

**TOWN OF EAST MONTPELIER, VERMONT  
AUDIT REPORT AND FINANCIAL STATEMENTS  
JUNE 30, 2013**

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# FOTHERGILL SEGALE & VALLEY

*Certified Public Accountants*



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## INDEPENDENT AUDITOR'S REPORT

To the Selectboard  
Town of East Montpelier, Vermont  
East Montpelier, Vermont

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of East Montpelier as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of East Montpelier'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 the 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 *Governmental 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 of material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Town of East Montpelier, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

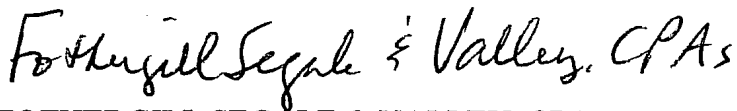
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of East Montpelier's basic financial statements. The combining other governmental funds on Schedule 1 & 2 are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013 on our consideration of the Town of East Montpelier's internal control over financial reporting and 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 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's internal control over financial reporting and compliance.

Respectfully submitted,



FOTHERGILL SEGALÉ & VALLEY, CPAs  
Montpelier, Vermont  
Vermont Public Accountancy License #110

October 29, 2013

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

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, 2013. 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 \$ 390,263, compared to \$153,988 in fiscal year 2012.
- The cost of all of the Town's operations for the fiscal year ended June 30, 2013 was \$1,804,539 compared to \$1,781,619 in fiscal year 2012, a 1.28% increase.

#### *Fund Financial Statements:*

- The Town's total General Fund increased by \$153,226, which was \$253,226 better than budget.
- The Capital Reserve fund fund balance increased by \$19,970.
- The various other governmental fund balances increased by \$15,603, from \$315,712 to \$331,315.

### **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.

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

TOWN OF EAST MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013  
(Continued)

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 Exhibit C. 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 equipment and the Paving Grant Fund which contains paving capital purchases. 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 (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Exhibits D and F.

**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.

TOWN OF EAST MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013  
(Continued)

Table 1 - Net Position

	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Net Change</u>
Current and other assets	\$ 1,658,302	\$ 1,449,398	\$ 208,904
Capital assets	<u>3,763,164</u>	<u>3,779,662</u>	<u>(16,498)</u>
Total assets	<u>5,421,466</u>	<u>5,229,060</u>	<u>192,406</u>
Current liabilities and other liabilities	<u>305,799</u>	<u>282,272</u>	<u>23,527</u>
Note payable due within one year	180,507	221,383	(40,876)
Note payable due after one year	<u>1,922,231</u>	<u>2,102,739</u>	<u>(180,508)</u>
Total liabilities	<u>2,408,537</u>	<u>2,606,394</u>	<u>(197,857)</u>
Net Position:			
Invested in capital assets, net of related debt	1,660,426	1,455,540	204,886
Restricted	444,621	431,933	12,688
Unrestricted	907,882	735,193	172,689
Total net position	<u>\$ 3,012,929</u>	<u>\$ 2,622,666</u>	<u>\$ 390,263</u>

Table 2- Change in Net Position

	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Net Change</u>
REVENUES			
General revenue:			
Property taxes	\$ 1,567,400	\$1,468,252	\$ 99,148
Earnings on investments	28,399	27,476	923
Other general revenue	28,011	36,306	(8,295)
Program revenue:			
Charges for services	95,156	76,099	19,057
Operating & capital grants and contributions	<u>462,980</u>	<u>301,870</u>	<u>161,110</u>
Total revenues	<u>2,181,946</u>	<u>1,910,003</u>	<u>271,943</u>
PROGRAM EXPENSES			
Highways and roads	827,946	800,173	27,773
General government	546,884	553,181	(6,297)
Public safety	241,648	236,485	5,163
Culture and recreation	77,250	69,909	7,341
Health and welfare	21,931	35,438	(13,507)
Interest on long-term debt	88,880	86,433	2,447
Total program expenses	<u>1,804,539</u>	<u>1,781,619</u>	<u>22,920</u>
Extraordinary Item - net	<u>12,856</u>	<u>25,604</u>	<u>(12,748)</u>
Increase (decrease) in net position	<u>\$ 390,263</u>	<u>\$ 153,988</u>	<u>\$ 236,275</u>

TOWN OF EAST MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013  
(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 \$735,193 balance at June 30, 2012, to an \$907,882 balance at June 30, 2013 for the governmental activities.

The Town's combined Net Position increased by \$390,263 as a result of the current year operations.

Table 3 presents the cost of each of the Town's five largest programs – highway and roads, general government, public safety, culture and recreation, and health and welfare – 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

	6/30/2013		6/30/2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Highways and roads	\$ 827,946	\$ 695,838	\$ 800,173	\$ 655,489
General government	546,884	128,532	553,181	325,945
Public safety	241,648	241,648	236,485	236,485
Culture and recreation	77,250	69,574	69,909	63,860
Health and welfare	21,931	21,931	35,438	35,438
Other cost	88,880	88,880	86,433	86,433
Total	<u>\$ 1,804,539</u>	<u>\$ 1,246,403</u>	<u>\$ 1,781,619</u>	<u>\$ 1,403,650</u>

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

As the Town completed the fiscal year June 30, 2013, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$1,079,228, which is approximately 21% higher than fiscal year ended June 30, 2012 total fund balance of \$890,429.

*General Fund Budgetary Highlights*

Monthly financial reports reviewed by the Select Board 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.

Exhibit G compares actual to budget which shows the favorable and unfavorable variances that arose during the fiscal year in the General Fund. The net revenues were greater than expenditures by \$153,226 which is \$253,226 better than budget.



TOWN OF EAST MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013  
(Continued)

The larger variances are as follows:

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues and other sources:			
Current use hold harmless taxes	\$ 60,000	\$ 79,797	\$ 19,797
Expenditures:			
Highway & roads - operations	486,163	354,629	131,534
Highway & roads - labor	205,000	188,013	16,987

The reasons for these variances are as follows:

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: This cost is down primarily due to two items: 1) some of the paving expected from the FY13 budget was delayed until the latter half of the summer of 2013 (FY14 budget); and, 2) the more effective use of sand has allowed us to reduce usage as reflected by the decreased allowance for sand in the FY14 budget.

**Capital Assets and Debt Administration**

*Capital Assets*

At June 30, 2013, the Town had \$3,763,164 invested in capital assets, net of depreciation, including buildings, equipment, vehicles and infrastructure (See table below). This represents a net decrease of \$16,498 to June 30, 2012.

Capital Assets at Year-End  
(Net of depreciation)

	Governmental Activities	
	6/30/2013	6/30/2012
Land	\$ 115,600	\$ 115,600
Buildings	2,060,548	2,105,960
Equipment and vehicles	611,481	705,795
Infrastructure	975,535	852,307
Totals	<u>\$ 3,763,164</u>	<u>\$ 3,779,662</u>

The capital asset addition during the fiscal year was paving.

*Debt* - At June 30, 2013, the Town had \$2,102,738 in notes outstanding versus \$2,324,122 on June 30, 2012 – a decrease of 221,384.

TOWN OF EAST MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013  
(Continued)

**Economic Factors and Next Year's Budget and Rates**

The Town's elected and appointed officials considered many factors when setting the fiscal year 2014 budget for Town operations. The significant variations in the FY14 budget are: 1) the paving line was increased to continue funding the Town's paving schedule; 2) the new digital land records system is now fully funded; 3) the Town was awarded the village sidewalk grant and \$25,000 was included to partially fund the Town's 10% share of the cost; and, 4) a general increase in property and casualty insurance in the area due to the 2011 storms.

**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.

## STATEMENT OF NET POSITION

JUNE 30, 2013

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 1,152,186
Delinquent taxes	175,245
Other receiveables	9,000
Prepays	26,055
Note receivable	295,816
Land	115,600
Property, equipment, and infrastructure (net of allowance for depreciation of \$1,030,145)	<u>3,647,564</u>
Total assets	<u>5,421,466</u>
<b>LIABILITIES</b>	
Accounts payable	37,964
Accrued payroll expenses	13,205
Tax sale funds held	106,722
Due to State	147,908
Long-term debt:	
Note payable due within one year	180,507
Note payable due after one year	<u>1,922,231</u>
Total liabilities	<u>2,408,537</u>
<b>NET POSITION</b>	
Unrestricted	907,882
Restricted	444,621
Invested in capital assets, net of related debt	<u>1,660,426</u>
Total net position	<u><u>\$ 3,012,929</u></u>

TOWN OF EAST MONTPELIER, VERMONT  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2013

EXHIBIT B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Change in Net position Total</u>
Governmental Activities:				
Highways and roads	\$ 827,946	\$ 0	\$ 132,108	\$ (695,838)
General government	546,884	87,480	330,872	(128,532)
Public safety	241,648	0	0	(241,648)
Culture and recreation	77,250	7,676	0	(69,574)
Health and welfare	21,931	0	0	(21,931)
Interest on long-term debt	88,880	0	0	(88,880)
Total governmental activities	\$ 1,804,539	\$ 95,156	\$ 462,980	(1,246,403)
General Revenues:				
Property taxes				1,567,400
Interest revenue				28,399
Other general revenue				28,011
Total general revenues				1,623,810
Change in Net position before extraordinary item				377,407
Extraordinary Item:				
Flood damage expenses				(10,664)
Flood damage reimbursements				23,520
Total extraordinary item				12,856
Change in Net position				390,263
Net position - June 30, 2012				2,622,666
Net position - June 30, 2013				\$ 3,012,929

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2013

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Fund	Capital Reserve Fund	Paving Grant Fund	Other Governmental Funds	
<b>ASSETS</b>					
Cash and investments	\$ 826,588	\$135,387	\$ 0	\$ 190,211	\$ 1,152,186
Delinquent taxes, and interest receivable	175,245	0	0	0	175,245
Due from other funds	0	83,958	0	141,234	225,192
Other receivable	9,000	0	0	0	9,000
Prepaid expenses	26,055	0	0	0	26,055
Note receivable	0	0	0	295,816	295,816
<b>Total assets</b>	<b>\$ 1,036,888</b>	<b>\$219,345</b>	<b>\$ 0</b>	<b>\$ 627,261</b>	<b>\$ 1,883,494</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 37,834	\$ 0	\$ 0	\$ 130	\$ 37,964
Accrued payroll expenses	13,205	0	0	0	13,205
Deferred revenue - taxes	125,367	0	0	0	125,367
Deferred revenue - grants	0	0	0	295,816	295,816
Tax sale funds held	106,722	0	0	0	106,722
Due to other funds	225,192	0	0	0	225,192
<b>Total liabilities</b>	<b>508,320</b>	<b>0</b>	<b>0</b>	<b>295,946</b>	<b>804,266</b>
<b>Fund Balances</b>					
<b>Nonspendable:</b>					
Prepays	26,055	0	0	0	26,055
Permanent fund	0	0	0	50,000	50,000
<b>Restricted:</b>					
Permanent fund	0	0	0	373	373
Special revenue purposes	0	0	0	246,340	246,340
<b>Assigned:</b>					
FY 14 expenditures	150,000	0	0	0	150,000
Capital project purposes	0	219,345	0	34,602	253,947
Fire Station #1 purposes	4,904	0	0	0	4,904
Unassigned	347,609	0	0	0	347,609
<b>Total fund balances</b>	<b>528,568</b>	<b>219,345</b>	<b>0</b>	<b>331,315</b>	<b>1,079,228</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,036,888</b>	<b>\$219,345</b>	<b>\$ 0</b>	<b>\$ 627,261</b>	<b>\$ 1,883,494</b>

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,079,228
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 as assets in governmental funds. The cost of the assets is \$4,793,309, and the accumulated depreciation is \$1,030,145.	3,763,164
Deferred tax revenues are recognized as earned on the accrual basis in the statement of net position, not the modified accrual basis.	125,367
Community development loan programs are revenue of \$295,816, net repayment portion payable of \$147,908 is revenue in government wide statements but not in the fund statements.	147,908
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Notes payable	<u>(2,102,738)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 3,012,929</u>

TOWN OF EAST MONTPELIER, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FISCAL YEAR ENDED JUNE 30, 2013

EXHIBIT E

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Fund	Capital Reserve Fund	Paving Grant Fund	Other Governmental Funds	
<b>REVENUES</b>					
Property taxes	\$ 1,567,400	\$ 0	\$ 0	\$ 0	\$ 1,567,400
Licenses and fees	55,638	0	0	7,676	63,314
Intergovernmental	276,608	0	175,000	11,372	462,980
Fines and penalties	31,842	0	0	0	31,842
Interest	18,178	563	0	9,658	28,399
Other revenue	13,873	0	0	17,560	31,433
Total revenues	<u>1,963,539</u>	<u>563</u>	<u>175,000</u>	<u>46,266</u>	<u>2,185,368</u>
<b>EXPENDITURES</b>					
Current expenditures					
General government	497,987	0	0	8,586	506,573
Health and welfare	5,252	0	0	15,946	21,198
Culture and recreation	63,119	0	0	14,131	77,250
Public safety	241,648	0	0	0	241,648
Highways and roads	607,405	0	0	0	607,405
Debt service					
Principal	193,942	27,442	0	0	221,384
Interest	85,729	3,151	0	0	88,880
Capital outlay	0	0	245,087	0	245,087
Total expenditures	<u>1,695,082</u>	<u>30,593</u>	<u>245,087</u>	<u>38,663</u>	<u>2,009,425</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>268,457</u>	<u>(30,030)</u>	<u>(70,087)</u>	<u>7,603</u>	<u>175,943</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	3,000	50,000	70,087	8,000	131,087
Transfers out	(131,087)	0	0	0	(131,087)
Total other financing sources (uses)	<u>(128,087)</u>	<u>50,000</u>	<u>70,087</u>	<u>8,000</u>	<u>0</u>
<b>EXTRAORDINARY ITEM</b>					
Flood damage revenues	23,520	0	0	0	23,520
Flood damage expenditures	(10,664)	0	0	0	(10,664)
Total extraordinary item	<u>12,856</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,856</u>
 Net change in fund balances	 153,226	 19,970	 0	 15,603	 188,799
 FUND BALANCES - June 30, 2012	 <u>375,342</u>	 <u>199,375</u>	 <u>0</u>	 <u>315,712</u>	 <u>890,429</u>
FUND BALANCES - June 30, 2013	<u>\$ 528,568</u>	<u>\$ 219,345</u>	<u>\$ 0</u>	<u>\$ 331,315</u>	<u>\$ 1,079,228</u>

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

FISCAL YEAR ENDED JUNE 30, 2013

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	188,799
Amounts reported for governmental activities in the statement of activities are different because:		
Payment of note payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		221,384
Net community development loan repayments are reported as revenue in the year received in the fund statements but not in the government wide statements.		(3,422)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$261,585 exceeds capital outlay of \$245,087 in the period.		<u>(16,498)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>390,263</u></u>



STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE - COMPARED TO BUDGET  
GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 1,567,885	\$ 1,567,400	\$ (485)
Licenses and fees:			
Recording fees	20,000	27,373	7,373
School services fee	9,000	9,239	239
Education retention fees	4,000	8,184	4,184
Other fees	15,150	10,842	(4,308)
Intergovernmental:			
Current use hold harmless taxes	60,000	79,797	19,797
Highway aid	125,000	132,108	7,108
Pilot program grant	4,000	3,704	(296)
Loan reimbursement - Calais Town	60,604	60,604	0
Various miscellaneous grants	0	395	395
Interest:			
Delinquent tax interest	12,000	17,422	5,422
Investment interest	500	756	256
Fines and penalties:			
Traffic fines	8,000	10,237	2,237
Delinquent tax penalties	10,000	21,605	11,605
Miscellaneous			
Energy Efficiency grant	0	6,414	6,414
Miscellaneous - other	325	7,459	7,134
Total revenues	<u>1,896,464</u>	<u>1,963,539</u>	<u>67,075</u>
<b>EXPENDITURES</b>			
<b>Current Expenditures</b>			
<b>General government</b>			
Town officers	181,500	187,972	(6,472)
Employee benefits	131,100	129,303	1,797
Accounting & legal fees	26,400	23,286	3,114
Municipal building	19,900	17,281	2,619
Municipal operations	50,400	46,188	4,212
Computer equipment & services	14,500	12,589	1,911
Constable & animal control	4,350	3,127	1,223
Town clerk & treasurer	17,600	13,772	3,828
Planning and zoning	7,050	7,876	(826)

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE - COMPARED TO BUDGET  
GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Internal auditors	11,900	11,344	556
Lister	32,855	19,198	13,657
Education tax reconciliation payment	8,000	0	8,000
Vermont League of Cities and Towns	3,443	3,443	0
Central Vermont Regional Planning Comm.	3,605	3,605	0
Energy efficiencies	0	9,515	(9,515)
Interest expense	1,000	1,363	(363)
Miscellaneous other	0	8,125	(8,125)
Total general government	513,603	497,987	15,616
<b>Health and welfare</b>			
CV Solid Waste District	5,462	5,152	310
Northern Vt Resource	100	100	0
Total health and welfare	5,562	5,252	310
<b>Culture and recreation</b>			
Four Corners School Assoc	3,900	3,900	0
Kellogg Hubbard Library	32,296	32,296	0
Wrightsville Beach Recreation	1,350	1,329	21
Various other funding requests	27,049	25,594	1,455
Total culture and recreation	64,595	63,119	1,476
<b>Public safety</b>			
Law enforcement	27,550	26,865	685
Washington County expense	21,145	21,145	0
Ambulance service	95,542	95,542	0
Fire Department	98,096	98,096	0
Total public safety	242,333	241,648	685
<b>Highways and roads</b>			
Operations	486,163	354,629	131,534
Town garage cost	18,450	13,179	5,271
Repairs and maintenance	50,000	51,584	(1,584)
Highway labor	205,000	188,013	16,987
Total highways and roads	759,613	607,405	152,208
<b>Debt service</b>			
Principal payments	193,942	193,942	0

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE - COMPARED TO BUDGET  
GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Interest payments	<u>85,729</u>	<u>85,729</u>	<u>0</u>
Total debt service	<u>279,671</u>	<u>279,671</u>	<u>0</u>
 Total expenditures	 <u>1,865,377</u>	 <u>1,695,082</u>	 <u>170,295</u>
EXCESS OF REVENUES OVER (UNDER ) EXPENDITURES	 <u>31,087</u>	 <u>268,457</u>	 <u>237,370</u>
OTHER FINANCING SOURCES (USES)			
Transfer from VECAN Grant Fund	0	3,000	3,000
Transfer to Paving Fund	(70,087)	(70,087)	0
Transfer to Capital Reserve Fund	(50,000)	(50,000)	0
Transfer to Recreation Committee Fund	(3,000)	(3,000)	0
Transfer to Cemetery Commission Fund	(8,000)	(8,000)	0
Total other financing sources (uses)	<u>(131,087)</u>	<u>(128,087)</u>	<u>3,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	 <u>(100,000)</u>	 <u>140,370</u>	 <u>240,370</u>
EXTRAORDINARY ITEM			
Flood damage revenues	0	23,520	23,520
Flood damage expenditures	0	(10,664)	(10,664)
Total Extraordinary Item	<u>0</u>	<u>12,856</u>	<u>12,856</u>
Net Change in Fund Balances	<u>\$ (100,000)</u>	153,226	<u>\$ 253,226</u>
FUND BALANCE - JUNE 30, 2012		<u>375,342</u>	
FUND BALANCE - JUNE 30, 2013		<u>\$ 528,568</u>	

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

The Town of East Montpelier (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town is governed by a five-member Select Board. The Town provides various services as authorized and funded by State government or Town voters.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

*The Reporting Entity*

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, are set forth in GASB 14 as amended by GASB 39 and Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

Based on the aforementioned criteria, the Town has no component units.

*Government-Wide Financial Statements*

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the Town's activities are classified as governmental activities.

In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. The functions are also supported by general government revenue (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, operating and capital grants. Program revenue must be directly associated with the function (highway and streets, public safety, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by governmental function) are normally covered by general revenue (property taxes, intergovernmental revenue, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fund Financial Statements*

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenue and expenditures. The various funds are reported by major funds within the financial statements.

The emphasis in fund financial statements is on the major funds. GASB No. 34 and No. 37 set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds. The General Fund, the Capital Reserve Fund and the Paving Grant Fund are shown as major funds. All other funds are nonmajor and are combined in one column in the fund financial statements.

The Town reports on the following major governmental funds:

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

Capital Reserve Fund is used to account for funds set aside for the purpose of equipment capital purchases.

Paving Fund is used to account for funds set aside for the purpose of paving capital purchases.

*Basis of Accounting*

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

Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Property taxes are reported in the period for which levied. Other nonexchange revenue, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period. Property taxes and related revenues are considered available if collected within 60 days. All other revenue is considered available if collectible within six months.

Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and accrued compensated absences, claims and judgements, and certain prepaids which are recognized when due and payable.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Capital Assets*

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Equipment and vehicles	5-20 years
Infrastructure (roads, bridges, traffic signals, etc.)	10-50 years

*Interfund Activities*

During the course of normal operations, the Town of East Montpelier has transactions between funds including expenditures and transfers of resources to provide services, construct assets, and service debt. Interfund receivables and payables arise from transactions between funds and are recorded by all funds affected in the period in which the transactions are executed.

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

*Government-wide Net Position*

In July of 2012, the Town adopted GASB Statement No. 63. In June of 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the Statement of Net Position. Net resources invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and deferred inflows of resources attributable to either capital asset acquisition, construction or improvement. This amount is then increased by any deferred outflows of resources attributable to capital asset acquisition, construction, or improvement (to arrive at net investment in capital assets). Net position is reported as restricted when there are legal limitations imposed on its use by legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government-wide Net Position are divided into three components:

Investment in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted Net Position – consist of net position that are restricted by enabling legislation, by grantors, and by other contributions.

Unrestricted Net Position – all other net position are reported in this category.

The Town first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

*Fund Equity*

GASB Statement 54 “*Fund Balance Reporting and Governmental Type Definitions*” provides fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted fund balances - Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. federal and state grants, bondholders, trust and trustee accounts).

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the Board. Formal action must be taken prior to the end of the fiscal year (e.g. capital projects, etc.). The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned fund balances - Indicates the portion of fund equity that is set aside with the intent to be used for a specific purpose by the Board or body or official that has been given the authority to assign funds (e.g. encumbrances, subsequent budgets). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances - Indicates the portion of fund equity that has not been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

TOWN OF EAST MONTPELIER, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2013  
 (Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied in the following order:

1. Committed
2. Assigned
3. Unassigned

*Budgetary Adoption and Comparisons*

The Town approves a budget for the General Fund at an annual Town Meeting and the Board, based on the budget and Grand List, determines the tax rate. Formal budgetary accounting is employed as a management control device during the year for the General Fund. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The Town is not legally required to adopt a budget for the Capital Reserve Fund or the Paving Grant Fund, therefore budgetary comparisons are not presented for these funds.

*Use of Estimates*

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

**NOTE 2 – DEPOSITS AND INVESTMENTS**

The Treasurer is authorized to invest excess deposit and investments. There is no written formal policy.

Cash and investments are comprised of the following:

Cash	\$	834,526
Investments - Certificates of deposit with maturities greater than three months		317,660
Total		\$ 1,152,186

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The table below shows the custodial credit risk of the Town’s deposits.

Insured by FDIC	\$	527,810
Uninsured - collateralized		642,314
Uninsured		0
Total		\$ 1,170,124



TOWN OF EAST MONTPELIER, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2013  
 (Continued)

**NOTE 3 - NOTES RECEIVABLE, related DEFERRED REVENUE and DUE TO STATE**

*Note receivable -*

The Town has a note receivable at June 30, 2013 with The Housing Foundation, Inc. The Town has obtained a 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. The Town holds a \$295,816 note receivable with 3% interest, with terms, as amended in 2005, of monthly installments of \$1,319 from September 1, 2004 through October 1, 2005; deferral for five and a half (5.5) years, then continuation of monthly installments of \$1,319 until December 1, 2027 with a balloon payment due on December 1, 2027 for the remaining balance due at that time. The balance due on this loan at June 30, 2013 was \$295,816. Total principal payments received on this loan during fiscal year 2013 was \$6,844.

*Deferred Revenue -*

The above note receivable in the amount of \$295,816 is considered deferred revenue for fund financial statement purposes.

*Due to State-*

For the government wide statements, 50% of the amount was reported as revenue in prior years when the grant was received. The other 50% of loan repayments from The Housing Foundation, Inc. are due back to the Vermont Community Development Program as required under the initial grant terms. The amount payable as of June 30, 2013 was \$147,908.

**NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES**

Individual fund interfund receivable and payable balances at June 30, 2013 were:

	Interfund Receivable	Interfund Payables
General Fund	\$ 0	\$ 225,192
Capital Reserve Fund	83,958	0
Other Governmental Funds	141,234	0
	\$ 225,192	\$ 225,192

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE 5 - INTERFUND TRANSFERS**

During the year, interfund transfers occurred between funds. The operating transfers were made in accordance with budgetary authorizations. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)

**NOTE 5 - INTERFUND TRANSFERS (Continued)**

Interfund transfers for the fiscal year ended June 30, 2013 consisted of the following:

	Transfer In	Transfer Out
General Fund	\$ 0	\$ 128,087
Capital Reserve Fund	50,000	0
Paving Grant Fund	70,087	0
Other Governmental Funds	11,000	3,000
Totals	\$ 131,087	\$ 131,087

**NOTE 6 – CAPITAL ASSETS**

The summary of capital assets as of June 30, 2013 is as follows:

	Balance 06/30/12	Additions	Depreciation	Balance 06/30/13
Capital assets not depreciated - Land	\$ 115,600	\$ 0	\$ 0	\$ 115,600
Capital assets being depreciated				
Buildings	2,271,338	0	0	2,271,338
Equipment and vehicles	1,055,318	0	0	1,055,318
Infrastructure	1,105,966	245,087	0	1,351,053
Total capital assets being depreciated	4,432,622	245,087	0	4,677,709
Less accumulated depreciation for:				
Buildings	165,378	0	45,412	210,790
Equipment and vehicles	349,523	0	94,314	443,837
Infrastructure	253,659	0	121,859	375,518
Total accumulated depreciation	768,560	0	261,585	1,030,145
Total capital assets, net	\$ 3,779,662	\$ 245,087	\$ (261,585)	\$ 3,763,164

Depreciation expense of \$261,585 was charged as follows: general government \$40,311, highway and road \$220,541 and health and welfare (Cemetery) \$733.

**NOTE 7 – SHORT TERM DEBT**

The following is a summary of the changes in short-term debt:

Balance June 30, 2012	\$ 0
Proceeds from tax anticipation note	300,000
Principal payments	(300,000)
Balance June 30, 2013	\$ 0

The total amount of short-term interest paid during fiscal year 2013 was \$1,363.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)

**NOTE 8 – LONG-TERM DEBT**

Long-term debt at June 30, 2013 consisted of the following:

	Total		Due in one year
Emergency facility bond note to Vermont Municipal Bond Bank, annual principal payment of \$105,000 plus semi-annual interest payments at 1.54%-5.05%, due Nov. 15, 2030.	1,890,000	**	105,000
Bucket loader note payable to Kansas State Bank, annual principal and interest payments of \$24,143 at 5.525% interest, due June 1, 2014.	22,844		22,844
Excavator note payable to Kansas State Bank, annual principal and interest payments of \$27,953 at 3.35% interest, due August 15, 2016.	102,947		24,465
Mack Truck note payable to Kansas State Bank, annual principal and interest payments of \$30,594 at 2.73% interest, due April 10, 2016.	86,947		28,198
Total long-term notes payable	\$ 2,102,738		\$ 180,507

\*\* See Note 14 - Commitments & Contingencies regarding the  
Town of Calais commitment to assist in the repayment of this loan.

Changes in long-term debt are as follows:

	June 30, 2012	Addition	Reduction	June 30, 2013
Note and Bond payable	\$ 2,324,122	\$ 0	\$ (221,384)	\$ 2,102,738

The total amount of interest paid on these long-term debts during fiscal year 2013 was \$88,880, of which \$25,604 was reimbursed by the Town of Calais (see note above) resulting in \$63,276 net interest paid.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)

**NOTE 8 – LONG-TERM DEBT (Continued)**

The maturity of the long-term debt is as follows:

Year ending:	Principal	Interest	Total
June 30, 2014	\$ 180,507	\$ 81,768	\$ 262,275
June 30, 2015	159,270	76,796	236,066
June 30, 2016	160,924	72,416	233,340
June 30, 2017	132,037	67,560	199,597
June 30, 2018	105,000	63,116	168,116
June 30, 2019 - 2023	525,000	255,344	780,344
June 30, 2024 - 2028	525,000	140,684	665,684
June 30, 2029 - 2036	315,000	23,678	338,678
Total	<u>\$ 2,102,738</u>	<u>\$ 781,362</u>	<u>\$ 2,884,100</u>

**NOTE 9 – RESTRICTED NET POSITION AND ASSIGNED FUND BALANCES**

The restricted funds consist of the following as of June 30, 2013:

	<u>Restricted</u>
Bridge & culvert projects	\$ 1,168
Town Forest	26,759
Veterans' Memorial	1,396
Land conservation	25,016
Reappraisal reserve	46,379
Community development (Sandy Pines)	29,002
Recreation Committee	8,585
Rally Day Fund	145
Cemetery Trust	107,890
C. Smith Recreation	50,373
Total Restricted Fund Balance	296,713
Community development	147,908
Total Restricted Net Position	<u>\$ 444,621</u>

The assigned funds of \$434,906 are broken down on Exhibit C. The \$34,602 in the other governmental funds is for the Emergency Services Facility Fund.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)

**NOTE 10 - PROPERTY TAXES**

The Town is responsible for assessing and collecting property taxes for both the Town and Town School District. Property taxes are assessed based on valuations as of April 1, annually. Property taxes for the fiscal year ended June 30, 2013 were due on November 17, 2012 and May 15, 2013. All late payments are subject to a 1% per month interest if paid after the previously noted due dates; and 8% penalty after the May 15, 2013 due date.

The Town tax rate approved for the fiscal year ended June 30, 2013 was \$.5468.

**NOTE 11 - PENSION PLAN**

*Vermont Municipal Employees' Retirement System*

The employees of the Town are eligible for coverage by the Vermont Municipal Employees' Retirement System (VMERS). VMERS is a cost sharing multiple-employer public employees' retirement system. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The Town and the employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

There are three levels of contributions and benefits in the System called Group A, Group B and Group C. The Town's members participate in Group B. Under Group B, the employee contributions are 4.5% and employer contributions are 5.0% of gross pay.

Of the Town's total payroll of \$401,111, \$266,276 was covered under the Vermont Municipal Employees' Retirement System. Total employer contributions to the Vermont Municipal Employees' Retirement Plan were \$13,314 for fiscal year 6/30/13, \$12,461 for fiscal year 6/30/12, and \$14,394 for fiscal year 6/30/11.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

*Defined Contribution Plan*

The State of Vermont authorized VMERS to establish a new defined contribution (DC) plan available to members on July 1, 2000. The DC plan is a tax-sheltered money purchase plan under IRC 401(a). The plan includes a 5% employee contribution and a 5.125% employer contribution. 100% vesting occurs after one year of municipal service. Of the Town's total payroll of \$401,111, \$60,494 was covered under the VMERS defined contribution plan.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)

**NOTE 12 – EXTRAORDINARY ITEM**

Record flooding in the Spring of 2012 caused extensive damage throughout the State of Vermont. The Town of East Montpelier suffered infrastructure damage as a result of this flooding. Claims were filed with the Federal Emergency Management Agency (FEMA) and the State of Vermont to recoup a portion of these costs. Over three different fiscal years ending in fiscal year 2013, expenditures totaled \$292,838 and flood reimbursements totaled \$265,340. The final cost and reimbursement occurred in fiscal year 2013 and are reflected on the financial statements.

**NOTE 13 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Town maintains commercial insurance coverage 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 commercial coverage in any of the past three (3) fiscal years.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

On June 30, 2010, the Town signed a Financing and Land Use Agreement with the Town of Calais relating to the land and building constructed for the fire and ambulance services. The property is owned and the bonding commitment of \$2,100,000 is a commitment of the Town of East Montpelier. In exchange for the use of this property, the Town of Calais has agreed to reimburse the Town of East Montpelier one-third of the annual bond principal and interest payment for twenty years. (See Note 8). All future improvements to the property shall be split two-thirds by the Town of East Montpelier and one-third by the Town of Calais. After full payment of the bond debt, if either town wishes to terminate this agreement, an appraisal will be done of the property where the buy out amount between the two parties will be two-thirds fair market value to the Town of East Montpelier and one-third fair market value to the Town of Calais.

**NOTE 15 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 29, 2013, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure.

TOWN OF EAST MONTPELIER, VERMONT

SCHEDULE 1

COMBING BALANCE SHEET -  
OTHER GOVERNMENTAL FUNDS

JUNE 30, 2013

	Capital Projects	Special Revenue Funds										Permanent Funds	Total	
	Emergency Services Facility Fund	Cemetery Fund	Bridge & Culvert Projects	Town Forest	Veterans' Memorial	Land Conservation	Reappraisal Reserve	Community Development (Sandy Pines)	Fireworks Fund	Recreation Committee	Rally Day Fund	VECAN Grant		C. Smith Recreation Fund
<b>ASSETS</b>														
Cash	\$ 0	\$ 85,288	\$ 0	\$ 23,619	\$ 0	\$ 22,589	\$ 0	\$ 0	\$ 0	\$ 8,715	\$ 0	\$ 0	\$ 50,000	\$ 190,211
Due from other funds	34,602	22,602	1,168	3,140	1,396	2,427	46,379	29,002	0	0	145	0	373	141,234
Note receivable	0	0	0	0	0	0	0	295,816	0	0	0	0	0	295,816
<b>Total assets</b>	<b>\$ 34,602</b>	<b>\$ 107,890</b>	<b>\$ 1,168</b>	<b>\$ 26,759</b>	<b>\$ 1,396</b>	<b>\$ 25,016</b>	<b>\$ 46,379</b>	<b>\$ 324,818</b>	<b>\$ 0</b>	<b>\$ 8,715</b>	<b>\$ 145</b>	<b>\$ 0</b>	<b>\$ 50,373</b>	<b>\$ 627,261</b>
<b>LIABILITIES AND FUND BALANCES</b>														
<b>Liabilities</b>														
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 130	\$ 0	\$ 0	\$ 0	\$ 130
Deferred revenue	0	0	0	0	0	0	0	295,816	0	0	0	0	0	295,816
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>295,816</b>	<b>0</b>	<b>130</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>295,946</b>
<b>Fund Balances -</b>														
<b>Restricted:</b>														
Non-expendable	0	0	0	0	0	0	0	0	0	0	0	0	50,000	50,000
Expendable	0	0	0	0	0	0	0	0	0	0	0	0	373	373
Special revenue purposes	0	107,890	1,168	26,759	1,396	25,016	46,379	29,002	0	8,585	145	0	0	246,340
<b>Assigned:</b>														
Capital projects purposes	34,602	0	0	0	0	0	0	0	0	0	0	0	0	34,602
<b>Total fund balances</b>	<b>34,602</b>	<b>107,890</b>	<b>1,168</b>	<b>26,759</b>	<b>1,396</b>	<b>25,016</b>	<b>46,379</b>	<b>29,002</b>	<b>0</b>	<b>8,585</b>	<b>145</b>	<b>0</b>	<b>50,373</b>	<b>331,315</b>
<b>Total liabilities and fund balances</b>	<b>\$ 34,602</b>	<b>\$ 107,890</b>	<b>\$ 1,168</b>	<b>\$ 26,759</b>	<b>\$ 1,396</b>	<b>\$ 25,016</b>	<b>\$ 46,379</b>	<b>\$ 324,818</b>	<b>\$ 0</b>	<b>\$ 8,715</b>	<b>\$ 145</b>	<b>\$ 0</b>	<b>\$ 50,373</b>	<b>\$ 627,261</b>

TOWN OF EAST MONTPELIER, VERMONT

SCHEDULE 2

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
OTHER GOVERNMENTAL FUNDS

FISCAL YEAR ENDED JUNE 30, 2013

	Capital Projects	Special Revenue Funds											Permanent Funds	Total
	Emergency Services Facility Fund	Cemetery Fund	Bridge & Culvert Reserve	Town Forest	Veterans' Memorial	Land Conservation	Reappraisal Reserve	Community Development (Sandy Pines)	Fireworks Fund	Recreation Committee	Rally Day Fund	VECAN & VLCT Grant	C. Smith Recreation Fund	
<b>REVENUES</b>														
Intergovernmental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,372	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,372
Fees	0	0	0	0	0	0	0	0	0	7,676	0	0	0	7,676
Interest	43	185	1	3	5	82	34	9,012	35	0	0	0	258	9,658
Miscellaneous	0	3,950	0	0	0	0	0	6,844	0	0	2,878	3,888	0	17,560
<b>Total revenues</b>	<b>43</b>	<b>4,135</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>82</b>	<b>11,406</b>	<b>15,856</b>	<b>35</b>	<b>7,676</b>	<b>2,878</b>	<b>3,888</b>	<b>258</b>	<b>46,266</b>
<b>EXPENDITURES</b>														
General government	0	0	0	0	0	0	0	8,586	0	0	0	0	0	8,586
Health and welfare	550	11,508	0	0	0	0	0	0	0	0	0	3,888	0	15,946
Culture and recreation	0	0	0	0	0	0	0	0	169	9,114	2,898	0	1,950	14,131
<b>Total expenditures</b>	<b>550</b>	<b>11,508</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,586</b>	<b>169</b>	<b>9,114</b>	<b>2,898</b>	<b>3,888</b>	<b>1,950</b>	<b>38,663</b>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>(507)</b>	<b>(7,373)</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>82</b>	<b>11,406</b>	<b>7,270</b>	<b>(134)</b>	<b>(1,438)</b>	<b>(20)</b>	<b>0</b>	<b>(1,692)</b>	<b>7,603</b>
<b>OTHER FINANCING SOURCES (USES):</b>														
Transfer from(to) General Fund	0	8,000	0	0	0	0	0	0	0	3,000	0	(3,000)	0	8,000
<b>Total other financing     sources (uses)</b>	<b>0</b>	<b>8,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>(3,000)</b>	<b>0</b>	<b>8,000</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b>	<b>(507)</b>	<b>627</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>82</b>	<b>11,406</b>	<b>7,270</b>	<b>(134)</b>	<b>1,562</b>	<b>(20)</b>	<b>(3,000)</b>	<b>(1,692)</b>	<b>15,603</b>
<b>FUND BALANCES - JUNE 30, 2012</b>	<b>35,109</b>	<b>107,263</b>	<b>1,167</b>	<b>26,756</b>	<b>1,391</b>	<b>24,934</b>	<b>34,973</b>	<b>21,732</b>	<b>134</b>	<b>7,023</b>	<b>165</b>	<b>3,000</b>	<b>52,065</b>	<b>315,712</b>
<b>FUND BALANCES - JUNE 30, 2013</b>	<b>\$ 34,602</b>	<b>\$ 107,890</b>	<b>\$ 1,168</b>	<b>\$ 26,759</b>	<b>\$ 1,396</b>	<b>\$ 25,016</b>	<b>\$ 46,379</b>	<b>\$ 29,002</b>	<b>\$ 0</b>	<b>\$ 8,585</b>	<b>\$ 145</b>	<b>\$ 0</b>	<b>\$ 50,373</b>	<b>\$ 331,315</b>



# FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA  
Michael L. Segale, CPA  
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Donald J. Murray, CPA

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Selectboard  
Town of East Montpelier, Vermont  
East Montpelier, Vermont

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of East Montpelier, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of East Montpelier's basic financial statements and have issued our report thereon dated October 29, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of East Montpelier'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of East Montpelier'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 by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

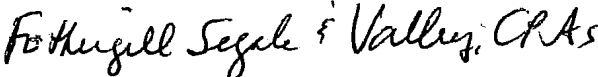
### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,

  
FOTHERGILL SEGALE & VALLEY, CPAs  
Vermont Public Accountancy License #110  
Montpelier, Vermont

October 29, 2013