

**EAST MONTPELIER VOLUNTEER
FIRE DEPARTMENT, INC.**

**FINANCIAL STATEMENTS
JUNE 30, 2015
AND
INDEPENDENT AUDITOR'S REPORT**

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.

JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
East Montpelier Volunteer Fire Department, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the East Montpelier Volunteer Fire Department, Inc. (the Department) which comprise the cash basis statement of assets, liabilities and net cash balances as of June 30, 2015, and the related statements of cash receipts and disbursements, and functional cash disbursements for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the East Montpelier Volunteer Fire Department, Inc. as of June 30, 2015, and its cash receipts, disbursements and functional disbursements during the year then ended in accordance with the cash basis of accounting described in note 1.

Basis of Accounting

We draw attention to note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Cash Receipts and Disbursements Compared to Budget is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements referred to previously.

*Mudgett, Jennett E.
Krogh-Warner, P.C.*

Montpelier, Vermont
November 3, 2015

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
CASH BASIS STATEMENT OF ASSETS, LIABILITIES
AND NET CASH BALANCES
JUNE 30, 2015

ASSETS

CURRENT ASSETS:

Cash	\$ <u>190,114</u>
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LIABILITIES AND NET CASH BALANCES

LIABILITIES:

Liabilities which exist are not reported on the pure cash basis of accounting	\$ <u>-</u>
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NET CASH BALANCES:

Unrestricted	
Designated by the Board for -	
Contingency	40,000
Capital	<u>150,114</u>
Total net cash balances	<u>190,114</u>
Total liabilities and net cash balances	\$ <u>190,114</u>

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

**EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>
CASH RECEIPTS:	
East Montpelier appropriation	\$ 197,084
Calais appropriation	98,542
Plainfield appropriation	45,350
Grants	3,146
Donations	15,821
Interest	293
Ambulance fees	123,757
Proceeds from sale of equipment	28,500
Loan proceeds	78,262
Miscellaneous	<u>210</u>
Total cash receipts	<u>590,965</u>
 CASH DISBURSEMENTS:	
Fire services	264,616
Ambulance services	219,443
General and administrative	<u>25,347</u>
Total cash disbursements	<u>509,406</u>
 INCREASE (DECREASE) IN CASH	 81,559
 CASH, beginning of year	 <u>108,555</u>
 CASH, end of year	 \$ <u>190,114</u>

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

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF FUNCTIONAL CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Fire</u>	<u>Ambulance</u>	<u>General & Administration</u>	<u>Total Cash Disbursements</u>
Administrative	\$ -	\$ -	\$ 121	\$ 121
Ambulance, fire and paramedic services	-	11,825	-	11,825
Audit, bookkeeping and treasurer services	-	-	12,930	12,930
Building repair and maintenance	15,702	-	-	15,702
Defibrillator loan principal and interest	-	5,493	-	5,493
Dispatch	20,163	6,232	-	26,395
Dues	829	300	-	1,129
Electric	9,922	-	-	9,922
Ambulance purchase	14,811	-	-	14,811
Equipment purchases	95,580	7,296	-	102,876
Equipment and truck repairs and maintenance	2,951	-	-	2,951
Firefighting supplies, repairs and maintenance	7,933	-	-	7,933
Heating fuel	6,157	-	-	6,157
Insurance	30,117	15,737	-	45,854
Legal	-	-	375	375
Medical supplies	-	16,413	-	16,413
Office supplies	-	-	11,921	11,921
Payroll taxes	-	15,739	-	15,739
Personal gear	8,947	-	-	8,947
Physicals	435	-	-	435
Postage	370	-	-	370
Radio repair and replacement	2,523	-	-	2,523
Refreshments	1,172	-	-	1,172
Salary	-	129,208	-	129,208
Stipends	6,550	-	-	6,550
Telephone	4,595	-	-	4,595
Training	1,259	1,725	-	2,984
Vehicle fuel	3,319	5,121	-	8,440
Vehicle repair and maintenance	10,378	3,518	-	13,896
Hydrant	3,146	-	-	3,146
Miscellaneous	<u>17,757</u>	<u>836</u>	<u>-</u>	<u>18,593</u>
Total cash disbursements	\$ <u>264,616</u>	\$ <u>219,443</u>	\$ <u>25,347</u>	\$ <u>509,406</u>

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

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. Summary of operations and significant accounting policies:

East Montpelier Volunteer Fire Department, Inc. (the Department) is a non-profit organization formed to provide fire protection as well as ambulance service to the East Montpelier and Calais communities. Ambulance services are provided to Plainfield on a contract basis.

A. Basis of accounting and presentation - The accompanying financial statements have been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The cash basis differs from accounting principles generally accepted in the United States of America primarily because capital assets and related long-term debt are not included as assets and liabilities in the financial statements.

The Department has adopted a financial statement presentation in accordance with the recommendations of the Financial Accounting Standards Board (FASB) as prescribed in financial accounting standards literature. Under financial accounting standards, the Department is required to report information regarding three classes of cash balances: unrestricted, temporarily restricted, and permanently restricted cash balances.

B. Contributions - The Department recognizes contributions to or from the Department when cash is received or disbursed. Support that is restricted by the donor is reported as an increase in unrestricted cash balance if the restriction expires in the reporting period in which the support is received. All other donor support is reported as an increase in temporarily or permanently restricted cash based on the nature of the restriction. When a restriction expires, temporarily restricted cash balances are reclassified to unrestricted cash.

C. Restricted cash - There was no temporarily or permanently restricted cash as of June 30, 2015.

D. Tax status - The Department is incorporated and exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the Code). The tax years ending June 30, 2014, 2013, and 2012 are still open to audit for both federal and state purposes. Contributions to the Department are tax deductible to donors under Section 170 of the Internal Revenue Code. The Department is not classified as a private foundation.

E. Risk management - The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. The Department manages these risks through a commercial insurance package purchased in the name of the Department. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

2. Cash accounts:

Bank and credit union balances at June 30, 2015 were \$247,915 which were fully insured.

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

3. Economic dependence:

During the year ended June 30, 2015, \$197,084 representing 33% and \$98,542 representing 17% of the Department's total cash receipts were received from the Town of East Montpelier and the Town of Calais, respectively.

4. Commitments:

In August 2013, the Department entered into a one (1) year contractual agreement, which provides for successive one (1) year renewals unless notice of non-renewal is given in writing, with the Towns of East Montpelier and Calais to provide fire suppression, ambulance, and other emergency response services to the two Towns. The Department's firefighting and ambulance budgets are funded by the two Towns with East Montpelier providing two-thirds (2/3) and Calais one-third (1/3) of these total fire and ambulance budgets through annual appropriations. Any receipts from ambulance services returned to the Department are allocated between the contingency account (25%) and the capital account (75%). The account balance of the contingency fund shall not exceed \$40,000 with any excess funds to be placed in the capital account.

In May 2013, the Department signed a three (3) year agreement with the Town of Plainfield to provide ambulance services beginning July 1, 2013. Under this agreement, the Department billed the Town of Plainfield \$40,350 for the year ended June 30, 2015 and will bill the Town of Plainfield \$45,350 for the year ending June 30, 2016.

5. Board designated cash:

At June 30, 2015, the Department had \$40,000 designated in a contingency account. The contingency account represents monies set aside by the Board to be used at the discretion of the Board.

Also at June 30, 2015, the Department had \$150,114 designated in a capital account. The capital account represents monies set aside by the Board to pay for future capital costs. In any calendar year, the Department may spend up to \$20,000 of capital account funds for emergency purchases at its own discretion. Additionally, any capital purchase exceeding \$20,000 will require approval by both the Town of Calais and Town of East Montpelier Selectboards and, at the discretion of the Selectboards, may require approval by the Town of East Montpelier and Town of Calais voters with a warned article at Town Meeting.

6. Subsequent events:

Management has evaluated subsequent events from June 30, 2015 through November 3, 2015, the date the financial statements were available for issuance.

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2015

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	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
BUDGETED CASH RECEIPTS:			
East Montpelier appropriation	\$ 197,083	\$ 197,084	\$ 1
Calais appropriation	98,542	98,542	-
Plainfield appropriation	45,350	45,350	-
Total budgeted cash receipts	<u>340,975</u>	<u>340,976</u>	<u>1</u>
BUDGETED CASH DISBURSEMENTS:			
Salaries	130,000	129,208	792
Payroll taxes	14,000	15,739	(1,739)
Audit and bookkeeping services	13,950	12,930	1,020
Building 1	1,600	563	1,037
Building 2	5,000	10,089	(5,089)
Cellular phone	1,200	1,039	161
Diesel	8,500	7,427	1,073
Dispatch	26,000	26,395	(395)
Dues	1,200	1,129	71
Electric - station 1	650	691	(41)
Electric - station 2	8,000	9,231	(1,231)
Snow plowing	5,400	5,050	350
Medical supplies	7,000	15,465	(8,465)
Oxygen	850	948	(98)
Equipment repair	5,400	2,820	2,580
Firefighting supplies	5,000	7,933	(2,933)
Gasoline	1,800	1,013	787
Heating oil - station 1	5,000	4,139	861
Heating oil - station 2	1,000	-	1,000
Wood pellets - station 2	3,400	2,018	1,382
Insurance	48,000	45,854	2,146
Legal	1,000	375	625
Bank charges	125	121	4
Chaplain's fund	250	-	250
Office supplies	3,700	3,919	(219)
Office software	3,500	8,002	(4,502)
Personal gear	10,000	8,947	1,053
Physicals	1,500	435	1,065
Infection control	100	-	100
Postage	450	370	80
Radio repairs	2,000	2,019	(19)
Radio replacement	2,000	504	1,496
Refreshments	1,500	1,172	328
Stipends	9,400	6,550	2,850
Telephone	3,500	3,556	(56)

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2015

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	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
BUDGETED CASH DISBURSEMENTS (CONTINUED):			
Truck repairs and maintenance	19,000	13,896	5,104
Training	2,500	2,984	(484)
Turnout maintenance	300	131	169
Defibrillator maintenance	<u>2,200</u>	<u>-</u>	<u>2,200</u>
Total budgeted cash disbursements	<u>355,975</u>	<u>352,662</u>	<u>3,313</u>
INCREASE (DECREASE)			
IN BUDGETED CASH	<u>(15,000)</u>	<u>(11,686)</u>	<u>3,314</u>
UNBUDGETED CASH RECEIPTS:			
Donations	-	15,821	15,821
Grants	-	3,146	3,146
Interest	-	293	293
Ambulance fees	-	123,757	123,757
Proceeds from sale of equipment	-	28,500	28,500
Loan proceeds	-	78,262	78,262
Miscellaneous	<u>-</u>	<u>210</u>	<u>210</u>
Total unbudgeted cash receipts	<u>-</u>	<u>249,989</u>	<u>249,989</u>
UNBUDGETED CASH DISBURSEMENTS:			
Ambulance service	-	7,425	(7,425)
Paramedic	-	4,400	(4,400)
Defibrillator loan principal and interest	-	5,493	(5,493)
Hydrant	-	3,146	(3,146)
Ambulance purchase	-	14,811	(14,811)
Equipment purchases	-	18,844	(18,844)
Truck purchase	-	84,032	(84,032)
Miscellaneous	<u>-</u>	<u>18,593</u>	<u>(18,593)</u>
Total unbudgeted cash disbursements	<u>-</u>	<u>156,744</u>	<u>(156,744)</u>
INCREASE (DECREASE) IN CASH	\$ <u>(15,000)</u>	\$ <u>81,559</u>	\$ <u>96,559</u>