

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

**FINANCIAL STATEMENTS
JUNE 30, 2017
AND
INDEPENDENT AUDITOR'S REPORT**

10/8/2017 Draft

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.

JUNE 30, 2017

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditor's Report.....	1 - 2
Financial Statements:	
Cash Basis Statement of Assets, Liabilities and Net Cash Balances	3
Statement of Cash Receipts and Disbursements	4
Statement of Functional Cash Disbursements.....	5
Notes to Financial Statements.....	6 - 7
Supplementary Schedule:	
Schedule of Cash Receipts and Disbursements Compared to Budget.....	8 - 9

10/8/2017 Draft

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, 2017, and the related Statement of Cash Receipts and Disbursements and Statement of 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, 2017, 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 Matters

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.

Montpelier, Vermont
, 2017

10/8/2017 Draft

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
CASH BASIS STATEMENT OF ASSETS, LIABILITIES
AND NET CASH BALANCES
JUNE 30, 2017

ASSETS

CURRENT ASSETS:

Cash	\$ <u>144,118</u>
------	-------------------

LIABILITIES AND NET CASH BALANCES

LIABILITIES:

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

NET CASH BALANCES:

Unrestricted	
Designated by the Board for -	
Contingency	40,000
Capital	<u>104,118</u>
Undesignated	<u>-</u>
Total net cash balances	<u>144,118</u>
Total liabilities and net cash balances	\$ <u>144,118</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, 2017**

	<u>Unrestricted</u>
CASH RECEIPTS:	
East Montpelier appropriation	\$ 234,419
Calais appropriation	117,209
Plainfield appropriation	46,257
Donations	7,491
Interest	308
Ambulance fees	130,050
Loan proceeds	250,000
Miscellaneous	<u>487</u>
Total cash receipts	<u>786,221</u>
CASH DISBURSEMENTS:	
Fire services	548,962
Ambulance services	268,354
General and administrative	<u>25,738</u>
Total cash disbursements	<u>843,054</u>
 INCREASE (DECREASE) IN CASH	 (56,833)
 CASH, beginning of year	 <u>200,951</u>
 CASH, end of year	 \$ <u>144,118</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, 2017

	<u>Fire</u>	<u>Ambulance</u>	<u>General & Administration</u>	<u>Total Cash Disbursements</u>
Administrative	\$ -	\$ -	\$ 831	\$ 831
Ambulance, fire and paramedic services	-	13,677	-	13,677
Audit, bookkeeping and treasurer services	-	-	15,197	15,197
Building repair and maintenance	15,958	-	-	15,958
Contributions	9,026	-	-	9,026
Defibrillator loan principal and interest	-	6,171	-	6,171
Dispatch	20,043	13,456	-	33,499
Dues	857	520	-	1,377
Electric	9,747	-	-	9,747
Ambulance purchase	14,811	-	-	14,811
Equipment purchases	381,025	-	-	381,025
Equipment and truck repairs and maintenance	4,322	2,014	-	6,336
Firefighting supplies, repairs and maintenance	1,651	-	-	1,651
Heating fuel	9,334	-	-	9,334
Insurance	46,321	28,719	-	75,040
Legal	-	-	96	96
Medical supplies	-	16,653	-	16,653
Office supplies	-	-	9,614	9,614
Payroll taxes	-	18,589	-	18,589
Personal gear	6,540	-	-	6,540
Physicals	101	-	-	101
Postage	631	-	-	631
Radio repair and replacement	28	-	-	28
Refreshments	1,179	-	-	1,179
Salary	-	153,331	-	153,331
Stipends	10,173	-	-	10,173
Telephone	6,262	-	-	6,262
Training	330	1,100	-	1,430
Vehicle fuel	2,443	3,802	-	6,245
Vehicle repair and maintenance	8,180	4,645	-	12,825
Miscellaneous	-	5,677	-	5,677
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total cash disbursements	\$ <u>548,962</u>	\$ <u>268,354</u>	\$ <u>25,738</u>	\$ <u>843,054</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, 2017

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, 2017.
- 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 Department had no liability for uncertain tax positions for the year ended June 30, 2017. The tax years ended June 30, 2016, 2015, and 2014 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, 2017 were \$159,316 which were fully insured.

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

3. Economic dependence:

During the year ended June 30, 2017, \$234,419 representing 30% and \$117,209 representing 15% 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 December 2015, the Department signed a three (3) year agreement with the Town of Plainfield to provide ambulance services beginning July 1, 2016. Under this agreement, the Department will bill the Town of Plainfield \$47,645, and \$49,074 for the years ended June 30, 2018, and 2019, respectively.

The Department has loan repayment obligations which are not reported as liabilities in these cash basis financial statements.

5. Board designated cash:

At June 30, 2017, 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, 2017, the Department had \$69,845 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, 2017 through [REDACTED], 2017, 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, 2017

(Page 1 of 2)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
BUDGETED CASH RECEIPTS:			
East Montpelier appropriation	\$ 234,419	\$ 234,419	\$ -
Calais appropriation	117,209	117,209	-
Plainfield appropriation	<u>46,257</u>	<u>46,257</u>	-
Total budgeted cash receipts	<u>397,885</u>	<u>397,885</u>	<u>-</u>
BUDGETED CASH DISBURSEMENTS:			
Salaries	152,000	153,331	(1,331)
Payroll taxes	20,800	18,589	2,211
Audit and bookkeeping services	15,000	15,197	(197)
Building 1	1,500	1,019	481
Building 2	7,500	6,447	1,053
Cellular phone	1,200	1,952	(752)
Diesel	9,000	5,337	3,663
Dispatch	29,100	33,499	(4,399)
Hydrant	1,000	-	1,000
Dues	1,200	1,377	(177)
Electric - station 1	650	644	6
Electric - station 2	9,500	9,103	397
Snow plowing	5,400	4,950	450
Medical supplies	14,000	15,594	(1,594)
Oxygen	1,000	1,030	(30)
Equipment repair	5,000	6,336	(1,336)
Firefighting supplies	4,000	1,591	2,409
Gasoline	1,500	908	592
Heating oil - station 1	5,000	3,039	1,961
Heating oil - station 2	500	-	500
Wood pellets - station 2	4,000	6,295	(2,295)
Insurance	49,500	75,040	(25,540)
Legal	1,000	96	904
Bank charges	125	83	42
Chaplain's fund	250	60	190
Office supplies	3,700	4,897	(1,197)
Office software	4,500	4,717	(217)
Personal gear	7,500	6,540	960
Physicals	1,500	101	1,399
Infection control	1,000	29	971
Postage	560	631	(71)
Radio repairs	2,000	28	1,972
Radio replacement	2,000	-	2,000
Refreshments	1,500	1,179	321
Stipends	9,400	10,173	(773)

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2017

(Page 2 of 2)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
BUDGETED CASH			
DISBURSEMENTS (CONTINUED):			
Telephone	3,500	4,310	(810)
Truck repairs and maintenance	17,500	12,825	4,675
Training	2,500	1,430	1,070
Defibrillator maintenance	1,000	-	1,000
Total budgeted cash disbursements	<u>397,885</u>	<u>408,377</u>	<u>(10,492)</u>
INCREASE (DECREASE)			
IN BUDGETED CASH	<u>-</u>	<u>(10,492)</u>	<u>(10,492)</u>
UNBUDGETED CASH RECEIPTS:			
Donations	-	7,491	7,491
Interest	-	308	308
Ambulance fees	-	130,050	130,050
Loan proceeds	-	250,000	250,000
Miscellaneous	-	487	487
Total unbudgeted cash receipts	<u>-</u>	<u>388,336</u>	<u>388,336</u>
UNBUDGETED CASH DISBURSEMENTS:			
Ambulance service	-	6,877	(6,877)
Paramedic	-	6,800	(6,800)
Defibrillator loan principal and interest	-	6,171	(6,171)
Donations	-	9,026	(9,026)
Payroll processing fees	-	748	(748)
Ambulance purchase	-	14,811	(14,811)
Building maintenance	-	3,542	(3,542)
Equipment purchases	-	10,200	(10,200)
Payment on tanker loan	-	370,825	(370,825)
Miscellaneous	-	5,677	(5,677)
Total unbudgeted cash disbursements	<u>-</u>	<u>434,677</u>	<u>(434,677)</u>
INCREASE (DECREASE) IN CASH	<u>\$ -</u>	<u>\$ (56,833)</u>	<u>\$ (56,833)</u>

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.

COMMUNICATION ON INTERNAL CONTROL

JUNE 30, 2017

10/8/2017 Draft

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

In planning and performing our audit of the financial statements of the East Montpelier Volunteer Fire Department, Inc. (the Department) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify deficiencies in internal control, described in the accompanying Schedule of Findings as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

This communication is intended solely for the information and use of the Board of Directors, management, and others within Vermont Green Up, Inc., and is not intended to be and should not be used by anyone other than these specified parties.

Montpelier, Vermont
[REDACTED] 2017

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF FINDINGS
JUNE 30, 2017

2017-001 Cash receipt records:

During audit testing we were unable to find supporting documentation for certain cash receipts listed in the Department's general ledger. We recommend that the Department have on file supporting documents for all cash receipts that are listed in the general ledger.

2017-002 Processing of checks outside normal procedures:

During our walkthrough of internal controls over cash disbursements, the auditor discovered an invoice that had not been approved. There was no payment voucher form showing the proper authorization or coding that the department uses for all other cash disbursements. On further inquiry, it turned out that this transaction was processed as an emergency payment. The department's normal cash disbursement cycle is done monthly. We recommend that the approval of any emergency payments be documented.

10/8/2017 Draft

[REDACTED], 2017

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

In connection with audit engagements, we are required by auditing standards generally accepted in the United States of America to communicate certain matters with those charged with governance. The term “those charged with governance” means the persons with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, for example, the Board of Directors (the Board) or a designated Board officer or committee. This communication is provided in connection with our audit of financial statements of the East Montpelier Volunteer Fire Department, Inc. (the Department) as of and for the year ended June 30, 2017.

These standards require us to communicate with you any matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. They also set the expectation that our communication will be two way, and that the Board or their designee will communicate with us matters you consider relevant to the audit. Such matters might include strategic decisions that may significantly affect the nature, timing, and extent of audit procedures.

This letter summarizes those matters which we are required by professional standards to communicate to you in your oversight responsibility for the Department’s financial reporting process.

The Auditor’s Responsibility under Professional Standards

Our responsibility under auditing standards generally accepted in the United States of America was described in our arrangement letter dated June 5, 2017. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

An Overview of the Planned Scope and Timing of the Audit

The scope of the audit was also described in our arrangement letter dated June 5, 2017. The audit was conducted September 2017; our exit conference with management was held on [REDACTED], 2017; drafts of the financial statements and reports were provided to management in October, 2017.

Accounting Policies and Practices

- **Preferability of Accounting Policies and Practices**

Under the cash basis of accounting, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

- **Adoption of, or Change in, Accounting Policies**

Management and the Board have ultimate responsibility for the appropriateness of the accounting policies used by the Department. The Department did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.

- **Significant or Unusual Transactions**

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

- **Management's Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. The significant accounting estimate reflected in the Department's 2017 financial statements is the allocation of functional expenses.

Audit Adjustments

We proposed one adjustment to the trial balance presented to us for audit. Management accepted this proposed audit adjustment.

This adjustment was done to correct for a duplicate payment made for insurance premiums.

Uncorrected Misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Disagreements with Management

We encountered no disagreements with management over the application of the cash basis of accounting described in note 1 to the financial statements, the basis for management's judgments on any significant matters, the scope of the audit, the significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are aware that management has retained accounting firms for assistance with their bookkeeping and payroll functions and may have consulted with those accountants about accounting or auditing matters.

Significant Issues Discussed with Management

We did not have correspondence with management regarding significant issues arising from the audit. We have discussed accounting matters relating to the Department's accounting estimates and audit adjustments.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in working with management during the audit.

Significant Deficiencies and Material Weaknesses

We identified no material weaknesses in the Department's system of internal control over financial reporting during our audit of the financial statements. We identified and have reported, in a separate letter, two significant deficiencies, as items 2017-001 and 2017-002 in the Department's system of internal control over financial reporting.

Certain Written Communications between Management and Our Firm

Management provided written representations in connection with the audit in a letter to our firm dated [REDACTED], 2017. A copy of the letter is available upon your request.

This report is intended solely for the information and use of the Board of Directors and management of East Montpelier Volunteer Fire Department, Inc. and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this letter. We appreciate the opportunity to be of service to the Department.

Very truly yours,
Mudgett, Jennett & Krogh-Wisner, P.C.

10/8/2017 10:41 AM
Draft