

TOWN OF EAST MONTPELIER, VERMONT

AUDIT REPORT

JUNE 30, 2014

TOWN OF EAST MONTPELIER, VERMONT
AUDIT REPORT
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Independent Auditors' Report

Selectboard
Town of East Montpelier, Vermont
P.O. Box 157
East Montpelier, VT 05651

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 East Montpelier, Vermont, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of East Montpelier, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of East Montpelier, Vermont, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Correction of Errors

As described in Note III.C. to the financial statements, certain errors resulting in an understatement of capital assets and accounts payable, an overstatement of the amount due to the State of Vermont and the omission of accrued interest payable and compensated absences payable were corrected by management during the current year. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and Schedule 1 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

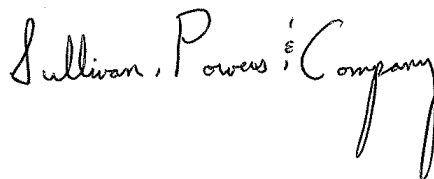
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of East Montpelier, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated December 9, 2014 on our consideration of the Town of East Montpelier, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of East Montpelier, Vermont's internal control over financial reporting and compliance.

December 9, 2014
Montpelier, Vermont
VT Lic. #92-000180

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

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

Our discussion and analysis of the Town of East Montpelier, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Town's financial statements that begin on Exhibit A. This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives.

Financial Highlights

Government-Wide Financial Statements:

- The Town's Net Position increased as a result of this year's operations by \$ 256,319, compared to \$390,263 in fiscal year 2013.
- The cost of all of the Town's operations for the fiscal year ended June 30, 2014 was \$1,771,547 compared to \$1,804,539 in fiscal year 2013, a 1.9% decrease.

Fund Financial Statements:

- The Town's total General Fund decreased by \$80,699, which was \$76,292 less than budget.
- The Capital Reserve Fund fund balance decreased by \$27,105 to \$192,240.
- The Community Development Fund fund balance decreased by \$12,063 to \$9,011.
- The various other governmental fund balances increased by \$27,746, from \$293,728 to \$321,474.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits A and B) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start with Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

Our analysis of the Town as a whole is reflected on Exhibit A & B. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets (net of depreciation) and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(Continued)

These two statements report the Town's Net Position and changes in them. You can think of the Town's Net Position – the difference between assets and liabilities – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's Net Position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

All of the Town's basic services are governmental activities, including the general administration. Property taxes, state and federal grants finance most of these activities.

Reporting the Town's Most Significant Funds

Our analysis of the financial statements of the Town's major governmental funds is reflected on Exhibits C and D. Some funds are required to be established by State law and by bond covenants. However, the Town's Selectboard establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. Major funds in the Town fund statements are the General Fund, which contains most of the Town's operations, the Capital Reserve Fund, which contains the activity for general Town capital expenses, and the Community Development Fund, which deals with the activity of the community development program. All other funds are considered non-major funds. There is one category for all funds, as follows:

Governmental fund

The Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities and governmental funds in Exhibits C and E.

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(Continued)

The Town as a Whole (Government-Wide Financial Analysis)

Our analysis below focuses on the Net Position (Table 1) and changes in Net Position (Table 2) of the Town's governmental activities:

Table 1 - Net Position

	<u>6/30/2014</u>	<u>6/30/2013</u> (As Restated)	<u>Net Change</u>
Current and other assets	\$ 1,500,111	\$ 1,658,302	\$ (158,191)
Capital assets	3,974,994	3,816,548	158,446
Total assets	<u>5,475,105</u>	<u>5,474,850</u>	<u>255</u>
Current liabilities and other liabilities	104,156	320,846	(216,690)
Note payable due within one year	167,184	180,507	(13,323)
Note payable due after one year	1,896,180	1,922,231	(26,051)
Total liabilities	<u>2,167,520</u>	<u>2,423,584</u>	<u>(256,064)</u>
Net Position:			
Invested in capital assets, net of related debt	2,084,122	1,713,810	370,312
Restricted	312,599	445,581	(132,982)
Unrestricted	910,864	891,875	18,989
Total net position	<u>\$ 3,307,585</u>	<u>\$ 3,051,266</u>	<u>\$ 256,319</u>

Table 2- Change in Net Position

Property taxes	\$ 1,630,568	\$ 1,567,400	\$ 63,168
Interest on Delinquent Taxes	21,816	17,422	4,394
General State Grants	89,973	79,797	10,176
Earnings on investments	3,627	10,977	(7,350)
Other general revenue	1,093	28,011	(26,918)
Program revenue:			
Charges for services	70,257	95,156	(24,899)
Operating grants and contributions	147,644	208,183	(60,539)
Capital Grants & Contributions	62,888	175,000	(112,112)
Total revenues	<u>2,027,866</u>	<u>2,181,946</u>	<u>(154,080)</u>
PROGRAM EXPENSES			
General government	520,599	548,721	(28,122)
Public safety	266,617	241,648	24,969
Highways and roads	816,815	827,946	(11,131)
Culture and recreation	52,923	77,250	(24,327)
Community Development	20,000	8,586	11,414
Cemetery	13,174	11,508	1,666
Interest on long-term debt	81,419	88,880	(7,461)
Total program expenses	<u>1,771,547</u>	<u>1,804,539</u>	<u>(32,992)</u>
Extraordinary Item - net	0	12,856	(12,856)
Increase (decrease) in net position	<u>\$ 256,319</u>	<u>\$ 390,263</u>	<u>\$ (133,944)</u>

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(Continued)

Unrestricted Net Position is the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. This also includes funds with tax revenues that have been assigned for a certain type of expenses. The unrestricted Net Position changed from a \$891,875 balance at June 30, 2013, to a \$910,864 balance at June 30, 2014 for the governmental activities.

The Town's combined Net Position increased by \$256,319 as a result of the current year operations.

Table 3 presents the cost of each of the Town's programs as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Table 3
Governmental Activities

	6/30/2014		6/30/2013 (As Restated)	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 520,599	\$ 463,119	\$ 548,721	\$ 338,002
Public safety	266,617	222,397	241,648	241,648
Highway and roads	816,815	681,953	827,946	520,838
Culture and recreation	52,923	45,876	77,250	69,574
Community development	20,000	11,222	8,586	1,742
Cemetery	13,174	9,724	11,508	11,323
Interest on long-term debt	81,419	56,467	88,880	63,276
Total	<u>\$ 1,771,547</u>	<u>\$ 1,490,758</u>	<u>\$ 1,804,539</u>	<u>\$ 1,246,403</u>

The Town's Funds (*Fund Financial Statement Analysis*)

As the Town completed the fiscal year June 30, 2014, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$979,179, which is approximately 9% lower than fiscal year ended June 30, 2013 total fund balance of \$1,071,300.

General Fund Budgetary Highlights

Monthly financial reports reviewed by the Selectboard served as the vehicle for monitoring the actual results compared to budget for the year. Over the course of the year, the Town's management did not adjust the budget.

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(Continued)

Schedule 1 compares actual to budget which shows the favorable and unfavorable variances that arose during the fiscal year in the General Fund. Revenues exceeded the budget by \$22,655 and expenditures were \$53,637 under the budget. The expenditures were greater than revenues by \$73,708 which is \$76,292 better than budget, as the Town had planned on spending \$150,000 more than its revenues.

The larger variances are as follows:

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues and other sources:			
Property taxes	\$ 1,636,984	\$ 1,610,615	\$ (26,369)
Current use hold harmless	70,000	86,233	16,233
Expenditures:			
Highway & roads - operations - Paving	280,000	344,812	(64,812)
Highway & roads - operations - Sand	50,000	25,890	24,110
Highway & roads - labor	207,500	194,705	12,795

The reasons for these variances are as follows:

Property Taxes: The amount of delinquent property taxes and interest thereon increased significantly from last year, thus the revenues are unavailable.

Current use hold harmless taxes: This revenue is unknown from year to year due to the basis of the calculation. The Town budgets this line item conservatively.

Highway and roads – operations & labor: (1) Even though the paving line budget shows a \$64,812 overrun, in actuality the FY14 paving costs were slightly below expectations as the Selectboard had assigned \$78,790 in unspent FY2013 paving funds for use in FY14; (2) Sand costs, which are relatively stable from one calendar year to the next, continue to be a challenge for fiscal year budgeting as some years the sand is delivered early (prior to June 30th) and some years it arrives late, which is the case for the 2014-15 winter sand with most of the sand being delivered in September 2014, leading to a misleading budget savings for FY14; (3) Highway labor overtime remained average-to-below-average for FY14, which resulted in lower than budgeted highway labor costs.

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014
(Continued)

Capital Assets and Debt Administration

Capital Assets

At June 30, 2014, the Town had \$3,974,994 investment in capital assets, net of depreciation, including buildings, equipment, vehicles and infrastructure (See table below). This represents a net increase of \$158,446 since June 30, 2013.

Capital Assets at Year-End (Net of depreciation)		
	Governmental Activities	
	6/30/2014	6/30/2013
		As restated
Land	\$ 116,353	\$ 116,353
Construction in progress	82,975	0
Buildings	2,370,389	2,370,389
Equipment and vehicles	956,116	1,055,318
Infrastructure	1,695,868	1,351,056
Accum depreciation	(1,246,707)	(1,076,568)
Totals	\$ 3,974,994	\$ 3,816,548

The Town spent \$428,699 on capital asset additions during the fiscal year. The major purchases during the year were: \$344,812 was spent on County Road paving; \$23,485 was spent on a pick-up for highway; and \$54,713 was spent for a new cab and chassis highway vehicle.

Debt - At June 30, 2014, the Town had \$1,922,231 in notes outstanding versus \$2,102,738 on June 30, 2013 – a decrease of \$180,507. As of 6/30/2014, the Town owed \$1,785,000 on the Emergency Services Facility bond and \$137,231 for two pieces of highway equipment.

Economic Factors and Next Year's Budget and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2015 budget for Town operations. The Selectboard brought forth a budget designed to ensure no increase in the town portion of the property tax rate. The significant variations in the FY15 budget are: 1) a \$7,000 decrease in the Listers Payroll line to bring it in line with recent usage; 2) an \$11,000 increase in the Public Records Management budget line to fund a continued effort to digitize the Town's land records; and, 3) a \$12,500 (50%) decrease in the EM Village Grant Projects line coupled with a new 2014 VTrans Structures Grant 10% Match line funded at \$19,500 to meet the anticipated cost match requirements for Town grants from the VT Agency of Transportation. Similar to 2014, the Town elected to budget a \$150,000 deficit in the General Fund in order to use up prior years' surpluses.

Contacting the Town's Financial Management

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at Town of East Montpelier, Vermont.

TOWN OF EAST MONTPELIER, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 676,678
Investments	315,238
Receivables	184,346
Loan Receivable	288,764
Prepaid Expenses	35,085
Capital Assets:	
Land	116,353
Construction in Progress	82,975
Other Capital Assets, (Net of Accumulated Depreciation)	<u>3,775,666</u>
Total Assets	<u>5,475,105</u>
<u>LIABILITIES</u>	
Accounts Payable	39,131
Accrued Payroll and Benefits Payable	23,827
Due to Fiduciary Fund	19,512
Due to Delinquent Tax Collector	12,854
Accrued Interest Payable	8,832
Noncurrent Liabilities:	
Due within One Year	167,184
Due in More than One Year	<u>1,896,180</u>
Total Liabilities	<u>2,167,520</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	2,084,122
Restricted For:	
Culture and Recreation:	
Non-Expendable	50,000
Expendable	580
Community Development	175,276
Cemetery:	
Non-Expendable	85,200
Other	1,543
Unrestricted	<u>910,864</u>
Total Net Position	<u>\$ 3,307,585</u>

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

TOWN OF EAST MONTPELIER, VERMONT
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs:					
Primary Government:					
Governmental Activities:					
General Government	\$ 520,599	\$ 42,148	\$ 15,332	\$ 0	\$ (463,119)
Public Safety	266,617	9,220	0	35,000	(222,397)
Highways and Roads	816,815	0	131,926	2,936	(681,953)
Culture and Recreation	52,923	6,661	386	0	(45,876)
Community Development	20,000	8,778	0	0	(11,222)
Cemetery	13,174	3,450	0	0	(9,724)
Interest on Long-term Debt	81,419	0	0	24,952	(56,467)
Total Primary Government	\$ 1,771,547	\$ 70,257	\$ 147,644	\$ 62,888	(1,490,758)
General Revenues:					
Property Taxes					1,630,568
Interest on Delinquent Taxes					21,816
General State Grants					89,973
Unrestricted Investment Earnings					3,627
Other Revenues					1,093
Total General Revenues					1,747,077
Change in Net Position					256,319
Net Position - July 1, 2013, As Restated					3,051,266
Net Position - June 30, 2014					\$ 3,307,585

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

TOWN OF EAST MONTPELIER, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Capital Reserve Fund	Community Development Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 675,998	\$ 0	\$ 0	\$ 680	\$ 676,678
Investments	0	136,332	0	178,906	315,238
Receivables	180,313	0	0	4,033	184,346
Loan Receivable	0	0	288,764	0	288,764
Due from Other Funds	0	55,908	16,947	140,748	213,603
Prepaid Expenses	35,085	0	0	0	35,085
Total Assets	\$ 891,396	\$ 192,240	\$ 305,711	\$ 324,367	\$ 1,713,714
<u>LIABILITIES</u>					
Accounts Payable	\$ 31,195	\$ 0	\$ 7,936	\$ 0	\$ 39,131
Accrued Payroll and Benefits Payable	23,827	0	0	0	23,827
Due to Other Funds	231,066	0	0	2,049	233,115
Due to Delinquent Tax Collector	12,854	0	0	0	12,854
Total Liabilities	298,942	0	7,936	2,049	308,927
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Property Taxes and Interest	136,000	0	0	0	136,000
Unavailable Loan Receivable	0	0	288,764	0	288,764
Unavailable Grants	0	0	0	844	844
Total Deferred Inflows of Resources	136,000	0	288,764	844	425,608
<u>FUND BALANCES</u>					
Nonspendable	35,085	0	0	135,200	170,285
Restricted	0	0	9,011	33,482	42,493
Committed	0	0	0	47,451	47,451
Assigned	156,599	192,240	0	106,185	455,024
Unassigned/(Deficit)	264,770	0	0	(844)	263,926
Total Fund Balances	456,454	192,240	9,011	321,474	979,179
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 891,396	\$ 192,240	\$ 305,711	\$ 324,367	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:					
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.					3,974,994
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.					425,608
Long-Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds.					<u>(2,072,196)</u>
Net Position of Governmental Activities					\$ 3,307,585

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

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

	General Fund	Capital Reserve Fund	Community Development Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 1,619,935	\$ 0	\$ 0	\$ 0	\$ 1,619,935
Interest on Delinquent Taxes	21,816	0	0	0	21,816
Intergovernmental	282,246	0	0	17,029	299,275
Charges for Services	4,561	0	0	3,450	8,011
Permits, Licenses and Fees	42,148	0	0	0	42,148
Fines and Forfeits	9,220	0	0	0	9,220
Loan Repayments	0	0	7,052	0	7,052
Loan Interest Income	0	0	8,778	0	8,778
Investment Income	679	1,093	43	1,812	3,627
Donations	2,486	0	0	0	2,486
Other	1,093	0	0	0	1,093
Total Revenues	1,984,184	1,093	15,873	22,291	2,023,441
Expenditures:					
General Government	502,791	0	0	9,503	512,294
Public Safety	223,653	0	0	3,291	226,944
Highways and Streets	590,071	0	0	520	590,591
Culture and Recreation	52,923	0	0	0	52,923
Community Development	0	0	27,936	0	27,936
Cemetery	0	0	0	13,174	13,174
Capital Outlay:					
General Government	2,427	0	0	0	2,427
Highways and Streets	344,812	78,198	0	3,262	426,272
Debt Service:					
Principal	180,507	0	0	0	180,507
Interest	82,494	0	0	0	82,494
Total Expenditures	1,979,678	78,198	27,936	29,750	2,115,562
Excess/(Deficiency) of Revenues Over Expenditures	4,506	(77,105)	(12,063)	(7,459)	(92,121)
Other Financing Sources/(Uses):					
Transfers In	0	50,000	0	35,205	85,205
Transfers Out	(85,205)	0	0	0	(85,205)
Total Other Financing Sources/(Uses)	(85,205)	50,000	0	35,205	0
Net Change in Fund Balances	(80,699)	(27,105)	(12,063)	27,746	(92,121)
Fund Balances - July 1, 2013, As Restated/Reclassified	537,153	219,345	21,074	293,728	1,071,300
Fund Balances - June 30, 2014	\$ 456,454	\$ 192,240	\$ 9,011	\$ 321,474	\$ 979,179

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

TOWN OF EAST MONTPELIER, VERMONT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	\$	(92,121)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$428,699) is allocated over their estimated useful lives and reported as depreciation expense (\$267,165). This is the amount by which capital outlays exceeded depreciation in the current period.		161,534
The net effect of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to reduce net position.		(3,088)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		4,425
The issuance of long-term debt (\$0) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$180,507) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		180,507
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>5,062</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>256,319</u></u>

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

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

The Town of East Montpelier, Vermont, (herein the "Town") operates under a Selectboard form of government and provides the following services: public safety, highways and streets, culture and recreation, community/economic development, health and social services, public improvements, planning and zoning and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Town of East Montpelier, Vermont (the "Town") conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

This report includes all of the funds of the Town of East Montpelier, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there are no entities that should be combined with the financial statements of the Town.

B. Basis of Presentation

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole and present a longer-term view of the Town's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town and present a shorter-term view of how operations were financed and what remains available for future spending.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental funds:

General Fund – This is the Town's main operating fund. It accounts for all financial resources of the Town except those accounted for in another fund.

Capital Reserve Fund – This fund accounts for the general capital expenditures of the Town.

Community Development Fund – This fund accounts for the activity of the community development program.

Additionally, the Town reports the following fund type:

Agency Fund – This fund accounts for resources held by the Town in a purely custodial capacity for other governments, private organizations or individuals.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide financial statements are reported using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., total net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when they are earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under capital leases and sales of capital assets are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

E. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows and inflows of resources and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Future Changes in Accounting Standards

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, “Financial Reporting for Pension Plans” – an amendment of GASB Statement No. 27, effective for fiscal years beginning after June 15, 2014. This new accounting and reporting standard may impact the Town’s measurement and recognition of pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures in the government-wide financial statements. The requirements of this statement may require restating of beginning net position. The Town is currently not planning to early implement this Statement and has made no estimation of the effect this Statement will have in the financial statements.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

1. Cash

Cash balances of most Town funds are deposited with and invested by the Town Treasurer. The Town considers all short-term investments of ninety (90) days or less to be cash equivalents.

Excess cash of individual funds are shown as due from other funds and excess cash withdrawals are shown as due to other funds. Interest income is allocated based on the due from/to other fund balances.

2. Investments

The Town invests in investments as allowed by State statutes. Investments with readily determinable fair values are reported at fair value. Unrealized gains and losses are included in revenue.

3. Receivables

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

4. Due from/to Other Funds

Activity between funds that are representative of lending/borrowing arrangement that are outstanding at the end of the fiscal year are referred to as “advances from/to other funds.” All other outstanding balances between funds are reported as “due from/to other funds.”

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

5. Inventories and Prepaid Expenses

Inventory quantities are determined by physical count and are valued at the lower of cost or market.

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

Reported inventories and prepaid expenses of governmental funds in the fund financial statements are offset by a nonspendable fund balance as they are not in spendable form.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources” represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources” represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three types of items which arise under the modified accrual basis of accounting and no types which arise under the accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, “unavailable revenue”, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources; unavailable property taxes and interest, an unavailable loan receivable and unavailable grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets’ lives are not capitalized. Infrastructure assets are reported starting with the fiscal year ended June 30, 2004. The Town has elected to not report major general infrastructure assets retroactively.

Capital assets reported in the government-wide financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

TOWN OF EAST MONTPELIER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Estimated Service Life
Land	\$ 1,000	Not Depreciated
Buildings and Building Improvements	\$ 5,000	40-50 Years
Vehicles, Machinery and Equipment	\$ 2,500	4-20 Years
Infrastructure	\$ 10,000	10-50 Years

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are incurred.

8. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused leave time. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements. The liability for unused compensated absences is not reported in the governmental fund financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

9. Long-term Liabilities

Long-term liabilities include bonds payable, capital leases, Community Development loan repayments due to the State of Vermont and other obligations such as compensated absences. Long-term liabilities are reported in the government-wide financial statements. Governmental fund financial statements do not include any long-term liabilities as those statements use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

10. Fund Equity

Fund equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in the government-wide financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances of governmental fund financial statements are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS**

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, whereas government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as other financing sources, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report proceeds of long-term debt as other financing sources and principal payments as an expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The General Fund budget is approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget amendments during the year. The budget presented herein is for the Town’s “General Fund” only and do not include the Fire Department Painting Fund and Recreation Committee Fund activity that is included with the General Fund.

B. Budgeted Deficit

The Town budgeted a current year’s deficiency of revenues over expenditures in the General Fund in the amount of \$150,000 in order to utilize a portion of the previous year’s surplus. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 1.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

C. Restatement of Net Position/Fund Balances and Reclassification of Fund Balances

The net position of the Governmental Activities was restated as follows:

	Governmental Activities
Net Position - June 30, 2013, As Originally Reported	\$ 3,012,929
Correction of Misstatements:	
Understatement of Capital Assets	53,384
Understatement of Accounts Payable	(7,928)
Overstatement of Amount Due to State of Vermont	17,473
Omission of Accrued Interest Payable	(9,907)
Omission of Compensated Absences Payable	(14,685)
Net Position - June 30, 2013, As Restated	\$ 3,051,266

The corrections of the Governmental Activities was the result of an understatement of capital assets, an overstatement of the amount due to the State of Vermont and the omission of accrued interest payable and compensated absences payable. The effect of these corrections on the Governmental Activities Statement of Net Position is to increase assets by \$53,384, liabilities by \$15,047 and net position by \$38,337. The effect on the 2013 Statement of Activities is not known.

The fund balances in the following funds were restated/reclassified as follows:

	General Fund	Community Development Fund	Recreation Committee Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances - June 30, 2013, As Originally Reported	\$ 528,568	\$ 29,002	\$ 8,585	\$ 513,073	\$ 1,079,228
Correction of Misstatements:					
Understatement of Accounts Payable	0	(7,928)	0	0	(7,928)
Reclassification:					
Consolidation of Recreation Committee Fund with General Fund	8,585	0	(8,585)	0	0
Fund Balances - June 30, 2013, As Restated/Reclassified	\$ 537,153	\$ 21,074	\$ 0	\$ 513,073	\$ 1,071,300

The correction was the result of an understatement of accounts payable. The effect of this correction on the Community Development Fund Balance Sheet is to increase liabilities by \$7,928 and decrease fund balance by \$7,928. The effect on the 2013 Statement of Revenues, Expenditures and Changes in Fund Balances is not known.

The reclassification of fund balances was the result of the Recreation Committee Fund not qualifying as a Special Revenue Fund under Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and, therefore, is reported in the General Fund.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2014 consisted of the following:

Cash:

Deposits with Financial Institutions	\$676,553
Cash on Hand	<u>125</u>
Total Cash	676,678

Investments:

Certificates of Deposit	<u>315,238</u>
Total Cash and Investments	<u>\$991,916</u>

The Town has seven (7) certificates of deposit at various banks ranging from \$13,100 to \$136,332 with interest rates ranging from 0.30% to 0.48%. All certificates of deposit will mature by fiscal year 2016.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit the exposure to custodial credit risk. The following table shows the custodial credit risk of the Town's deposits and certificates of deposit.

	Book <u>Balance</u>	Bank <u>Balance</u>
FDIC Insured	\$ 305,780	\$ 308,490
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	<u>686,011</u>	<u>754,873</u>
Total	<u>\$ 991,791</u>	<u>\$ 1,063,363</u>

The difference between the book balance and bank balance is due to reconciling items such as deposits in transit and outstanding checks.

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$676,553
Investments – Certificates of Deposit	<u>315,238</u>
Total	<u>\$991,791</u>

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. The Town's certificates of deposit are not subject to interest rate risk disclosure.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town does not have any policy to limit the exposure to credit risk. The Town's certificates of deposit are not subject to credit risk disclosure.

Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town has no investments subject to concentration of credit risk disclosure.

B. Receivables

Receivables as of June 30, 2014, as reported in the statement of net position, are as follows:

	<u>Governmental Activities</u>
Delinquent Taxes Receivable	\$ 160,675
Interest Receivable	6,784
Penalties Receivable	12,854
Grants Receivable	<u>4,033</u>
Total	\$ <u><u>184,346</u></u>

C. Loan Receivable

The Town obtained a \$318,900 federal grant through the Vermont Community Development Program and has loaned these funds to The Housing Foundation, Inc. for a septic system upgrade at Sandy Pines Mobile Home Park. The loan has an interest rate of 3% and requires monthly installments of \$1,319 until October 1, 2027 with a balloon payment of \$172,756 due on October 1, 2027 for the remaining balance. The balance of this loan receivable as of June 30, 2014 was \$288,764. Total principal payments received on this loan during the year were \$7,052.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

D. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 116,353	\$ 0	\$ 0	\$ 116,353
Construction in Progress	<u>0</u>	<u>82,975</u>	<u>0</u>	<u>82,975</u>
Total Capital Assets, Not Being Depreciated	<u>116,353</u>	<u>82,975</u>	<u>0</u>	<u>199,328</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	2,370,389	0	0	2,370,389
Vehicles, Machinery and Equipment	1,055,318	28,412	127,614	956,116
Infrastructure	<u>1,351,056</u>	<u>344,812</u>	<u>0</u>	<u>1,695,868</u>
Totals	<u>4,776,763</u>	<u>373,224</u>	<u>127,614</u>	<u>5,022,373</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	257,210	47,482	0	304,692
Vehicles, Machinery and Equipment	443,839	63,372	97,026	410,185
Infrastructure	<u>375,519</u>	<u>156,311</u>	<u>0</u>	<u>531,830</u>
Totals	<u>1,076,568</u>	<u>267,165</u>	<u>97,026</u>	<u>1,246,707</u>
Total Capital Assets, Being Depreciated	<u>3,700,195</u>	<u>106,059</u>	<u>30,588</u>	<u>3,775,666</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,816,548</u>	<u>\$ 189,034</u>	<u>\$ 30,588</u>	<u>\$ 3,974,994</u>

Depreciation was charged as follows:

Governmental Activities:	
General Government	\$ 2,951
Public Safety	39,673
Highways and Streets	<u>224,541</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 267,165</u>

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2014 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 231,066
Capital Reserve Fund	55,908	0
Community Development Fund	16,947	0
Non-Major Governmental Funds	140,748	2,049
Agency Fund - East Montpelier Senior Living Initiative Fund	<u>19,512</u>	<u>0</u>
Total	<u>\$ 233,115</u>	<u>\$ 233,115</u>

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Interfund transfers during the year ended June 30, 2014 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Recreation Committee Fund	\$ 3,000	* Appropriation
General Fund	Capital Reserve Fund	50,000	Appropriation
General Fund	VLCT Safety Grant Fund	1,205	Fund Local Match
General Fund	Rally Day Fund	500	Appropriation
General Fund	Cemetery Fund	8,500	Appropriation
General Fund	Village Sidewalk Grant Fund	25,000	Appropriation
Fire Department Painting Fund	General Fund	<u>2,411</u>	* Close Fund
Total		<u>\$ 90,616</u>	

* The transfers from the General Fund to the Recreation Committee Fund and from the Fire Department Painting Fund to the General Fund were netted within the General Fund as these funds are consolidated within the General Fund in order to comply with GASB Statement No. 54.

F. Deferred Inflows of Resources

Deferred inflows of resources in the General Fund consists of \$136,000 of delinquent property taxes and interest on those taxes that was not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Community Development Fund consists of \$288,764 of a loan receivable that was not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$844 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

G. Long-term Liabilities

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 20 year bonds.

The Town enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even through they may include clauses that allow for cancellation of the lease in the event the Town does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date of the leases.

It is the policy of the Town to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the Government-Wide Financial Statements.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Long-term liabilities outstanding as of June 30, 2014 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, East Montpelier Fire Department Building, Principal Payments of \$105,000 Payable on December 1 Annually, Interest Ranging from 1.54% to 5.05% Payable on June 1 and December 1, Due December, 2030	\$1,890,000	\$ 0	\$105,000	\$1,785,000
Capital Lease Payable, Kansas State Bank of Manhattan, 2008 Volvo Wheel Loader, Principal and Interest Payments of \$24,145 Payable on June 1 Annually, Interest at 5.69%, Due and Paid June, 2014	22,844	0	22,844	0
Capital Lease Payable, Kansas State Bank, of Manhattan, 2008 Volvo Wheel Excavator, Principal and Interest Payments of \$27,953 Payable on August 15 Annually, Interest at 3.39%, Due August, 2016	102,947	0	24,465	78,482
Capital Lease Payable, Kansas State Bank Of Manhattan, 2013 Mack Truck, Principal And Interest Payments of \$30,594 Payable On April 10 Annually, Interest at 2.76%, Due April, 2016	<u>86,947</u>	<u>0</u>	<u>28,198</u>	<u>58,749</u>
Total	<u>\$2,102,738</u>	<u>\$ 0</u>	<u>\$180,507</u>	<u>\$1,922,231</u>

Changes in long-term liabilities during the year were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 1,890,000	\$ 0	\$ 105,000	\$ 1,785,000	\$ 105,000
Capital Leases Payable	212,738	0	75,507	137,231	54,269
Compensated Absences Payable	14,685	3,949	0	18,634	0
Due to State of Vermont	<u>130,435</u>	<u>0</u>	<u>7,936</u>	<u>122,499</u>	<u>7,915</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 2,247,858</u>	<u>\$ 3,949</u>	<u>\$ 188,443</u>	<u>\$ 2,063,364</u>	<u>\$ 167,184</u>

As part of the Town's community development loan program that was originally funded by the State of Vermont, the Town is required to repay the State based on loan repayments. The agreement requires the Town to repay one-half of the annual principal and interest repayments received to the State of Vermont up to a cumulative total of \$159,450, which is half of the \$318,900 original loan as described in Note IV. C. The current balance is \$122,499.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Compensated absences are paid by the applicable fund where the employee is charged.

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Capital Leases
2015	\$ 105,000	\$ 72,518	\$ 58,547
2016	105,000	69,794	58,547
2017	105,000	66,644	27,953
2018	105,000	63,116	0
2019	105,000	59,346	0
2020-2024	525,000	233,851	0
2025-2029	525,000	115,941	0
2030-2031	210,000	10,568	0
Total	1,785,000	691,778	145,047
Less: Imputed Interest	0	0	(7,816)
Total	\$ 1,785,000	\$ 691,778	\$ 137,231

H. Fund Balances

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Town does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Town does not have any minimum fund balance policies.

TOWN OF EAST MONTPELIER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

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

Major Funds

General Fund:

Nonspendable Prepaid Expenses	\$ <u>35,085</u>
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Non-Major Funds

Special Revenue Funds:

Nonspendable Cemetery Fund Principal	85,200
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Permanent Fund:

Nonspendable C. Smith Recreation Fund Principal	<u>50,000</u>
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Total Non-Major Funds	<u>135,200</u>
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Total Nonspendable Fund Balances	<u>\$170,285</u>
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The fund balances in the following funds are restricted as follows:

Major Funds

Community Development Fund:

Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	\$ <u>9,011</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Veteran's Memorial Expenses by Donations (Source of Revenue is Donations)	1,398
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Restricted for Rally Day Fund by Donations (Source of Revenue is Donations)	<u>145</u>
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Total Special Revenue Funds	<u>1,543</u>
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Capital Projects Funds:

Restricted for Emergency Services Facility Expenditures By Bond Proceeds (Source of Revenue is Bond Proceeds)	<u>31,359</u>
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TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Permanent Fund:

Restricted for C. Smith Fund by Trust Agreement	
– Expendable Portion (Source of Revenue is Donations)	\$ <u>580</u>
Total Non-Major Funds	<u>33,482</u>
Total Restricted Fund Balances	<u>\$42,493</u>

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

Non-Major Funds

Special Revenue Funds:

Committed for Town Forest Expenses by the Voters	\$27,028
Committed for Land Conservation Expenses by the Voters	<u>20,423</u>
Total Committed Fund Balances	<u>\$47,451</u>

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

Major Funds

General Fund:

Assigned to Reduce Property Taxes in Fiscal Year 2015	\$150,000
Assigned for Recreation Committee Expenses	<u>6,599</u>
Total General Fund	<u>156,599</u>

Capital Reserve Fund:

Assigned for Capital Expenditures	<u>192,240</u>
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Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses	57,778
Assigned for Rally Day Expenses	500
Assigned for Cemetery Expenses	<u>22,583</u>
Total Special Revenue Funds	<u>80,861</u>

Capital Projects Funds:

Assigned for Bridge & Culvert Expenditures	650
Assigned for Village Sidewalk Expenditures	<u>24,674</u>
Total Capital Projects Funds	<u>25,324</u>

Total Non-Major Funds 106,185

Total Assigned Fund Balances \$455,024

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

The unassigned deficit of \$844 in the Municipal Planning Grant Fund will be funded with the collection of grant receivables.

I. Restricted Net Position

The restricted net position of the Town as of June 30, 2014 consisted of the following:

Governmental Activities:

Restricted for Community Development by Grant Agreements	\$175,276
Restricted for Veteran's Memorial Expenses by Donations	1,398
Restricted for Rally Day Expenses by Donations	145
Restricted for Cemetery by Trust Agreement	85,200
Restricted for C. Smith Recreation Fund by Trust Agreement – Non-Expendable Portion	50,000
Restricted for C. Smith Recreation Fund by Trust Agreement – Expendable Portion	<u>580</u>

Total Governmental Activities \$312,599

V. OTHER INFORMATION

A. BENEFIT PLANS

All eligible employees of the Town are covered under the State of Vermont Municipal Employees' Retirement Plan. Employees in Group B contribute 4.625% of their gross salary and the Town contributes 5.125%. Employees in Group DC, a defined contribution plan, contribute 5% of their gross salary while the Town contributes 5.125%. As of June 30, 2014, the Town no longer has any employees participating in Group DC.

The Town pays all costs accrued each year for the plans. The premise of Plan B is to provide a retirement plan covering municipal employees at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont municipal employees. Activity in this plan is done in the aggregate, not by municipality. The net position available for benefits as well as the present value of vested and nonvested plan benefits by municipality are not available. The premise of Plan DC is to allow employees to have a choice in investing their retirement assets. Each employee will receive the value of their account upon retirement.

Total payroll for the year was \$419,240 while covered payroll was \$321,464. Pension expense for the years ended June 30, 2014, 2013 and 2012 were \$16,475, \$13,314 and \$12,461, respectively.

Additional information regarding the State of Vermont Municipal Employees' Retirement System is available upon request from the State of Vermont.

TOWN OF EAST MONTPELIER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2014

B. 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 natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

The Town is also a member of the Vermont League of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

C. PROPERTY TAXES

The Town is responsible for assessing and collecting its own property taxes, as well as education taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes were levied in August and are due November 15 and May 15 of each year. The penalty is eight percent (8%). Interest is charged at one percent (1%) per month. The tax rates for 2014 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.5611	.5611
Local Agreement	.0055	.0055
Education	<u>1.6608</u>	<u>1.4661</u>
Total	<u>2.2274</u>	<u>2.0327</u>

D. SHORT-TERM DEBT

Annually, the Town borrows monies in anticipation of taxes. The activity during 2014 was as follows:

Short-term Debt – July 1, 2013	\$ 0
Proceeds of Tax Anticipation Note	150,000
Repayment of Tax Anticipation Note	<u>(150,000)</u>
Short-term Debt – June 30, 2014	\$ <u>0</u>

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

E. COMMITMENTS AND CONTINGENCIES

One June 30, 2010, the Town signed a Financing and Land Use Agreement with the Town of Calais, Vermont related to the land and building constructed for the East Montpelier Volunteer Fire Department, Inc. The property is owned by the Town of East Montpelier and the bond payable, with a current balance of \$1,785,000, is a liability of the Town of East Montpelier. The Town of Calais, which also receives its public safety coverage from the East Montpelier Volunteer Fire Department, Inc., has agreed to reimburse the Town of East Montpelier one-third of the annual bond principal and interest payments for twenty (20) years. After full payment of the bond, if either town wishes to terminate this agreement, an appraisal will be done of the property and the buy-out amount between the two parties will be two-thirds of the fair market value to the Town of East Montpelier and one-third of the fair market value to the Town of Calais. On June 24, 2013, the Town signed a Cost Allocation Agreement with the Town of Calais in which all future improvements to the property will be split two-thirds by the Town of East Montpelier and one-third by the Town of Calais and must have consent from both Towns.

Future bond principal and interest reimbursements from the Town of Calais are as follows:

2015	\$ 59,173
2016	58,265
2017	57,215
2018	56,039
2019	54,782
2020-2024	252,950
2025-2029	213,647
2030-2031	<u>73,523</u>
Total	<u>\$825,594</u>

The Town is a participating member in the Central Vermont Solid Waste Management District. The Town, as a member, could be required to share in any special assessments.

F. SUBSEQUENT EVENTS

The Town obtained a tax anticipation note with the People's United Bank on July 24, 2014 for \$700,000. Interest is at 1.15% and is due January 5, 2015.

TOWN OF EAST MONTPELIER, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 1,636,984	\$ 1,610,615	\$ (26,369)
Interest on Delinquent Taxes	7,000	12,427	5,427
Penalties on Delinquent Taxes	10,000	15,136	5,136
Interest on Late Taxes	2,000	9,188	7,188
Education Retention Fees	8,000	9,320	1,320
Current Use Hold Harmless	70,000	86,233	16,233
PILOT - Land	1,000	1,269	269
PILOT - Buildings	2,500	2,471	(29)
Dog Licenses	2,600	2,582	(18)
Excess Weight Fees	400	400	0
Liquor Licenses	150	140	(10)
Recording Fees	20,000	19,640	(360)
School Share Town Expenses	9,000	9,000	0
Vault Fees	4,000	4,107	107
Zoning Fees	5,000	6,279	1,279
Listers' Education Grant	0	395	395
Loan Reimbursement - Town of Calais	59,952	59,952	0
Green Up Day	225	386	161
State Aid to Highways	125,000	131,926	6,926
Civil Fines	8,000	9,220	1,220
Interest	300	676	376
Transfer from Fire Department Painting Fund	0	2,411	2,411
Miscellaneous	100	1,093	993
	<u>1,972,211</u>	<u>1,994,866</u>	<u>22,655</u>
Total Revenues			
Expenditures:			
Town Officers' Payroll:			
Town Clerk	41,000	41,000	0
Town Treasurer	27,500	27,500	0
Municipal Employees	96,000	94,541	1,459
Assistant Town Clerk	2,500	0	2,500
Health Officer	1,000	1,015	(15)
Selectboard	5,500	5,500	0
PC Stipend	4,750	4,750	0
Internal Auditor's	6,650	5,771	879
Listers Payroll	25,000	16,185	8,815
Animal Control Officers Stipend	1,500	1,500	0
Constable Stipend	1,500	1,500	0
Delinquent Tax Collector	10,000	14,935	(4,935)
	<u>222,900</u>	<u>214,197</u>	<u>8,703</u>
Total Town Officers' Payroll			

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TOWN OF EAST MONTPELIER, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Employee Benefits/Insurances:			
Social Security/Medicare	\$ 32,500	\$ 31,052	\$ 1,448
Municipal Retirement	19,000	17,902	1,098
Unemployment	4,372	4,886	(514)
Health Insurance	60,000	50,822	9,178
Long-Term Disability	1,600	1,515	85
Town Liability Insurance	5,500	5,466	34
Workers' Compensation	15,000	13,912	1,088
	<u>137,972</u>	<u>125,555</u>	<u>12,417</u>
Total Employee Benefits/Insurances			
Law Enforcement:			
Community Advisory Board	50	50	0
Vermont State Police	28,000	27,469	531
	<u>28,050</u>	<u>27,519</u>	<u>531</u>
Total Law Enforcement			
Professional Fees:			
Contracted Payroll Services	5,300	5,150	150
External Audit	14,000	13,750	250
Legal Fees	8,000	6,331	1,669
	<u>27,300</u>	<u>25,231</u>	<u>2,069</u>
Total Professional Fees			
Municipal Building:			
Custodial	2,700	2,580	120
Electricity	2,000	1,492	508
General Expenses	1,500	857	643
Heating Fuel	3,000	2,004	996
Repairs/Maintenance	5,000	1,530	3,470
Telephone	3,100	2,158	942
Water	900	935	(35)
	<u>18,200</u>	<u>11,556</u>	<u>6,644</u>
Total Municipal Building			
Municipal Operations:			
Advertising	1,500	713	787
Copier Lease	2,700	2,464	236
Education/Seminars	1,000	595	405
Equipment Purchases	2,000	724	1,276
Gifts/Special Occasions	200	185	15
Mileage/Travel Expense	2,000	1,062	938
Grounds Maintenance	8,000	10,055	(2,055)
Off Premise Record Storage	1,100	1,080	20
Office Supplies	6,000	3,710	2,290
Postage	3,900	3,141	759
Printing	800	698	102
Town Report Printing and Mailing	5,200	5,056	144

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TOWN OF EAST MONTPELIER, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Municipal Operations/(Cont'd):			
Property and Casualty Insurance	\$ 20,000	\$ 20,314	\$ (314)
Public Records Management	4,000	5,959	(1,959)
Street Lights	4,500	4,510	(10)
Subscriptions/Memberships	100	0	100
Miscellaneous	0	300	(300)
Total Municipal Operations	63,000	60,566	2,434
Loans and Interest:			0
Public Safety Building - Principal	105,000	105,000	0
Public Safety Building - Interest	74,855	74,855	0
2008 Volvo Loader	24,145	24,145	0
2008 Volvo Excavator	27,953	27,953	0
2013 Mack Truck	30,954	30,594	360
Tax Anticipation Note - Interest	1,000	454	546
Total Loans and Interest	263,907	263,001	906
Computers:			
Equipment/Hardware Purchases	3,000	2,512	488
General Services/Maintenance	8,000	7,065	935
Software	2,500	2,290	210
Total Computers	13,500	11,867	1,633
Town Clerk and Elections:			
Advertising	500	0	500
Ballot Clerks/Elections Workers	500	618	(118)
Dog Licensing - Tags and Licenses	200	175	25
Dues/Subscriptions/Memberships	100	10	90
Education/Seminars	200	60	140
Election Equipment	1,000	1,205	(205)
Mileage/Travel Expense	500	45	455
Printing Special Forms	300	0	300
Record Restoration/Preservation	3,200	0	3,200
Supplies/Miscellaneous	1,000	31	969
Vault Expenses/Town Records	2,500	545	1,955
Total Town Clerk and Elections	10,000	2,689	7,311
Planning and Zoning:			
Advertising and Media	1,100	1,107	(7)
Education/Seminars	400	120	280
Town Plan (Copying)	500	0	500
Maps and Supplies	200	215	(15)
Mileage	100	0	100
Total Planning and Zoning	2,300	1,442	858

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TOWN OF EAST MONTPELIER, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Auditors' Education/Seminars:	\$ 250	\$ 0	\$ 250
Listers:			
Dues/Subscriptions/Memberships	60	56	4
Education/Seminars	500	375	125
M&S CAMA Software	250	239	11
Advertising and Media	350	0	350
Mileage/Miscellaneous	500	304	196
Tax Map Maintenance	1,800	1,800	0
Total Listers	3,460	2,774	686
Dues and Fees:			
CV Economic Development	900	900	0
CV Regional Planning Commission	2,705	2,705	0
CV Solid Waste Management District	2,576	2,580	(4)
VT Association of Conservation Districts	100	200	(100)
VT League of Cities and Towns	3,403	3,403	0
Washington County Court Expense	22,252	22,252	0
Wrightsville Beach District	1,329	1,329	0
Total Dues and Fees	33,265	33,369	(104)
Transfers:			
Fire Department	98,096	98,096	0
Ambulance Service	95,542	95,542	0
Rally Day Committee	500	500	0
Recreation Board	3,000	3,000	0
Total Transfers	197,138	197,138	0
Grants and Special Projects:			
Invasive Species Control	1,000	963	37
Signpost Grant	0	3,000	(3,000)
EM Village Grant Project Transfer	25,000	25,000	0
Total Grants and Special Projects	26,000	28,963	(2,963)
Highway Operations:			
Chloride	30,000	21,199	8,801
Crack Sealant	14,000	11,250	2,750
Culverts	7,200	9,607	(2,407)
Diesel	62,000	58,889	3,111
Education/Seminars - Highway Personnel	600	60	540
Equipment Rentals	7,000	6,599	401
General Supplies	14,000	13,369	631
Gravel	101,000	109,373	(8,373)
Green Up Expenses	500	402	98

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TOWN OF EAST MONTPELIER, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway Operations/(Cont'd):			
Guardrails	\$ 7,000	\$ 0	\$ 7,000
Hazardous Materials Disposal	750	581	169
Pavement Management	4,000	663	(59)
Pavement Markings	5,000	5,059	3,337
Paving	280,000	344,812	(64,812)
Reciprocal Road Maintenance	1,300	1,313	(13)
Road Fabric	5,000	5,194	(194)
Roadside Mowing	6,500	5,775	725
Salt	57,000	47,062	9,938
Sand	50,000	25,890	24,110
Signs	7,000	2,165	4,835
Stabilizations Fabric	3,000	1,062	1,938
Uniforms	3,500	3,317	183
Weather Reporting	2,900	600	2,300
	<u>669,250</u>	<u>674,241</u>	<u>(4,991)</u>
Total Highway Operations			
Town Garage Expenses:			
Electricity	2,100	1,294	806
General Expenses	2,500	1,601	899
Heating Fuel	7,500	7,269	231
Building Repairs and Maintenance	1,100	237	863
Rubbish	1,600	1,769	(169)
Security	1,100	240	860
Telephone/Communications	2,700	2,625	75
	<u>18,600</u>	<u>15,035</u>	<u>3,565</u>
Total Town Garage Expenses			
Vehicle Equipment/Repairs:	<u>50,000</u>	<u>49,107</u>	<u>893</u>
Highway Labor:	<u>207,500</u>	<u>194,705</u>	<u>12,795</u>
Voted Articles:			
Capital Reserve Fund Transfer	50,000	50,000	0
Cemetery Commission Transfer	8,500	8,500	0
Four Corners Schoolhouse	4,400	4,400	0
Kellogg-Hubbard Library	36,775	36,775	0
GMTA Route 2 Commuter Bus Service	8,333	8,333	0
North Branch Nature Center	750	750	0
Montpelier Senior Activity Center	2,800	2,800	0
	<u>111,558</u>	<u>111,558</u>	<u>0</u>
Total Voted Articles			

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TOWN OF EAST MONTPELIER, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Appropriations:			
American Red Cross	\$ 250	\$ 250	\$ 0
Central Vermont Community Action	500	500	0
Central Vermont Community Land Trust	150	150	0
Central Vermont Council on Aging	1,600	1,600	0
Central Vermont Home Health and Hospice	4,200	4,200	0
Central Vermont Memorial Civic Center	1,000	1,000	0
Circle (Battered Women's Services and Shelter)	675	675	0
Community Connections	2,500	2,500	0
Family Center of Washington County	500	500	0
Friends of the Winooski River	200	200	0
Green Mountain Transit	1,366	1,366	0
Green Up Vermont	150	150	0
Onion River Food Shelf	1,000	1,000	0
People's Health and Wellness Clinic, Inc.	950	950	0
Prevent Child Abuse of Vermont	300	300	0
Project Independence	250	250	0
Retired and Senior Volunteer Program	275	275	0
Sexual Assault Crisis Team	200	200	0
Twin Valley Seniors, Inc.	750	750	0
VT Association for Blind & Visually Impaired	100	100	0
Vermont Cares	150	150	0
Vermont Center for Independent Living	245	245	0
Washington County Diversion Program	350	350	0
Washington County Youth Service Bureau	400	400	0
	<u>18,061</u>	<u>18,061</u>	<u>0</u>
Total Appropriations	18,061	18,061	0
	<u>2,122,211</u>	<u>2,068,574</u>	<u>53,637</u>
Total Expenditures	2,122,211	2,068,574	53,637
Excess/(Deficiency) of Revenues			
Over Expenditures	\$ <u>(150,000)</u>	(73,708)	\$ <u>76,292</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Fire Department Painting Fund Income		3	
Fire Department Painting Fund Expenses		(2,496)	
Fire Department Painting Fund Transfer Out		(2,411)	
Recreation Committee Fund Income		6,661	
Recreation Committee Fund Transfer In		3,000	
Recreation Committee Fund Expenses		(11,748)	
Fund Balance - July 1, 2013, As Reclassified		<u>537,153</u>	
Fund Balance - June 30, 2014		<u>\$ 456,454</u>	

The reconciling items are due to combining two (2) funds, the Fire Department Painting Fund and Recreation Committee Fund, with the General Fund in order to comply with GASB Statement No. 54.

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF EAST MONTPELIER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue Funds	Capital Projects Funds	Permanent Fund C. Smith Recreation Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>				
Cash	\$ 680	\$ 0	\$ 0	\$ 680
Investments	128,906	0	50,000	178,906
Receivables	2,049	1,984	0	4,033
Due from Other Funds	<u>85,469</u>	<u>54,699</u>	<u>580</u>	<u>140,748</u>
Total Assets	<u>\$ 217,104</u>	<u>\$ 56,683</u>	<u>\$ 50,580</u>	<u>\$ 324,367</u>
<u>LIABILITIES</u>				
Due to Other Funds	<u>\$ 2,049</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,049</u>
Total Liabilities	<u>2,049</u>	<u>0</u>	<u>0</u>	<u>2,049</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Grants	<u>844</u>	<u>0</u>	<u>0</u>	<u>844</u>
Total Deferred Inflows of Resources	<u>844</u>	<u>0</u>	<u>0</u>	<u>844</u>
<u>FUND BALANCES</u>				
Nonspendable	85,200	0	50,000	135,200
Restricted	1,543	31,359	580	33,482
Committed	47,451	0	0	47,451
Assigned	80,861	25,324	0	106,185
Unassigned/(Deficit)	<u>(844)</u>	<u>0</u>	<u>0</u>	<u>(844)</u>
Total Fund Balances	<u>214,211</u>	<u>56,683</u>	<u>50,580</u>	<u>321,474</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 217,104</u>	<u>\$ 56,683</u>	<u>\$ 50,580</u>	<u>\$ 324,367</u>

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TOWN OF EAST MONTPELIER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds	Capital Projects Funds	Permanent Fund C. Smith Recreation Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Intergovernmental	\$ 14,093	\$ 2,936	\$ 0	\$ 17,029
Charges for Services	3,450	0	0	3,450
Investment Income	<u>1,555</u>	<u>50</u>	<u>207</u>	<u>1,812</u>
Total Revenues	<u>19,098</u>	<u>2,986</u>	<u>207</u>	<u>22,291</u>
Expenditures:				
General Government	9,503	0	0	9,503
Public Safety	0	3,291	0	3,291
Highways and Streets	0	520	0	520
Cemetery	13,174	0	0	13,174
Capital Outlay:				
Highways and Streets	<u>0</u>	<u>3,262</u>	<u>0</u>	<u>3,262</u>
Total Expenditures	<u>22,677</u>	<u>7,073</u>	<u>0</u>	<u>29,750</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(3,579)</u>	<u>(4,087)</u>	<u>207</u>	<u>(7,459)</u>
Other Financing Sources:				
Transfers In	<u>10,205</u>	<u>25,000</u>	<u>0</u>	<u>35,205</u>
Total Other Financing Sources	<u>10,205</u>	<u>25,000</u>	<u>0</u>	<u>35,205</u>
Net Change in Fund Balances	6,626	20,913	207	27,746
Fund Balances - July 1, 2013	<u>207,585</u>	<u>35,770</u>	<u>50,373</u>	<u>293,728</u>
Fund Balances - June 30, 2014	<u>\$ 214,211</u>	<u>\$ 56,683</u>	<u>\$ 50,580</u>	<u>\$ 321,474</u>

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TOWN OF EAST MONTPELIER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2014

	Reappraisal Fund	VLCT Safety Grant Fund	Municipal Planning Grant Fund	Town Forest Fund	Veteran's Memorial Fund	Rally Day Fund	Land Conservation Fund	Cemetery Fund	Total
ASSETS									
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 680	\$ 680
Investments	0	0	0	23,883	0	0	20,423	84,600	128,906
Receivables	0	1,205	844	0	0	0	0	0	2,049
Due from Other Funds	57,778	0	0	3,145	1,398	645	0	22,503	85,469
Total Assets	\$ 57,778	\$ 1,205	\$ 844	\$ 27,028	\$ 1,398	\$ 645	\$ 20,423	\$ 107,783	\$ 217,104
LIABILITIES									
Due to Other Funds	\$ 0	\$ 1,205	\$ 844	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,049
Total Liabilities	0	1,205	844	0	0	0	0	0	2,049
DEFERRED INFLOWS OF RESOURCES									
Unavailable Grants	0	0	844	0	0	0	0	0	844
Total Deferred Inflows of Resources	0	0	844	0	0	0	0	0	844
FUND BALANCES/(DEFICIT)									
Nonspendable	0	0	0	0	0	0	0	85,200	85,200
Restricted	0	0	0	0	1,398	145	0	0	1,543
Committed	0	0	0	27,028	0	0	20,423	0	47,451
Assigned	57,778	0	0	0	0	500	0	22,583	80,861
Unassigned/(Deficit)	0	0	(844)	0	0	0	0	0	(844)
Total Fund Balances/(Deficit)	57,778	0	(844)	27,028	1,398	645	20,423	107,783	214,211
Total Liabilities, Deferred Inflows of Resources and Fund Balances/(Deficit)	\$ 57,778	\$ 1,205	\$ 844	\$ 27,028	\$ 1,398	\$ 645	\$ 20,423	\$ 107,783	\$ 217,104

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TOWN OF EAST MONTPELIER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Reappraisal Fund	VLCT Safety Grant Fund	Municipal Planning Grant Fund	Town Forest Fund	Veteran's Memorial Fund	Rally Day Fund	Land Conservation Fund	Cemetery Fund	Total
Revenues:									
Intergovernmental	\$ 11,324	\$ 1,205	\$ 1,564	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,093
Charges for Services	0	0	0	0	0	0	0	3,450	3,450
Investment Income	<u>75</u>	<u>0</u>	<u>0</u>	<u>269</u>	<u>2</u>	<u>0</u>	<u>92</u>	<u>1,117</u>	<u>1,555</u>
Total Revenues	<u>11,399</u>	<u>1,205</u>	<u>1,564</u>	<u>269</u>	<u>2</u>	<u>0</u>	<u>92</u>	<u>4,567</u>	<u>19,098</u>
Expenditures:									
General Government	0	2,410	2,408	0	0	0	4,685	0	9,503
Cemetery	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,174</u>	<u>13,174</u>
Total Expenditures	<u>0</u>	<u>2,410</u>	<u>2,408</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,685</u>	<u>13,174</u>	<u>22,677</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>11,399</u>	<u>(1,205)</u>	<u>(844)</u>	<u>269</u>	<u>2</u>	<u>0</u>	<u>(4,593)</u>	<u>(8,607)</u>	<u>(3,579)</u>
Other Financing Sources:									
Transfers In	<u>0</u>	<u>1,205</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>500</u>	<u>0</u>	<u>8,500</u>	<u>10,205</u>
Total Other Financing Sources	<u>0</u>	<u>1,205</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>500</u>	<u>0</u>	<u>8,500</u>	<u>10,205</u>
Net Change in Fund Balances	11,399	0	(844)	269	2	500	(4,593)	(107)	6,626
Fund Balances - July 1, 2013	<u>46,379</u>	<u>0</u>	<u>0</u>	<u>26,759</u>	<u>1,396</u>	<u>145</u>	<u>25,016</u>	<u>107,890</u>	<u>207,585</u>
Fund Balances/(Deficit) - June 30, 2014	<u>\$ 57,778</u>	<u>\$ 0</u>	<u>\$ (844)</u>	<u>\$ 27,028</u>	<u>\$ 1,398</u>	<u>\$ 645</u>	<u>\$ 20,423</u>	<u>\$ 107,783</u>	<u>\$ 214,211</u>

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TOWN OF EAST MONTPELIER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2014

	Bridge & Culvert Fund	Emergency Services Facility Fund	Village Sidewalk Grant Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>				
Receivables	\$ 0	\$ 0	\$ 1,984	\$ 1,984
Due from Other Funds	<u>650</u>	<u>31,359</u>	<u>22,690</u>	<u>54,699</u>
Total Assets	<u>\$ 650</u>	<u>\$ 31,359</u>	<u>\$ 24,674</u>	<u>\$ 56,683</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:				
Restricted	0	31,359	0	31,359
Assigned	<u>650</u>	<u>0</u>	<u>24,674</u>	<u>25,324</u>
Total Fund Balances	<u>650</u>	<u>31,359</u>	<u>24,674</u>	<u>56,683</u>
Total Liabilities and Fund Balances	<u>\$ 650</u>	<u>\$ 31,359</u>	<u>\$ 24,674</u>	<u>\$ 56,683</u>

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TOWN OF EAST MONTPELIER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Bridge & Culvert Fund	Emergency Services Facility Fund	Village Sidewalk Grant Fund	Total
Revenues:				
Intergovernmental	\$ 0	\$ 0	\$ 2,936	\$ 2,936
Investment Income	<u>2</u>	<u>48</u>	<u>0</u>	<u>50</u>
Total Revenues	<u>2</u>	<u>48</u>	<u>2,936</u>	<u>2,986</u>
Expenditures:				
Public Safety	0	3,291	0	3,291
Highways and Streets	520	0	0	520
Capital Outlay:				
Highways and Streets	<u>0</u>	<u>0</u>	<u>3,262</u>	<u>3,262</u>
Total Expenditures	<u>520</u>	<u>3,291</u>	<u>3,262</u>	<u>7,073</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(518)</u>	<u>(3,243)</u>	<u>(326)</u>	<u>(4,087)</u>
Other Financing Sources:				
Transfers In	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>
Net Change in Fund Balances	(518)	(3,243)	24,674	20,913
Fund Balances - July 1, 2013	<u>1,168</u>	<u>34,602</u>	<u>0</u>	<u>35,770</u>
Fund Balances - June 30, 2014	<u>\$ 650</u>	<u>\$ 31,359</u>	<u>\$ 24,674</u>	<u>\$ 56,683</u>

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Sullivan, Powers & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Fred Duplessis, CPA
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Independent Auditors' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
"Government Auditing Standards"

Selectboard
Town of East Montpelier, Vermont
P.O. Box 157
East Montpelier, VT 05651

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 East Montpelier, Vermont as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of East Montpelier, Vermont's basic financial statements, and have issued our report thereon dated December 9, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town of East Montpelier, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 14-1, that we consider to be a significant Deficiency.

Compliance and Other Matters

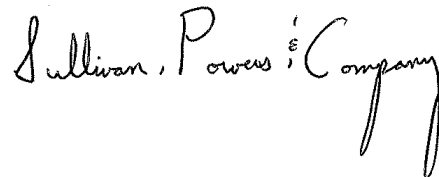
As part of obtaining reasonable assurance about whether the Town of East Montpelier, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

We also noted certain other matters that we reported to the management of the Town of East Montpelier, Vermont in a separate letter dated December 9, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of East Montpelier, Vermont's internal control or on compliance. This report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of East Montpelier, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 9, 2014
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF EAST MONTPELIER, VERMONT
SCHEDULE OF FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2014

Deficiencies in Internal Control:

Material Weaknesses:

None noted.

Significant Deficiencies:

14-1 Authorization of General Journal Entries

Criteria:

Internal controls should be in place that requires appropriate officials to authorize and review all adjustments to the books of original entry.

Condition:

The Town does not have a policy in place to require authorization or review of adjustments to the books of original entry.

Cause:

Unknown.

Effect:

This deficiency in the internal control structure could allow other working control policies to be circumvented.

Recommendation:

We recommend that the Town enact a policy that requires appropriate officials to authorize and review all general journal entries so as not to circumvent the original approval process.

TOWN OF
EAST MONTPELIER, VERMONT
Town Treasurer

December 9, 2014

Sullivan, Powers & Company
77 Barre Street
Montpelier, Vermont 05602

Re: Significant Deficiency 14-1

Dear Sir:

The Town will provide a list of general journal entries made each month to the Town Administrator and Internal Auditors for review.

Sincerely,



Donald B. Welch
Town Treasurer