

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

TOWN OF DORSET, VERMONT

JUNE 30, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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.K, 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 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 respective financial position of the governmental activities of the Town of Dorset, Vermont as of June 30, 2014, and the respective 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 the General Fund, Equipment Replacement Fund, Highway Paving Fund, Reappraisal Fund and the aggregate remaining fund information of the Town of Dorset, Vermont as of June 30, 2014, 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 September 18, 2014, 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.

Montpelier, Vermont
September 18, 2014

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

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

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 the Town'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 the Town's assets and liabilities, with the difference between the two reported as *net position*. Net position includes capital assets, net of depreciation, and is 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 the Town 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 the Town include general governmental administrative expenses, community services and highway expenses which are principally supported by taxes and intergovernmental revenue. The Town 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 the Town 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 Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds 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 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 26 and 27.

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 statements because the resources of those funds are not available to support the Town'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, 2014 and 2013

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Current assets	\$ 634,288	\$ 796,916
Noncurrent assets	<u>2,614,040</u>	<u>2,240,324</u>
Total assets	<u>3,248,328</u>	<u>3,037,240</u>
Current liabilities	<u>56,695</u>	<u>46,333</u>
Net position:		
Net investment in capital assets	2,384,708	2,019,812
Restricted	233,581	300,443
Unrestricted	<u>573,344</u>	<u>670,652</u>
Total net position	<u>\$ 3,191,633</u>	<u>\$ 2,990,907</u>

The Statement of Net Position shows total assets of the Town as of June 30, 2014 are \$3,248,328; total assets as of June 30, 2013 were \$3,037,240. Of these totals, \$634,288 and \$796,916 represent current assets. The noncurrent assets of \$2,614,040 and \$2,240,324 at June 30, 2014 and June 30, 2013, respectively, are notes receivable and the net capital assets including land, buildings and equipment.

Capital Assets as of June 30, 2014 and 2013

(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Construction in process	\$ -	\$ 2,935
Land	253,970	253,970
Buildings and improvements	423,069	434,228
Office equipment and furnishings	3,149	4,420
Computer systems	4,099	4,977
Infrastructure	1,070,521	766,210
Machinery and equipment	<u>629,900</u>	<u>553,072</u>
Net capital assets	<u>\$ 2,384,708</u>	<u>\$ 2,019,812</u>

The liabilities of the Town as of June 30, 2014 are \$56,695; liabilities as of June 30, 2013 were \$46,333. The liabilities are all current liabilities, including accounts payable and cash held in escrow.

Change in Net Position for Fiscal Years Ended in 2014 and 2013

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues		
Grants and contributions	\$ 180,871	\$ 225,408
Charges for services	85,141	90,395
Other	2,013	598
General Revenue		
Property taxes	10,081,157	9,744,951
Investment income	57,889	52,697
Total Revenues	<u>10,407,071</u>	<u>10,114,049</u>
Expenses		
Governmental Activities		
General government	592,555	625,813
Education - State and Local	8,678,917	8,444,696
Highway and roads	624,788	461,679
Other programs	310,085	394,034
Total Expenses	<u>10,206,345</u>	<u>9,926,222</u>
Change in net position	200,726	187,827
Net position - Beginning	<u>2,990,907</u>	<u>2,803,080</u>
Net position - Ending	<u>\$ 3,191,633</u>	<u>\$ 2,990,907</u>

The Statement of Activities reports that the 2014 educational expenses for the Town were 87.8% (\$8,678,917) of the total operating expenses of \$10,206,345 for the year; the 2013 educational expenses were 85.1% (\$8,444,696) of the total operating expenses of \$9,926,222 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 \$10,407,071 for 2014 and \$10,114,049 for 2013. The 2014 revenues were \$200,706 more than the expenses, which increased net position in 2014. The 2013 revenues were \$187,827 more than the expenses. At June 30, 2014 net position totaled \$3,191,633. The June 30, 2013 net position totaled \$2,990,907.

Fund Financial Analysis

At June 30, 2014, the Town's governmental funds reported a combined ending fund balance of \$464,141, a decrease of \$162,863 from the combined fund balance at the end of the prior year. 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. Of the 2014 fund balance, \$139,125 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 notes 7 and 8 and schedules 1 and 2 on pages 26 and 27.

General Fund - At June 30, 2014, assets of the General Fund were \$711,959, liabilities were \$56,695 and deferred inflows of resources were \$342,784; at June 30, 2013, assets of the General Fund were \$716,985 and liabilities, which includes items currently reported as deferred inflows of resources, were \$390,424. General Fund revenues for 2014 were less than budgeted by \$113,141; the total expenditures were less than budgeted by \$99,060, with favorable variances in several categories. Details of revenues and expenditures compared to the 2014 budget are shown on the Statement of Revenues and Expenditures - Budget and Actual - General Fund.

Fiduciary Funds - These financial statements separately report the trust funds, totaling \$21,665, 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. While the acquisition dates and historical costs for some assets have been researched management has chosen to continue to report these assets at their appraisal values. Since 2010, 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 2014.

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, 2014

	<u>Governmental Activities</u>
ASSETS:	
Current assets -	
Cash	\$ 441,934
Property taxes receivable	148,880
Prepaid expenditures	30,004
Restricted asset - cash	<u>13,470</u>
Total current assets	<u>634,288</u>
Noncurrent assets -	
Note receivable	229,332
Capital assets	3,661,616
less - accumulated depreciation	<u>(1,276,908)</u>
Total noncurrent assets	<u>2,614,040</u>
Total assets	<u>3,248,328</u>
LIABILITIES:	
Current liabilities -	
Accounts payable	37,589
Accrued payroll liabilities	5,636
Cash held in escrow	<u>13,470</u>
Total liabilities	<u>56,695</u>
NET POSITION:	
Net investment in capital assets	2,384,708
Restricted	233,581
Unrestricted	<u>573,344</u>
Total net position	<u>\$ 3,191,633</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, 2014**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Grants and Contributions</u>	<u>Charges for Services</u>	<u>Other</u>	
FUNCTIONS/PROGRAMS:					
Governmental activities -					
General government	\$ 592,555	\$ 80,700	\$ 85,141	\$ 2,013	\$ (424,701)
Education appropriation	8,678,917	-	-	-	(8,678,917)
Highways and roads	624,788	100,171	-	-	(524,617)
Other	<u>310,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(310,085)</u>
 Total governmental activities	 \$ <u>10,206,345</u>	 \$ <u>180,871</u>	 \$ <u>85,141</u>	 \$ <u>2,013</u>	 <u>(9,938,320)</u>
		GENERAL REVENUES - PROPERTY TAXES			10,081,157
		- INVESTMENT INCOME			<u>57,889</u>
					<u>10,139,046</u>
 CHANGE IN NET POSITION					 200,726
 NET POSITION, July 1, 2013					 <u>2,990,907</u>
 NET POSITION, June 30, 2014					 \$ <u>3,191,633</u>

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

TOWN OF DORSET, VERMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014
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	<u>General Fund</u>	<u>Equipment Replacement Fund</u>	<u>Highway Paving Fund</u>	<u>Reappraisal Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
ASSETS						
Cash	\$ 441,934	\$ -	\$ -	\$ -	\$ -	441,934
Property taxes receivable	148,880	-	-	-	-	148,880
Due (to) from other governmental funds	(151,661)	6,921	(81,691)	147,122	79,309	-
Note receivable	229,332	-	-	-	-	229,332
Prepaid expenditures	30,004	-	-	-	-	30,004
Restricted asset - cash	<u>13,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,470</u>
Total assets	\$ <u>711,959</u>	\$ <u>6,921</u>	\$ <u>(81,691)</u>	\$ <u>147,122</u>	\$ <u>79,309</u>	<u>863,620</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY						
LIABILITIES:						
Accounts payable	\$ 37,589	\$ -	\$ -	\$ -	\$ -	37,589
Accrued payroll liabilities	5,636	-	-	-	-	5,636
Cash held in escrow	<u>13,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,470</u>
Total liabilities	<u>56,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,695</u>
DEFERRED INFLOWS OF RESOURCES:						
Deferred property taxes	113,452	-	-	-	-	113,452
Deferred revenue - housing loan	<u>229,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,332</u>
Total deferred inflows of resources	<u>342,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>342,784</u>
FUND BALANCES:						
Nonspendable	30,004	-	-	-	-	30,004
Restricted	229	-	-	-	46,444	46,673
Committed	-	6,921	-	147,122	32,865	186,908
Assigned	143,122	-	-	-	-	143,122
Unassigned	<u>139,125</u>	<u>-</u>	<u>(81,691)</u>	<u>-</u>	<u>-</u>	<u>57,434</u>
Total fund balances	<u>312,480</u>	<u>6,921</u>	<u>(81,691)</u>	<u>147,122</u>	<u>79,309</u>	<u>464,141</u>
Total liabilities, deferred inflows of resources and fund equity	\$ <u>711,959</u>	\$ <u>6,921</u>	\$ <u>(81,691)</u>	\$ <u>147,122</u>	\$ <u>79,309</u>	<u>863,620</u>

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

TOWN OF DORSET, VERMONT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014
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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	\$	464,141
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		3,661,616
Accumulated depreciation		(1,276,908)
Deferred taxes are reported in the governmental funds to offset uncollected taxes which are not available financial resources.		
		113,452
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>229,332</u>
Net Position of Governmental Activities - Government-wide Statement of Net Position	\$	<u><u>3,191,633</u></u>

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

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

(Page 1 of 2)

	General <u>Fund</u>	Equipment Replacement <u>Fund</u>	Highway Paving <u>Fund</u>	Reappraisal <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Totals</u>
REVENUES:						
Taxes	\$ 10,091,284	\$ -	\$ -	\$ -	\$ -	\$ 10,091,284
Licenses and permits	11,587	-	-	-	-	11,587
Intergovernmental	166,383	-	-	14,488	-	180,871
Charges for services	64,584	-	-	-	2,369	66,953
Interest and dividends	48,407	60	56	349	197	49,069
Fines and forfeits	6,601	-	-	-	-	6,601
Miscellaneous	1,413	-	-	-	600	2,013
Total revenues	<u>10,390,259</u>	<u>60</u>	<u>56</u>	<u>14,837</u>	<u>3,166</u>	<u>10,408,378</u>
EXPENDITURES:						
Current -						
General government	591,322	-	-	-	5,099	596,421
Public safety	77,354	-	-	-	-	77,354
Highways and streets	409,794	141	-	-	-	409,935
Health and welfare	191,747	-	-	-	-	191,747
Culture and recreation	39,779	-	-	-	-	39,779
Education	8,678,917	-	-	-	-	8,678,917
Capital outlay	3,427	149,060	424,601	-	-	577,088
Total expenditures	<u>9,992,340</u>	<u>149,201</u>	<u>424,601</u>	<u>-</u>	<u>5,099</u>	<u>10,571,241</u>
EXCESS OF REVENUES OR (EXPENDITURES)	397,919	(149,141)	(424,545)	14,837	(1,933)	(162,863)
OTHER FINANCING SOURCES (USES):						
Operating transfers in (out), net	<u>(412,000)</u>	<u>115,000</u>	<u>295,000</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(14,081)	(34,141)	(129,545)	14,837	67	(162,863)
FUND BALANCES, July 1, 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>
FUND BALANCES, June 30, 2014	\$ <u>312,480</u>	\$ <u>6,921</u>	\$ <u>(81,691)</u>	\$ <u>147,122</u>	\$ <u>79,309</u>	\$ <u>464,141</u>

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

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

(Page 2 of 2)

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

Net change in fund balance - total Governmental Funds	\$ (162,863)
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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	614,308
Depreciation	(249,412)

Government-wide investment revenue includes the increase in the present value of the note receivable.	8,820
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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	(123,579)
Current year	<u>113,452</u>

Change in Net Position of Governmental Activities - Government-wide Statement of Activities	\$ <u>200,726</u>
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The notes to financial statements are an integral part of this statement.

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

(Page 1 of 2)

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES:			
Taxes, net of school and state share (\$8,678,917)	\$ 1,379,574	\$ 1,412,368	\$ 32,794
Delinquent tax fees (8% penalty)	30,000	35,428	5,428
Lister's income	200	258	58
Town Clerk fees	34,840	28,504	(6,336)
Vital records	-	395	395
Build out study grant	-	5,260	5,260
State aid - highways	90,000	94,911	4,911
State aid - municipal planning	800	-	(800)
Liquor licenses	850	1,085	235
Dog licenses	1,800	2,330	530
Interest - delinquent taxes	30,000	43,837	13,837
- other	3,500	4,570	1,070
Zoning income	6,500	7,792	1,292
State owned properties	22,500	24,741	2,241
Federal land entitlement	11,500	14,301	2,801
State land use tax	21,500	27,170	5,670
Traffic fines	10,000	6,600	(3,400)
Weight permits	400	380	(20)
Other	-	1,412	1,412
FY12 surplus	<u>180,519</u>	<u>-</u>	<u>(180,519)</u>
Total revenues	<u>1,824,483</u>	<u>1,711,342</u>	<u>(113,141)</u>
EXPENDITURES:			
Selectboard	21,297	14,964	6,333
Town Manager	110,700	114,710	(4,010)
Town Clerk	73,040	72,950	90
Meetings and elections	4,400	1,928	2,472
Town Treasurer	3,200	3,126	74
Assessment department	47,500	39,056	8,444
Planning and zoning	35,171	33,473	1,698
Auditors	15,200	15,600	(400)
Town office building	22,875	20,606	2,269
Public safety	76,500	72,238	4,262
Insurance and bonds	215,800	177,784	38,016
General services	169,625	154,148	15,477

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

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

(Page 2 of 2)

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
EXPENDITURES (CONTINUED):			
Budgeted appropriations	27,350	26,650	700
Petitioned appropriations	156,700	156,700	-
Road crew wages	183,600	188,083	(4,483)
Highway Paving Fund	295,000	295,000	-
Equipment Replacement Fund	115,000	115,000	-
Town sheds	7,225	4,791	2,434
Equipment maintenance	85,000	101,651	(16,651)
Highway and road maintenance	157,300	114,965	42,335
Unemployment insurance	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total expenditures	<u>1,824,483</u>	<u>1,725,423</u>	<u>99,060</u>
EXCESS OF REVENUES OR (EXPENDITURES)/			
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>(14,081)</u>	\$ <u>(14,081)</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, 2014**

	<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>1,665</u>	<u>1,665</u>
Total assets	<u>20,000</u>	<u>1,665</u>	<u>21,665</u>
LIABILITIES			
	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION:			
Restricted	<u>20,000</u>	<u>1,665</u>	<u>21,665</u>
Total net position	\$ <u>20,000</u>	\$ <u>1,665</u>	\$ <u>21,665</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, 2014**

	<u>Dillon</u>	East Dorset <u>Cemetery</u>	<u>Totals</u>
ADDITIONS:			
Interest and dividends	\$ 60	\$ 22	\$ 82
Net increase (decrease) in fair value of investments	<u>-</u>	<u>388</u>	<u>388</u>
	60	410	470
DEDUCTIONS:			
Health and welfare	<u>60</u>	<u>2,476</u>	<u>2,536</u>
CHANGE IN NET POSITION	-	(2,066)	(2,066)
NET POSITION, July 1, 2013	<u>20,000</u>	<u>3,731</u>	<u>23,731</u>
NET POSITION, June 30, 2014	\$ <u>20,000</u>	\$ <u>1,665</u>	\$ <u>21,665</u>

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

TOWN OF DORSET, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

TOWN OF DORSET, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. Summary of significant accounting policies (continued):

C. Basis of presentation (continued) -

The Town reports the following major governmental funds:

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

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 assets held in a trustee capacity (trust funds) or as an agent (agency funds) for the benefit of parties outside of 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 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. Penalties and interest related to property taxes, licenses and permits, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received because they are generally not measurable prior to collection. Investment earnings and certain intergovernmental grants are recorded as earned.

TOWN OF DORSET, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. Summary of significant accounting policies (continued):

- 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.
 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 U.S. GAAP, except for the reconciling items in note 9. 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. 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 Agency of Education. Property taxes for the fiscal year ended June 30, 2014 were payable in two installments due September 10, 2013 and March 11, 2014.
- G. Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.
- H. Risk management - The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and others; environmental liability; and natural disasters. The Town manages these risks through 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 were no settlements in excess of the insurance coverage in any of the past three fiscal years.

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

1. Summary of significant accounting policies (continued):

- I. Cash, cash equivalents and investments - The Town considers all cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash equivalents. Investments and unrealized gains and losses are reflected in the individual fund and government-wide financial statements. Investments of the Town are reported at fair market value.

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.

- J. Prepaid items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

- K. Capital assets - Capital assets, which include land, buildings, equipment, vehicles 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. The Town does not retroactively report infrastructure assets. The Town began capitalizing newly acquired or constructed general infrastructure assets as of June 30, 2010. 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. 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

- L. 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.

- M. Fund equity - In the fund financial statements, governmental funds may report five categories of fund balances: nonspendable, restricted, committed, assigned and unassigned.

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

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

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

TOWN OF DORSET, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. Summary of significant accounting policies (continued):

M. Fund equity (continued) -

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

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

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

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

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

2. Deposits and investments:

Custodial credit risk - deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk; however, the Town addresses this risk by depositing cash in FDIC insured banks. As of June 30, 2014, the Town's depository accounts were fully insured or collateralized.

Custodial credit risk - investments - Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The Town does not have a policy for custodial credit risk. The classification and fair value of investments as of June 30, 2014 are as follows:

	<u>Market Value</u>
Mutual funds - stock	\$ <u>1,665</u>

TOWN OF DORSET, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 \$229,332, which represents the discounted present value of the note using an estimated market interest rate of 4 percent.

4. Capital assets:

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

	Balance July 1, <u>2013</u>	Increase	Decrease	Balance June 30, <u>2014</u>
Capital assets, not depreciated:				
Construction in process	\$ 2,935	\$ 3,427	\$ 6,362	\$ -
Land - appraisal	<u>253,970</u>	<u>-</u>	<u>-</u>	<u>253,970</u>
Total capital assets, not depreciated	<u>256,905</u>	<u>3,427</u>	<u>6,362</u>	<u>253,970</u>
Capital assets, depreciated:				
Buildings and improvements - appraisal	530,070	-	-	530,070
Office equipment and furnishings	11,654	-	-	11,654
Computer systems	17,756	2,220	861	19,115
Infrastructure	932,243	430,963	-	1,363,206
Machinery and equipment	<u>1,403,435</u>	<u>194,060</u>	<u>113,894</u>	<u>1,483,601</u>
Total capital assets, depreciated	<u>2,895,158</u>	<u>627,243</u>	<u>114,755</u>	<u>3,407,646</u>
Less accumulated depreciation -				
Buildings and improvements	95,842	11,159	-	107,001
Office equipment and furnishings	7,234	1,271	-	8,505
Computer systems	12,779	3,098	861	15,016
Infrastructure	166,033	126,652	-	292,685
Machinery and equipment	<u>850,363</u>	<u>107,232</u>	<u>103,894</u>	<u>853,701</u>
Total accumulated depreciation	<u>1,132,251</u>	<u>249,412</u>	<u>104,755</u>	<u>1,276,908</u>
Total capital assets, depreciated, net	<u>1,762,907</u>	<u>377,831</u>	<u>10,000</u>	<u>2,130,738</u>
Total capital assets, net	\$ <u>2,019,812</u>	\$ <u>381,258</u>	\$ <u>10,000</u>	\$ <u>2,384,708</u>

Depreciation expense of \$249,412 in the governmental activities was allocated to expenses of the general government (\$12,497), highways and roads (\$235,711), and other (\$1,205) programs based on the capital assets assigned to those functions.

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

5. Interfund receivable and payable:

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

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 151,661
Equipment Replacement Fund	6,921	-
Highway Paving Fund	-	81,691
Reappraisal Fund	147,122	-
Other Governmental Funds	<u>79,309</u>	<u>-</u>
	<u>\$ 233,352</u>	<u>\$ 233,352</u>

6. Interfund transfers:

Transfers made from the General Fund to the Equipment Replacement Fund, Highway Paving Fund and Other Governmental Funds of \$115,000, \$295,000, and \$2,000, respectively, were in accordance with the voter approved budget.

7. Fund balances:

As of June 30, 2014, the General Fund reported a nonspendable fund balance (\$30,004) for prepaid expenditures, restricted fund balances (\$28) for Mad Tom Flower Reserve and (\$201) for Wilson House, and assigned fund balances (\$1,000) for tax mapping and (\$142,122) voter approved 2013 surplus to be used in the 2015 fiscal year.

8. Deficit fund balance:

As of June 30, 2014, the Highway Paving Fund has a deficit fund balance of \$81,691. Management intends to recover this deficit through a line item transfer of \$155,000 from the FY15 budget.

9. Budgetary basis of accounting:

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

	<u>Revenues</u>	<u>Expenditures</u>
U.S. GAAP basis	\$ 10,390,259	\$ 9,992,340
School/state taxes	(8,678,917)	(8,678,917)
Transfers to other funds	<u>-</u>	<u>412,000</u>
Budget basis	<u>\$ 1,711,342</u>	<u>\$ 1,725,423</u>

TOWN OF DORSET, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

10. Pension plan:

Vermont Municipal Employees' Retirement System -

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

Funding policy: Defined Benefit Plan members are required to contribute 2.5% (Group A), 4.625% (Group B), 9.50% (Group C) or 11.125% (Group D) of their annual covered salary, and the Town is required to contribute 4% (Group A), 5.125% (Group B), 6.75% (Group C) or 9.625% (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, 2014, 2013, and 2012 were \$17,284, \$16,667, and \$15,348, respectively, which were equal to the required contributions for each year.

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

11. 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, 2014 those costs totaled \$43,648.

TOWN OF DORSET, VERMONT
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
JUNE 30, 2014

	Town <u>Buildings</u>	Highway <u>Reconstruction</u>	Conservation <u>Commission</u>	Records <u>Preservation</u>	Unemployment <u>Insurance</u>	<u>Totals</u>
ASSETS						
Due from other funds	\$ <u>23,172</u>	\$ <u>6,382</u>	\$ <u>205</u>	\$ <u>3,106</u>	\$ <u>46,444</u>	\$ <u>79,309</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND EQUITY:						
Fund balances -						
Restricted	-	-	-	-	46,444	46,444
Committed	<u>23,172</u>	<u>6,382</u>	<u>205</u>	<u>3,106</u>	-	<u>32,865</u>
Total fund balances	<u>23,172</u>	<u>6,382</u>	<u>205</u>	<u>3,106</u>	<u>46,444</u>	<u>79,309</u>
Total liabilities and fund equity	\$ <u>23,172</u>	\$ <u>6,382</u>	\$ <u>205</u>	\$ <u>3,106</u>	\$ <u>46,444</u>	\$ <u>79,309</u>

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

	Town Buildings	Highway Reconstruction	Conservation Commission	Records Preservation	Unemployment Insurance	Totals
REVENUES:						
Interest and dividends	\$ 58	\$ 16	\$ -	\$ 10	\$ 113	\$ 197
Other revenue	<u>-</u>	<u>-</u>	<u>600</u>	<u>2,369</u>	<u>-</u>	<u>2,969</u>
Total revenues	<u>58</u>	<u>16</u>	<u>600</u>	<u>2,379</u>	<u>113</u>	<u>3,166</u>
EXPENDITURES:						
General government	<u>-</u>	<u>-</u>	<u>699</u>	<u>4,400</u>	<u>-</u>	<u>5,099</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>699</u>	<u>4,400</u>	<u>-</u>	<u>5,099</u>
EXCESS OF REVENUES OR (EXPENDITURES)	58	16	(99)	(2,021)	113	(1,933)
OTHER FINANCING SOURCES OR (USES):						
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>
NET CHANGE IN FUND BALANCES	58	16	(99)	(2,021)	2,113	67
FUND BALANCES, July 1, 2013	<u>23,114</u>	<u>6,366</u>	<u>304</u>	<u>5,127</u>	<u>44,331</u>	<u>79,242</u>
FUND BALANCES, June 30, 2014	<u>\$ 23,172</u>	<u>\$ 6,382</u>	<u>\$ 205</u>	<u>\$ 3,106</u>	<u>\$ 46,444</u>	<u>\$ 79,309</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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated September 18, 2014 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. 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'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 report is not suitable for any other purpose.

*Mudgett, Gerritt &
Krogh-Winner, P.C.*

Montpelier, Vermont
September 18, 2014