
Note receivable	220,512
Capital assets	3,152,063
less - accumulated depreciation	<u>(1,132,251)</u>
Total noncurrent assets	<u>2,240,324</u>
 Total assets	 <u>3,037,240</u>
 LIABILITIES:	
Current liabilities -	
Accounts payable	26,946
Accrued payroll liabilities	5,928
Cash held in escrow	<u>13,459</u>
Total current liabilities	<u>46,333</u>
 Total liabilities	 <u>46,333</u>
 NET POSITION:	
Net investment in capital assets	2,019,812
Restricted	300,443
Unrestricted	<u>670,652</u>
 Total net position	 \$ <u>2,990,907</u>

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

TOWN OF DORSET, VERMONT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Grants and</u>	<u>Charges for</u>	<u>Other</u>	<u>Revenue and</u>
FUNCTIONS/PROGRAMS:		<u>Contributions</u>	<u>Services</u>		<u>Changes in</u>
					<u>Net Position</u>
Governmental activities -					
General government	\$ 625,813	\$ 80,229	\$ 90,395	\$ 598	\$ (454,591)
Education appropriation	8,444,696	-	-	-	(8,444,696)
Highways and roads	461,679	145,179	-	-	(316,500)
Other	<u>394,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(394,034)</u>
 Total governmental activities	 \$ <u>9,926,222</u>	 \$ <u>225,408</u>	 \$ <u>90,395</u>	 \$ <u>598</u>	 <u>(9,609,821)</u>
 GENERAL REVENUES - PROPERTY TAXES					9,744,951
					<u>52,697</u>
					<u>9,797,648</u>
 CHANGE IN NET POSITION					187,827
 NET POSITION, July 1, 2012					<u>2,803,080</u>
 NET POSITION, June 30, 2013					\$ <u>2,990,907</u>

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

TOWN OF DORSET, VERMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013
(Page 1 of 2)

	<u>General</u> <u>Fund</u>	<u>Equipment</u> <u>Replacement</u> <u>Fund</u>	<u>Highway</u> <u>Paving</u> <u>Fund</u>	<u>Reappraisal</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u>
<u>ASSETS</u>						
Cash	\$ 618,705	\$ -	\$ -	\$ -	\$ -	\$ 618,705
Property taxes receivable	160,864	-	-	-	-	160,864
Due (to) from other governmental funds	(300,443)	41,062	47,854	132,285	79,242	-
Note receivable	220,512	-	-	-	-	220,512
Prepaid expenditures	3,888	-	-	-	-	3,888
Restricted asset - cash	<u>13,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,459</u>
 Total assets	 \$ <u>716,985</u>	 \$ <u>41,062</u>	 \$ <u>47,854</u>	 \$ <u>132,285</u>	 \$ <u>79,242</u>	 \$ <u>1,017,428</u>
 <u>LIABILITIES AND FUND EQUITY</u>						
LIABILITIES:						
Accounts payable	\$ 26,946	\$ -	\$ -	\$ -	\$ -	\$ 26,946
Accrued payroll liabilities	5,928	-	-	-	-	5,928
Deferred taxes - 60 day rule	123,579	-	-	-	-	123,579
Deferred revenue - housing loan	220,512	-	-	-	-	220,512
Cash held in escrow	<u>13,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,459</u>
Total liabilities	<u>390,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,424</u>
 FUND BALANCES:						
Nonspendable	3,888	-	-	-	-	3,888
Restricted	-	-	-	-	44,331	44,331
Committed	-	41,062	47,854	132,285	34,911	256,112
Assigned	180,551	-	-	-	-	180,551
Unassigned	<u>142,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,122</u>
Total fund balances	<u>326,561</u>	<u>41,062</u>	<u>47,854</u>	<u>132,285</u>	<u>79,242</u>	<u>627,004</u>
 Total liabilities and fund equity	 \$ <u>716,985</u>	 \$ <u>41,062</u>	 \$ <u>47,854</u>	 \$ <u>132,285</u>	 \$ <u>79,242</u>	 \$ <u>1,017,428</u>

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

TOWN OF DORSET, VERMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013
(Page 2 of 2)

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	\$	627,004
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		3,152,063
Accumulated depreciation		(1,132,251)
Deferred taxes are reported in the governmental funds to offset uncollected taxes which are not available financial resources.		
		123,579
Deferred revenue - housing loan is reported in the governmental funds to offset present value of long-term note receivable which is not an available financial resource.		
		<u>220,512</u>
Net Position of Governmental Activities - Government-wide Statement of Net Position	\$	<u>2,990,907</u>

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

TOWN OF DORSET, VERMONT
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

(Page 1 of 2)

	General Fund	Equipment Replacement Fund	Highway Paving Fund	Reappraisal Fund	Other Governmental Funds	Totals
REVENUE:						
Taxes	\$ 9,762,198	\$ -	\$ -	\$ -	\$ -	\$ 9,762,198
Licenses and permits	12,816	-	-	-	-	12,816
Intergovernmental	167,296	-	-	14,430	43,682	225,408
Charges for services	66,090	-	-	-	3,314	69,404
Interest and dividends	43,433	-	169	374	239	44,215
Fines and forfeits	8,175	-	-	-	-	8,175
Miscellaneous	419	-	-	-	179	598
	<u>10,060,427</u>	<u>-</u>	<u>169</u>	<u>14,804</u>	<u>47,414</u>	<u>10,122,814</u>
EXPENDITURES:						
Current -						
General government	613,443	-	-	-	4,128	617,571
Public safety	74,586	-	-	-	-	74,586
Highways and streets	391,935	19	-	-	-	391,954
Health and welfare	172,978	-	-	-	-	172,978
Culture and recreation	63,466	-	-	-	-	63,466
Education	8,444,696	-	-	-	-	8,444,696
Capital outlay	29,922	-	162,378	-	57,107	249,407
	<u>9,791,026</u>	<u>19</u>	<u>162,378</u>	<u>-</u>	<u>61,235</u>	<u>10,014,658</u>
EXCESS OF REVENUE OR (EXPENDITURES)	<u>269,401</u>	<u>(19)</u>	<u>(162,209)</u>	<u>14,804</u>	<u>(13,821)</u>	<u>108,156</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in (out), net	<u>(242,311)</u>	<u>95,000</u>	<u>145,000</u>	<u>-</u>	<u>2,311</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	27,090	94,981	(17,209)	14,804	(11,510)	108,156
FUND BALANCES, (DEFICIT) July 1, 2012	<u>299,471</u>	<u>(53,919)</u>	<u>65,063</u>	<u>117,481</u>	<u>90,752</u>	<u>518,848</u>
FUND BALANCES, June 30, 2013	\$ <u>326,561</u>	\$ <u>41,062</u>	\$ <u>47,854</u>	\$ <u>132,285</u>	\$ <u>79,242</u>	\$ <u>627,004</u>

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

TOWN OF DORSET, VERMONT
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

(Page 2 of 2)

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

Net change in fund balance - total Governmental Funds	\$ 108,156
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	282,507
Depreciation	(194,071)
Government-wide investment revenue includes the increase in the present value of the note receivable.	
	8,482
Property tax revenue in governmental funds includes deferred revenue of the prior year but excludes deferred revenue of the current year as taxes uncollected within 60 days are unavailable at year end.	
Prior year	(140,826)
Current year	<u>123,579</u>
Change in Net Position of Governmental Activities - Government-wide Statement of Activities	\$ <u>187,827</u>

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

TOWN OF DORSET, VERMONT
STATEMENT OF REVENUE AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

(Page 1 of 2)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE:			
Taxes, net of school and state share (\$8,444,696)	\$ 1,379,037	\$ 1,317,502	\$ (61,535)
Delinquent tax fees (8% penalty)	30,000	31,402	1,402
Lister's income	200	368	168
Town Clerk fees	30,000	34,320	4,320
Better Backroads Grant	-	6,427	6,427
VT Radio Grant	-	2,716	2,716
State aid - highways	90,000	95,070	5,070
State aid - municipal planning	800	-	(800)
Liquor licenses	850	845	(5)
Dog licenses	1,800	1,644	(156)
Interest - delinquent taxes	25,000	37,588	12,588
- other	8,500	5,845	(2,655)
Zoning income	4,500	9,967	5,467
State owned properties	20,000	24,678	4,678
Federal land entitlement	7,700	12,976	5,276
State land use tax	20,000	25,429	5,429
Traffic fines	14,000	8,175	(5,825)
Weight permits	400	360	(40)
Other	-	419	419
Total revenue	<u>1,632,787</u>	<u>1,615,731</u>	<u>(17,056)</u>
EXPENDITURES:			
Selectboard	21,602	18,114	3,488
Town Manager	118,180	119,652	(1,472)
Town Clerk	57,900	62,281	(4,381)
Meetings and elections	8,850	5,184	3,666
Town Treasurer	3,100	3,163	(63)
Assessment department	45,350	43,981	1,369
Planning and zoning	33,550	31,287	2,263
Auditors	14,800	15,248	(448)
Town office building	19,575	17,078	2,497
Public safety	75,500	71,938	3,562
Insurance and bonds	214,200	202,776	11,424
General services	172,875	160,373	12,502
Budgeted appropriations	71,150	70,550	600

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

TOWN OF DORSET, VERMONT
STATEMENT OF REVENUE AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

(Page 2 of 2)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
EXPENDITURES (CONTINUED):			
Petitioned appropriations	105,950	105,950	-
Road crew wages	176,600	169,690	6,910
Highway Paving Fund	145,000	145,000	-
Equipment Replacement Fund	95,000	95,000	-
Bicenquingenary Fund	380	311	69
Town sheds	7,425	8,522	(1,097)
Equipment maintenance	85,000	96,716	(11,716)
Highway and road maintenance	158,800	143,827	14,973
Unemployment insurance	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total expenditures	<u>1,632,787</u>	<u>1,588,641</u>	<u>44,146</u>
 EXCESS OF REVENUE OR (EXPENDITURES)	 \$ <u>-</u>	 \$ <u>27,090</u>	 \$ <u>27,090</u>

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

TOWN OF DORSET, VERMONT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Dillon</u>	East Dorset <u>Cemetery</u>	<u>Totals</u>
ASSETS:			
Certificate of deposit	\$ 20,000	\$ -	\$ 20,000
Investments - mutual funds	<u>-</u>	<u>3,731</u>	<u>3,731</u>
 Total assets	 <u>20,000</u>	 <u>3,731</u>	 <u>23,731</u>
 LIABILITIES			
	<u>-</u>	<u>-</u>	<u>-</u>
 NET POSITION:			
Restricted	<u>20,000</u>	<u>3,731</u>	<u>23,731</u>
 Total net position	 \$ <u>20,000</u>	 \$ <u>3,731</u>	 \$ <u>23,731</u>

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

TOWN OF DORSET, VERMONT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Dillon</u>	East Dorset <u>Cemetery</u>	<u>Totals</u>
ADDITIONS:			
Interest and dividends	\$ 54	\$ 106	\$ 160
Net increase (decrease) in fair value of investments	<u>-</u>	<u>358</u>	<u>358</u>
	54	464	518
DEDUCTIONS:			
Health and welfare	<u>54</u>	<u>106</u>	<u>160</u>
CHANGE IN NET POSITION	-	358	358
NET POSITION, July 1, 2012	<u>20,000</u>	<u>3,373</u>	<u>23,373</u>
NET POSITION, June 30, 2013	\$ <u>20,000</u>	\$ <u>3,731</u>	\$ <u>23,731</u>

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

TOWN OF DORSET, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. Summary of significant accounting policies:

The Town of Dorset, Vermont (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town is governed by a five-member board and Town Manager. The Town provides various services as authorized and funded by State government or Town voters.

- 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 generally accepted accounting principles (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 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. The Town has no business-type activities.

In the government-wide statement of net position, the financial position of the Town is consolidated and incorporates capital assets as well as 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 funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds are reported as separate columns in the fund financial statements.

- 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, fund balances, revenue and expenditures.

TOWN OF DORSET, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

Equipment Replacement Fund - The Equipment Replacement Fund is used to account for voter approved commitments for future equipment related capital outlay.

Highway Paving Fund - The Highway Paving Fund is used to account for voter approved commitments for future paving projects.

Reappraisal Fund - The Reappraisal Fund is used to account for funds set aside for future reappraisal costs.

Additionally, the Town reports as other governmental funds several funds which are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified services. The Town also reports fiduciary funds which are used to account for resources held for the benefit of parties other than the Town. The Town's fiduciary funds are the Dillon Fund and the East Dorset Cemetery Fund.

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 fiduciary 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 on a current financial resource 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 are recorded when the fund liability is incurred, if measurable.

Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year end. Penalties and interest related to property taxes are recorded as revenues when received.

E. Budgets and budgetary accounting - The Town follows these procedures in establishing the budgetary data for the General Fund:

1. The Town Manager and Selectboard prepare the annual operating budget for the General Fund for the Town's fiscal year. The operating budget includes proposed expenditures and the means of financing them.

**TOWN OF DORSET, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. Summary of significant accounting policies (continued):

E. Budgets and budgetary accounting (continued) -

2. After the budget is prepared, the Town distributes to its citizens a “Town Report” which contains the warning for the annual Town meeting and the proposed operating budget for the year.
3. In March of each year, an annual Town meeting is held and the Selectboard is authorized by the voters to levy taxes to pay current expenditures.
4. Budget revisions must be approved by the Selectboard. Formal budgetary integration is employed as a management control device during the year for the General Fund.
5. The General Fund budget is consistent with generally accepted accounting principles, except for the reconciling items in note 10. The budgeted amounts are as originally adopted.
6. An annual surplus of revenues over expenditures increases fund equity. This fund balance may be used to reduce the tax levy required to fund budgets of subsequent fiscal years.

F. Cash and cash equivalents - The Town considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

G. Interest income allocation - Cash owned by other governmental funds is combined with General Fund cash in a single investment account. Interest earned on the account is allocated among the funds.

H. Investments - Marketable securities in the Cemetery Trust Fund are reported at current market value.

I. Capital assets - Capital assets, which include land, buildings, machinery, equipment, and infrastructure, are reported in the government-wide financial statements. Appraisal values are used to report the value of certain land and buildings. Except as described above, assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Major outlays for capital assets are capitalized as projects are constructed. Normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the asset’s useful life. The useful lives and thresholds for capital assets are as follows:

	<u>Years</u>	<u>Thresholds</u>
Buildings and improvements	20 - 50	\$ 20,000
Infrastructure improvements	10 - 50	\$ 20,000
Machinery and equipment	5 - 20	\$ 2,000
Office furniture and equipment	5 - 10	\$ 2,000
Computer systems	3 - 5	\$ 2,000

J. Compensated absences - The Town has a policy under which unused compensated absences are paid at year-end up to a maximum of ten days. No amounts vest for future use or payment.

TOWN OF DORSET, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. Summary of significant accounting policies (continued):

- K. Property taxes - Property taxes attach as an enforceable lien on property owned as of April 1st. Elected listers establish 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 Department of Education. General Fund taxes and education taxes are levied in July with one-half payable in September and one-half payable in March.
- L. Deferred revenue - The Town has recorded, in the General Fund, deferred revenue from property taxes which have not been collected within 60 days following year end and are not considered available for current year operations. The Town has also recorded the present value of a long-term note receivable as deferred revenue in the General Fund.
- M. Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.
- N. Risk management - The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injuries to employees and others; and environmental liability. The Town manages these risks through commercial insurance packages 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 have been no claims resulting from these risks in any of the past three fiscal years.
- O. Fund equity - With the implementation of GASB Statement No. 54, governmental funds may report five categories of fund balance: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance is 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 Town 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 government's General Fund and includes all spendable amounts not contained in another classification.

The Town's policy is to apply expenditures against unassigned fund balance unless motions by the Selectboard specify otherwise.

**TOWN OF DORSET, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. Summary of significant accounting policies (continued):

P. New accounting standard - The Town has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The impact on these financial statements was to change the term "Net Assets" to "Net Position." In the future, deferred outflows of resources and deferred inflows of resources, if applicable, would be reported in the statement of net position.

2. Cash and investments:

Cash - The cash deposits of the Town at year-end include checking and sweep accounts, as well as savings accounts, money market accounts, and certificates of deposit with local banks. Recorded balances carried on Town books vary from bank balances by the amount of checks and deposits outstanding at year end.

Custodial credit risk - deposits - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk, but follows the practice of depositing cash in FDIC insured banks. As of June 30, 2013, the Town's depository accounts were fully insured or collateralized.

Investments - A Town trust fund holds the following investments, stated at market value and held by the Trust or its agent in the Trust's name, at June 30, 2013:

	<u>Cost Basis</u>	<u>Market Value</u>
Mutual funds - stock	\$ <u>2,704</u>	\$ <u>3,731</u>

3. Note receivable:

The Town holds a mortgage note for \$525,000 from the Dorset Community Housing Limited Partnership with zero percent interest and a single payment of the outstanding principal balance due on August 11, 2035. The Town received a Vermont Community Development Grant of \$525,000 to fund the loan. The Town holds a subordinate interest in assets of the limited partnership. The note is reported as a General Fund asset with offsetting deferred revenue of \$220,512, which represents the discounted present value of the note using an estimated market interest rate of 4 percent.

4. Interfund receivable and payable:

Interfund receivable and payable balances, due to the pooling of cash, at June 30, 2013 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 300,443
Equipment Replacement Fund	41,062	-
Highway Paving Fund	47,854	-
Reappraisal Fund	132,285	-
Other Governmental Funds	<u>79,242</u>	<u>-</u>
	\$ <u>300,443</u>	\$ <u>300,443</u>

TOWN OF DORSET, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

5. Interfund transfers:

Transfers from the General Fund to the Equipment Replacement Fund, Highway Paving Fund and Other Governmental Funds for \$95,000, \$145,000, and \$2,000, respectively, were in accordance with the voter approved budget. The transfer from the General Fund to the Other Governmental Fund of \$311 eliminated the prior year deficit.

6. Capital assets:

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 1, <u>2012</u>	<u>Increase</u>	<u>Decrease</u>	Balance June 30, <u>2013</u>
Capital assets, not depreciated:				
Construction in process	\$ -	\$ 2,935	\$ -	\$ 2,935
Land - appraisal	<u>251,970</u>	<u>2,000</u>	<u>-</u>	<u>253,970</u>
Total capital assets, not depreciated	<u>251,970</u>	<u>4,935</u>	<u>-</u>	<u>256,905</u>
Capital assets, depreciated:				
Buildings and improvements - appraisal	525,525	4,545	-	530,070
Office equipment and furnishings	11,654	-	-	11,654
Computer systems	19,166	-	1,410	17,756
Infrastructure	667,625	264,618	-	932,243
Machinery and equipment	<u>1,396,446</u>	<u>8,409</u>	<u>1,420</u>	<u>1,403,435</u>
Total capital assets, depreciated	<u>2,620,416</u>	<u>277,572</u>	<u>2,830</u>	<u>2,895,158</u>
Less accumulated depreciation -				
Buildings and improvements	84,683	11,159	-	95,842
Office equipment and furnishings	5,823	1,411	-	7,234
Computer systems	14,065	124	1,410	12,779
Infrastructure	84,234	81,799	-	166,033
Machinery and equipment	<u>752,205</u>	<u>99,578</u>	<u>1,420</u>	<u>850,363</u>
Total accumulated depreciation	<u>941,010</u>	<u>194,071</u>	<u>2,830</u>	<u>1,132,251</u>
Capital assets depreciated, net	<u>1,679,406</u>	<u>83,501</u>	<u>-</u>	<u>1,762,907</u>
Capital assets, net	\$ <u>1,931,376</u>	\$ <u>88,436</u>	\$ <u>-</u>	\$ <u>2,019,812</u>

Depreciation expense was charged to the following functions: general government \$8,242; highways and roads \$102,825; other \$83,004.

7. Post-employment health care:

The Town provides certain health care benefits for specific retired employees and their spouses under an agreement dated April 21, 1992. Currently there are seven individuals receiving these benefits. No other employees may become eligible for these benefits. The cost of retiree health care is recognized as premiums are paid. For the year ended June 30, 2013 those costs totaled \$54,740.

TOWN OF DORSET, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

8. Defined contribution 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), 4.5% (Group B), 9.25% (Group C) or 11.00% (Group D) of their annual covered salary, and the Town is required to contribute 4% (Group A), 5% (Group B), 6.5% (Group C) or 9.5% (Group D) 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's contributions to VMERS for the years ended June 30, 2013, 2012, and 2011 were \$16,667, \$15,348, and \$15,969, respectively, which were equal to the required contributions for each year.

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

9. Fund equity:

At June 30, 2013 fund balance in the General Fund included \$3,888 classified as nonspendable related to prepaid expenditures, \$32 classified as assigned related to Mad Tom Flower Reserve, and \$180,519 classified as assigned because it was listed as fiscal year 2012 surplus to be used in the fiscal year 2014 voter approved budget.

10. Budgetary basis of accounting:

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

	<u>Revenues</u>	<u>Expenditures</u>
GAAP basis	\$ 10,060,427	\$ 9,791,026
School/state taxes	(8,444,696)	(8,444,696)
Transfers to other funds	-	<u>242,311</u>
Budget basis	\$ <u>1,615,731</u>	\$ <u>1,588,641</u>

TOWN OF DORSET, VERMONT
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>Town</u>	<u>Highway</u>	<u>Conservation</u>	<u>Records</u>	<u>Unemployment</u>	<u>Other</u>	<u>Totals</u>
	<u>Buildings</u>	<u>Reconstruction</u>	<u>Commission</u>	<u>Preservation</u>	<u>Insurance</u>		
Due from other funds	\$ <u>23,114</u>	\$ <u>6,366</u>	\$ <u>304</u>	\$ <u>5,127</u>	\$ <u>44,331</u>	\$ -	\$ <u>79,242</u>
<u>ASSETS</u>							
<u>LIABILITIES AND FUND EQUITY</u>							
LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND EQUITY:							
Fund balances -							
Restricted	-	-	-	-	44,331	-	44,331
Committed	<u>23,114</u>	<u>6,366</u>	<u>304</u>	<u>5,127</u>	-	-	<u>34,911</u>
Total fund balances	<u>23,114</u>	<u>6,366</u>	<u>304</u>	<u>5,127</u>	<u>44,331</u>	-	<u>79,242</u>
Total liabilities and fund equity	\$ <u>23,114</u>	\$ <u>6,366</u>	\$ <u>304</u>	\$ <u>5,127</u>	\$ <u>44,331</u>	\$ -	\$ <u>79,242</u>

**TOWN OF DORSET, VERMONT
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Town Buildings</u>	<u>Highway Reconstruction</u>	<u>Conservation Commission</u>	<u>Records Preservation</u>	<u>Unemployment Insurance</u>	<u>Other</u>	<u>Totals</u>
REVENUE:							
Intergovernmental	\$ -	\$ 43,682	\$ -	\$ -	\$ -	\$ -	\$ 43,682
Interest and dividends	69	14	5	21	130	-	239
Other revenue	<u>-</u>	<u>-</u>	<u>151</u>	<u>3,314</u>	<u>-</u>	<u>28</u>	<u>3,493</u>
	69	<u>43,696</u>	<u>156</u>	<u>3,335</u>	<u>130</u>	<u>28</u>	<u>47,414</u>
EXPENDITURES:							
General government	-	1,728	-	2,400	-	-	4,128
Capital outlay	<u>-</u>	<u>49,627</u>	<u>2,935</u>	<u>4,545</u>	<u>-</u>	<u>-</u>	<u>57,107</u>
	<u>-</u>	<u>51,355</u>	<u>2,935</u>	<u>6,945</u>	<u>-</u>	<u>-</u>	<u>61,235</u>
NET REVENUE OR (EXPENDITURES)	69	(7,659)	(2,779)	(3,610)	130	28	(13,821)
OTHER FINANCING SOURCES OR (USES):							
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>311</u>	<u>2,311</u>
NET CHANGE IN FUND BALANCES	69	(7,659)	(2,779)	(3,610)	2,130	339	(11,510)
FUND BALANCES (DEFICIT), July 1, 2012	<u>23,045</u>	<u>14,025</u>	<u>3,083</u>	<u>8,737</u>	<u>42,201</u>	<u>(339)</u>	<u>90,752</u>
FUND BALANCES, June 30, 2013	<u>\$ 23,114</u>	<u>\$ 6,366</u>	<u>\$ 304</u>	<u>\$ 5,127</u>	<u>\$ 44,331</u>	<u>\$ -</u>	<u>\$ 79,242</u>

**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 Dorset, 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 Dorset, Vermont (the Town) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 5, 2013 in which our opinion was qualified for valuation of capital assets.

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.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 13-1, that we consider to be a significant deficiency.

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 response to the 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 the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

Montpelier, Vermont
December 5, 2013

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

TOWN OF DORSET, VERMONT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013

13-1 Town Clerk Accounts

Condition - The Town Clerk collects money for several types of fees and licenses on behalf of the Town and the State; the money is deposited in a checking account which the Town Clerk has established as a personal account that is not recorded on the Town's books. The Town Clerk maintains records of the various types of revenue collected and deposited in the account. The Town Clerk pays amounts from this account for (1) fees and licenses collected for the State, (2) certain expenditures for the Town Clerk's office, and (3) an additional weekly amount which is then returned to the Town Clerk as taxable compensation through the payroll system.

Town activity in this account is summarized by the Town Clerk and reported to the Town Manager's office for recording in the Town's general ledger. As a result, the individual receipts and payments in this account are not subject to the Town's standard system of internal control. Those controls require segregation of responsibility for cash accounts (the treasury function) from the recording and reporting of receipts and payments (the accounting function) and also require authorization of all Town expenditures by the Selectboard.

Recommendations - We recommend that a Town checking account be established for the Town Clerk's office and all receipts be summarized and paid from that account to the Town's general account or to the State on a regular basis. We recommend that all expenditures for the Town Clerk's office be paid or reimbursed through the Town's warranted accounts payable and payroll systems. We recommend that additional controls be established to review all activity in this account and to record all activity in the Town's general ledger.

Management's response - At present the Dorset Town Clerk is compensated by a stipend in addition to Clerk Fees. Historically in Dorset the Clerk has maintained a separate checking account run by that office. During the fiscal year 2015 budget process the Selectboard will discuss moving to a salary in lieu of fees option for the Town Clerk. This would allow fees to be directly processed through the Town's general ledger. In the event that a separate checking account is still needed for the Town Clerk, the Town will open a separate checking account controlled by the Town. In addition the Selectboard will direct the Town Manager's office to implement a new set of internal controls for the Town Clerk checking account.