

**TOWN OF EAST MONTPELIER, VERMONT  
AUDIT REPORT AND FINANCIAL STATEMENTS  
JUNE 30, 2012**

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# FOTHERGILL SEGALE & VALLEY

*Certified Public Accountants*



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## INDEPENDENT AUDITOR'S REPORT

January 14, 2013

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

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, 2012, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

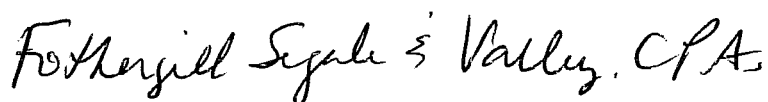
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of East Montpelier as of June 30, 2012, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2013, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of East Montpelier's financial statements. The accompanying supplementary Schedules 1 and 2 are presented for purposes of additional analysis and are not required part of the financial statements. Such information is the responsibility of management and were derived from and related 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 supplementary Schedules 1 and 2 are fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,



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

TOWN OF EAST MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012

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, 2012. 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**

During fiscal year 2012, the Town switched from the modified cash basis of accounting to the accrual basis for the Government-wide statements and modified accrual for the Fund financial statements. Therefore, the requirement to reflect comparisons between fiscal year 2011 and 2012 was not presented in this section. The comparative information would not be meaningful. Future analysis will include comparisons to prior years.

#### *Government-Wide Financial Statements:*

- The Town's net assets increased as a result of this year's operations by \$153,988.
- The cost of all of the Town's operations for the fiscal year ended June 30, 2012 was \$1,781,619.

#### *Fund Financial Statements:*

- The Town's total General Fund increased by \$41,382, which was \$136,382 better than budget.
- The Capital Reserve fund fund balance decreased by \$274,287. This decrease was mainly due to paving costs above and beyond the general fund transfer in for fiscal year 2012.
- The various other governmental fund balances increased by \$10,807, from \$304,905 to \$315,712.

### **Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets 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.

#### *Basis of Accounting*

The Town has elected for the fiscal year June 30, 2012 to switch its accounting method from the cash basis to the accrual basis. See Note 1 in the Notes to the Financial Statements (page 19) for the explanation of this method.

#### *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

TOWN OF EAST MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012  
(Continued)

result of the year's activities?" The Statement of Net Assets 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 assets and changes in them. You can think of the Town's net assets – 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 assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

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

#### *Reporting the Town's Most Significant Funds*

Our analysis of the financial statements of the Town's major governmental funds is reflected on 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 is the General Fund, which contains most of the Town's operations and the Capital Reserve fund, which contains the activity for equipment and 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 Assets and the Statement of Activities) and governmental funds in Exhibits D and F.

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

This is the first year the Town is using the accrual basis of accounting (See "Basis on Accounting: note on page 3.) As a result, the June 30, 2011 amounts on the following Table 1 are restated to reflect accrual basis versus cash basis. Since it is the first year the statements are presented using the accrual basis of accounting, the prior year comparative information that is usually presented in Table

TOWN OF EAST MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012  
(Continued)

2 and Table 3 will not be presented since the comparative information will not be meaningful. Future analysis will include comparisons to prior years.

Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

Table 1 - Net Assets

|  | <u>6/30/2012</u>    | <u>6/30/2011</u><br>(As Restated) | <u>Net Change</u> |
|--|---------------------|-----------------------------------|-------------------|
| Current and other assets                           | \$ 1,449,398        | \$ 1,709,557                      | \$ (260,159)      |
| Capital assets                                     | <u>3,779,662</u>    | <u>3,262,968</u>                  | <u>516,694</u>    |
| Total assets                                       | <u>5,229,060</u>    | <u>4,972,525</u>                  | <u>256,535</u>    |
| Current liabilities and other liabilities          | <u>282,272</u>      | <u>245,612</u>                    | <u>36,660</u>     |
| Note payable due within one year                   | 221,383             | 175,113                           | 46,270            |
| Note payable due after one year                    | <u>2,102,739</u>    | <u>2,083,122</u>                  | <u>19,617</u>     |
| Total liabilities                                  | <u>2,606,394</u>    | <u>2,503,847</u>                  | <u>102,547</u>    |
| Net Assets:  |                     |                                   |                   |
| Invested in capital assets,<br>net of related debt | 1,455,540           | 1,004,733                         | 450,807           |
| Restricted   | 431,933             | 407,698                           | 24,235            |
| Unrestricted                                       | <u>735,193</u>      | <u>1,056,247</u>                  | <u>(321,054)</u>  |
| Total net assets                                   | <u>\$ 2,622,666</u> | <u>\$ 2,468,678</u>               | <u>\$ 153,988</u> |

Table 2- Change in Net Assets

|  | <u>6/30/2012</u>  |
|--|-------------------|
| REVENUES                                     |                   |
| General revenue:                             |                   |
| Property taxes                               | \$ 1,468,252      |
| Earnings on investments                      | 27,476            |
| Other general revenue                        | 36,306            |
| Program revenue:                             |                   |
| Charges for services                         | 76,099            |
| Operating & capital grants and contributions | <u>301,870</u>    |
| Total revenues                               | <u>1,910,003</u>  |
| PROGRAM EXPENSES                             |                   |
| Highways and roads                           | 800,173           |
| General government                           | 553,181           |
| Public safety                                | 236,485           |
| Culture and recreation                       | 69,909            |
| Health and welfare                           | 35,438            |
| Interest on long-term debt                   | <u>86,433</u>     |
| Total program expenses                       | <u>1,781,619</u>  |
| Extraordinary Item - net                     | <u>25,604</u>     |
| Increase (decrease) in net assets            | <u>\$ 153,988</u> |

TOWN OF EAST MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012  
(Continued)

Unrestricted net assets is the part of net assets 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 assets changed from a \$1,056,247 balance at June 30, 2011, to an \$735,193 balance at June 30, 2012 for the governmental activities.

The Town's combined net assets increased by \$153,988 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

|                        | 6/30/2012                 |                         |
|------------------------|---------------------------|-------------------------|
|                        | Total Cost<br>of Services | Net Cost<br>of Services |
| Highways and roads     | \$ 800,173                | \$ 655,489              |
| General government     | 553,181                   | 325,945                 |
| Public safety          | 236,485                   | 236,485                 |
| Culture and recreation | 69,909                    | 63,860                  |
| Health and welfare     | 35,438                    | 35,438                  |
| Other cost             | 86,433                    | 86,433                  |
| Total                  | \$ 1,781,619              | \$ 1,403,650            |

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

As the Town completed the fiscal year June 30, 2012, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$890,429, which is approximately 20% lower than fiscal year ended June 30, 2011 total fund balance of \$1,112,527.

*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 \$41,382 which is \$136,382 better than budget.

TOWN OF EAST MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012  
(Continued)

The larger variances are as follows:

|   | Budget       | Actual       | Variance<br>Favorable<br>(Unfavorable) |
|---|--------------|--------------|--|
| <b>Revenues and other sources:</b>        |              |              |  |
| Property Taxes                            | \$ 1,482,951 | \$ 1,510,287 | \$ 27,336                              |
| Enhancement grant                         | 0            | 20,000       | 20,000                                 |
| Insurance reimbursements                  | 0            | 23,900       | 23,900                                 |
| Loan proceeds                             | 0            | 240,999      | 240,999                                |
| <b>Expenditures:</b>                      |              |              |  |
| General government - Enhancement grant    | 2,500        | 22,522       | (20,022)                               |
| General government - Municipal building   | 21,000       | 39,669       | (18,669)                               |
| Highway & roads - repairs and maintenance | 40,000       | 58,189       | (18,189)                               |
| Highway equipment purchases               | 0            | 240,999      | (240,999)                              |

The reasons for these variances are as follows:

Property Taxes: The main increase in property tax revenue is the change of taxes collected within 60 days after this fiscal year end compared to the last fiscal year end. Under the accrual basis of accounting, property taxes not received within 60 days of the year end is not reflected in revenue but shown as deferred revenue.

Enhancement grant revenue and expenditures: The \$20,000 unbudgeted grant covers the the unbudgeted related expenditures of \$20,000.

Insurance reimbursements and Municipal building: There was water damage incurred at the Town office of \$24,400 which was covered by insurance except for the \$500 deductible, resulting in the unbudgeted \$23,900 revenue. Of the municipal building variance of \$18,669, \$24,400 unbudgeted cost is included.

Highway and roads – repairs and maintenance: The variance of \$18,189 is the result some unanticipated equipment repairs, which resulted in some equipment purchases. See following item.

Loan proceeds and Highway equipment purchases: During the year, the Board voted to purchase some highway equipment, an Excavator and a Mack Truck, and finance it through the trade-in of other highway equipment and with loan proceeds, resulting in the \$240,999 variances.



TOWN OF EAST MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012  
(Continued)

**Capital Assets and Debt Administration**

*Capital Assets*

At June 30, 2012, the Town had \$3,779,662 invested in capital assets, net of depreciation, including buildings, equipment, vehicles and infrastructure (See table below). This represents a net increase of \$516,694 to June 30, 2011.

Capital Assets at Year-End  
(Net of depreciation)

|                        | Governmental Activities |              |
|------------------------|-------------------------|--------------|
|                        | 6/30/2012               | 6/30/2011    |
| Land                   | \$ 115,600              | \$ 115,600   |
| Buildings              | 2,105,960               | 2,151,372    |
| Equipment and vehicles | 705,795                 | 523,651      |
| Infrastructure         | 852,307                 | 472,345      |
| Totals                 | \$ 3,779,662            | \$ 3,262,968 |

The capital asset additions during the fiscal year were an excavator, a Mack truck and paving.

*Debt* - At June 30, 2012, the Town had \$2,324,122 in notes outstanding versus \$2,258,235 on June 30, 2011 – an increase of 65,887.

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

The Town's elected and appointed officials considered many factors when setting the fiscal year 2013 budget for Town operations. There was a continued desire to minimize any budget increase due to concerns over the weak economy. Three factors made a level-funded budget impractical: highway equipment and maintenance costs continue to rise, although the purchase of new equipment under a regularly-scheduled plan should help moderate that trend; employee costs necessarily increased due to the split of the town clerk and town treasurer positions; and, budget lines for grounds maintenance, land records, and computer services were substantially increased to more accurately reflect the needs of the community. Fortunately, once again the use of the Town's fund balance lessened the net effect of these increases on the tax rate.

**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 ASSETS

JUNE 30, 2012

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>ASSETS</b>   |                                    |
| Cash and investments  | \$ 939,850                         |
| Delinquent taxes  | 145,918                            |
| Due from State of Vermont   | 60,970                             |
| Note receivable   | 302,660                            |
| Land  | 115,600                            |
| Property, equipment, and infrastructure (net of allowance<br>for depreciation of \$768,560) | <u>3,664,062</u>                   |
| Total assets  | <u>5,229,060</u>                   |
| <b>LIABILITIES</b>  |                                    |
| Accounts payable  | 86,397                             |
| Accrued payroll expenses  | 21,025                             |
| Deferred revenue  | 23,520                             |
| Due to State  | 151,330                            |
| Long-term debt:   |                                    |
| Note payable due within one year  | 221,383                            |
| Note payable due after one year   | <u>2,102,739</u>                   |
| Total liabilities   | <u>2,606,394</u>                   |
| <b>NET ASSETS</b>   |                                    |
| Unrestricted  | 735,193                            |
| Restricted  | 431,933                            |
| Invested in capital assets, net of related debt   | <u>1,455,540</u>                   |
| Total net assets  | <u><u>\$ 2,622,666</u></u>         |

TOWN OF EAST MONTPELIER, VERMONT  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2012

EXHIBIT B

| Functions/Programs                             | Expenses     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Net (Expense)<br>Revenue and<br>Change in<br>Net Assets<br>Total |
|--|--------------|-------------------------|--|--|
| Governmental Activities:                       |              |                         |  |  |
| Highways and roads                             | \$ 800,173   | \$ 0                    | \$ 144,684                               | \$ (655,489)   |
| General government                             | 553,181      | 70,050                  | 157,186                                  | (325,945)  |
| Public safety                                  | 236,485      | 0                       | 0  | (236,485)  |
| Culture and recreation                         | 69,909       | 6,049                   | 0  | (63,860)   |
| Health and welfare                             | 35,438       | 0                       | 0  | (35,438)   |
| Interest on long-term debt                     | 86,433       | 0                       | 0  | (86,433)   |
| Total governmental activities                  | \$ 1,781,619 | \$ 76,099               | \$ 301,870                               | (1,403,650)  |
| General Revenues:                              |              |                         |  |  |
| Property taxes                                 |              |                         |  | 1,468,252  |
| Interest revenue                               |              |                         |  | 27,476   |
| Other general revenue                          |              |                         |  | 36,306   |
| Total general revenues                         |              |                         |  | 1,532,034  |
| Change in net assets before extraordinary item |              |                         |  | 128,384  |
| Extraordinary Item:                            |              |                         |  |  |
| Flood damage expenses                          |              |                         |  | (40,593)   |
| Flood damage reimbursements                    |              |                         |  | 66,197   |
| Total extraordinary item                       |              |                         |  | 25,604   |
| Change in net assets                           |              |                         |  | 153,988  |
| Net assets - June 30, 2011:                    |              |                         |  |  |
| As originally stated                           |              |                         |  | 2,032,578  |
| Accounting change                              |              |                         |  | 436,100  |
| As restated                                    |              |                         |  | 2,468,678  |
| Net assets - June 30, 2012                     |              |                         |  | \$ 2,622,666   |

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2012

|  | Major Funds  |                      | Nonmajor Funds           |                          |
|--|--------------|----------------------|--------------------------|--------------------------|
|  | General Fund | Capital Reserve Fund | Other Governmental Funds | Total Governmental Funds |
| <b>ASSETS</b>                                |              |                      |                          |                          |
| Cash and investments                         | \$395,694    | \$229,968            | \$ 314,188               | \$ 939,850               |
| Delinquent taxes,<br>and interest receivable | 145,918      | 0                    | 0                        | 145,918                  |
| Due from State of Vermont                    | 60,970       | 0                    | 0                        | 60,970                   |
| Due from other funds                         | 0            | 0                    | 3,000                    | 3,000                    |
| Note receivable                              | 0            | 0                    | 302,660                  | 302,660                  |
| Total assets                                 | \$602,582    | \$229,968            | \$ 619,848               | \$ 1,452,398             |
| <b>LIABILITIES AND FUND BALANCES</b>         |              |                      |                          |                          |
| <b>Liabilities</b>                           |              |                      |                          |                          |
| Accounts payable                             | \$ 55,804    | \$ 30,593            | \$ 0                     | \$ 86,397                |
| Accrued payroll expenses                     | 21,025       | 0                    | 0                        | 21,025                   |
| Deferred revenue - taxes                     | 125,367      | 0                    | 0                        | 125,367                  |
| Deferred revenue - grants                    | 23,520       | 0                    | 302,660                  | 326,180                  |
| Due to other funds                           | 1,524        | 0                    | 1,476                    | 3,000                    |
| Total liabilities                            | 227,240      | 30,593               | 304,136                  | 561,969                  |
| <b>Fund Balances</b>                         |              |                      |                          |                          |
| <b>Restricted:</b>                           |              |                      |                          |                          |
| <b>Permanent:</b>                            |              |                      |                          |                          |
| Non-expendable                               | 0            | 0                    | 50,000                   | 50,000                   |
| Expendable                                   | 0            | 0                    | 2,065                    | 2,065                    |
| Special revenue purposes                     | 0            | 0                    | 228,538                  | 228,538                  |
| <b>Assigned:</b>                             |              |                      |                          |                          |
| FY 13 expenditures                           | 100,000      | 0                    | 0                        | 100,000                  |
| Capital project purposes                     | 0            | 199,375              | 35,109                   | 234,484                  |
| GEO Maps purposes                            | 6,000        | 0                    | 0                        | 6,000                    |
| Fire Station #1 purposes                     | 4,904        | 0                    | 0                        | 4,904                    |
| Unassigned                                   | 264,438      | 0                    | 0                        | 264,438                  |
| Total fund balances                          | 375,342      | 199,375              | 315,712                  | 890,429                  |
| Total liabilities and fund balances          | \$602,582    | \$229,968            | \$ 619,848               | \$ 1,452,398             |

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

JUNE 30, 2012

|  |                            |
|--|----------------------------|
| TOTAL FUND BALANCES - GOVERNMENTAL FUNDS   | \$ 890,429                 |
| Amounts reported for governmental activities in the statement of net assets 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 \$4,548,222, and the accumulated depreciation is \$768,560. | 3,779,662                  |
| Deferred tax revenues are recognized as earned on the accrual basis in the statement of net assets, not the modified accrual basis.  | 125,367                    |
| Community development loan programs are revenue of \$302,660 net repayment portion payable of \$151,330 is revenue in government wide statements but not in the fund statements.   | 151,330                    |
| 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>(2,324,122)</u>         |
| TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES   | <u><u>\$ 2,622,666</u></u> |

TOWN OF EAST MONTPELIER, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FISCAL YEAR ENDED JUNE 30, 2012

EXHIBIT E

|                                       | Major Funds       |                            | Nonmajor<br>Funds              | Total<br>Governmental<br>Funds |
|---------------------------------------|-------------------|----------------------------|--------------------------------|--------------------------------|
|                                       | General<br>Fund   | Capital<br>Reserve<br>Fund | Other<br>Governmental<br>Funds |                                |
| <b>REVENUES</b>                       |                   |                            |                                |                                |
| Property taxes                        | \$ 1,510,287      | \$ 0                       | \$ 0                           | \$ 1,510,287                   |
| Licenses and fees                     | 47,303            | 0                          | 6,049                          | 53,352                         |
| Intergovernmental                     | 290,527           | 0                          | 11,343                         | 301,870                        |
| Fines and penalties                   | 22,747            | 0                          | 0                              | 22,747                         |
| Interest                              | 16,485            | 674                        | 10,317                         | 27,476                         |
| Other revenue                         | 30,511            | 0                          | 11,108                         | 41,619                         |
| Total revenues                        | <u>1,917,860</u>  | <u>674</u>                 | <u>38,817</u>                  | <u>1,957,351</u>               |
| <b>EXPENDITURES</b>                   |                   |                            |                                |                                |
| Current expenditures                  |                   |                            |                                |                                |
| General government                    | 512,445           | 0                          | 1,991                          | 514,436                        |
| Health and welfare                    | 5,537             | 0                          | 29,168                         | 34,705                         |
| Culture and recreation                | 61,058            | 0                          | 8,851                          | 69,909                         |
| Public safety                         | 236,485           | 0                          | 0                              | 236,485                        |
| Highways and roads                    | 642,376           | 0                          | 0                              | 642,376                        |
| Debt service                          |                   |                            |                                |                                |
| Principal                             | 175,112           | 0                          | 0                              | 175,112                        |
| Interest                              | 86,433            | 0                          | 0                              | 86,433                         |
| Capital outlay                        | 240,999           | 474,961                    | 0                              | 715,960                        |
| Total expenditures                    | <u>1,960,445</u>  | <u>474,961</u>             | <u>40,010</u>                  | <u>2,475,416</u>               |
| <b>EXCESS REVENUES (EXPENDITURES)</b> | <u>(42,585)</u>   | <u>(474,287)</u>           | <u>(1,193)</u>                 | <u>(518,065)</u>               |
| <b>OTHER FINANCING SOURCES (USES)</b> |                   |                            |                                |                                |
| Loan proceeds                         | 240,999           | 0                          | 0                              | 240,999                        |
| Transfers in                          | 0                 | 200,000                    | 12,000                         | 212,000                        |
| Transfers out                         | (212,000)         | 0                          | 0                              | (212,000)                      |
| Total other financing sources (uses)  | <u>28,999</u>     | <u>200,000</u>             | <u>12,000</u>                  | <u>240,999</u>                 |
| <b>EXTRAORDINARY ITEM</b>             |                   |                            |                                |                                |
| Flood damage revenues                 | 95,561            | 0                          | 0                              | 95,561                         |
| Flood damage expenditures             | (40,593)          | 0                          | 0                              | (40,593)                       |
| Total Extraordinary Item              | <u>54,968</u>     | <u>0</u>                   | <u>0</u>                       | <u>54,968</u>                  |
| <b>Net change in fund balances</b>    | <u>41,382</u>     | <u>(274,287)</u>           | <u>10,807</u>                  | <u>(222,098)</u>               |
| <b>FUND BALANCES -</b>                |                   |                            |                                |                                |
| June 30, 2011, as originally stated   | 249,278           | 473,662                    | 304,905                        | 1,027,845                      |
| Accounting change                     | 84,682            | 0                          | 0                              | 84,682                         |
| June 30, 2011, as restated            | <u>333,960</u>    | <u>473,662</u>             | <u>304,905</u>                 | <u>1,112,527</u>               |
| <b>FUND BALANCES - June 30, 2012</b>  | <u>\$ 375,342</u> | <u>\$ 199,375</u>          | <u>\$ 315,712</u>              | <u>\$ 890,429</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, 2012

|  |    |           |
|--|----|-----------|
| TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS   | \$ | (222,098) |
| 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 assets.   |    | 175,112   |
| Long-term loan proceeds are reported as revenue on the fund financial statements, but these proceeds increase long-term liabilities in the statement of net assets.  |    | (240,999) |
| Earned grant revenue not received within six months of the year end is not reported as revenue in the fund statements but is reported in the government wide statement. \$29,364 of prior year revenue is reported in the current year for the fund statements.  |    | (29,364)  |
| Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis. The deferred property taxes decreased by \$42,035.   |    | (42,035)  |
| Net community development loan repayments are reported as revenue in the year received in the fund statements but not in the government wide statements.   |    | (3,322)   |
| 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 capital outlays net of disposals and adjustments \$715,960 exceeds depreciation expense \$199,266 in the period. |    | 516,694   |
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES  | \$ | 153,988   |

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

FISCAL YEAR ENDED JUNE 30, 2012

|                                  | Original<br>and Final<br>Budget | Actual           | Variance<br>Favorable<br>(Unfavorable) |
|----------------------------------|---------------------------------|------------------|--|
| <b>REVENUES</b>                  |                                 |                  |  |
| Property taxes                   | \$ 1,482,951                    | \$ 1,510,287     | \$ 27,336                              |
| Licenses and fees:               |                                 |                  |  |
| Recording fees                   | 20,000                          | 24,000           | 4,000                                  |
| School services fee              | 9,000                           | 9,244            | 244                                    |
| Education retention fees         | 4,000                           | 0                | (4,000)                                |
| Other fees                       | 15,150                          | 14,059           | (1,091)                                |
| Intergovernmental:               |                                 |                  |  |
| Current use hold harmless taxes  | 60,000                          | 74,083           | 14,083                                 |
| Highway aid                      | 130,000                         | 124,684          | (5,316)                                |
| Pilot program grant              | 4,000                           | 3,860            | (140)                                  |
| Enhancement grant                | 0                               | 20,000           | 20,000                                 |
| Loan reimbursement - Calais Town | 61,161                          | 61,161           | 0                                      |
| Various miscellaneous grants     | 0                               | 6,739            | 6,739                                  |
| Interest:                        |                                 |                  |  |
| Delinquent tax interest          | 11,000                          | 15,274           | 4,274                                  |
| Investment interest              | 500                             | 1,211            | 711                                    |
| Fines and penalties:             |                                 |                  |  |
| Traffic fines                    | 13,000                          | 7,220            | (5,780)                                |
| Delinquent tax penalties         | 10,000                          | 15,527           | 5,527                                  |
| Miscellaneous                    |                                 |                  |  |
| Insurance reimbursements         | 0                               | 23,900           | 23,900                                 |
| Miscellaneous - other            | 325                             | 6,611            | 6,286                                  |
| Total revenues                   | <u>1,821,087</u>                | <u>1,917,860</u> | <u>96,773</u>                          |
| <b>EXPENDITURES</b>              |                                 |                  |  |
| <b>Current Expenditures</b>      |                                 |                  |  |
| <b>General government</b>        |                                 |                  |  |
| Town officers                    | 138,750                         | 152,582          | (13,832)                               |
| Employee benefits                | 127,250                         | 127,193          | 57                                     |
| Accounting & legal fees          | 26,400                          | 26,286           | 114                                    |
| Municipal building               | 21,000                          | 39,669           | (18,669)                               |
| Municipal operations             | 42,750                          | 40,138           | 2,612                                  |
| Computer equipment & services    | 6,500                           | 9,705            | (3,205)                                |
| Constable & animal control       | 4,450                           | 3,281            | 1,169                                  |
| Town clerk & treasurer           | 13,250                          | 9,422            | 3,828                                  |



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

FISCAL YEAR ENDED JUNE 30, 2012

|   | Original<br>and Final<br>Budget | Actual         | Variance<br>Favorable<br>(Unfavorable) |
|---|---------------------------------|----------------|--|
| Planning and zoning                     | 24,950                          | 27,434         | (2,484)                                |
| Internal auditors                       | 11,900                          | 11,512         | 388                                    |
| Lister                                  | 33,705                          | 24,183         | 9,522                                  |
| Education tax reconciliation payment    | 8,000                           | 0              | 8,000                                  |
| Vermont League of Cities and Towns      | 3,376                           | 3,376          | 0                                      |
| Central Vermont Regional Planning Comm. | 3,726                           | 3,726          | 0                                      |
| Local agreement tax                     | 17,242                          | 0              | 17,242                                 |
| Enhancement grant                       | 2,500                           | 22,522         | (20,022)                               |
| Interest expense                        | 1,000                           | 1,418          | (418)                                  |
| Miscellaneous other                     | 0                               | 9,998          | (9,998)                                |
| Total general government                | <u>486,749</u>                  | <u>512,445</u> | <u>(25,696)</u>                        |
| <b>Health and welfare</b>               |                                 |                |  |
| CV Solid Waste District                 | 5,430                           | 5,462          | (32)                                   |
| Northern Vt Resource                    | 75                              | 75             | 0                                      |
| Total health and welfare                | <u>5,505</u>                    | <u>5,537</u>   | <u>(32)</u>                            |
| <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          | 23,533                          | 23,533         | 0                                      |
| Total culture and recreation            | <u>61,079</u>                   | <u>61,058</u>  | <u>21</u>                              |
| <b>Public safety</b>                    |                                 |                |  |
| Law enforcement                         | 26,100                          | 24,142         | 1,958                                  |
| Washington County expense               | 18,705                          | 18,705         | 0                                      |
| Ambulance service                       | 95,542                          | 95,542         | 0                                      |
| Fire Department                         | 98,096                          | 98,096         | 0                                      |
| Total public safety                     | <u>238,443</u>                  | <u>236,485</u> | <u>1,958</u>                           |
| <b>Highways and roads</b>               |                                 |                |  |
| Operations                              | 391,325                         | 379,597        | 11,728                                 |
| Town garage cost                        | 18,400                          | 14,415         | 3,985                                  |
| Repairs and maintenance                 | 40,000                          | 58,189         | (18,189)                               |
| Highway labor                           | 200,800                         | 190,175        | 10,625                                 |
| Total highways and roads                | <u>650,525</u>                  | <u>642,376</u> | <u>8,149</u>                           |

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

FISCAL YEAR ENDED JUNE 30, 2012

|  | Original<br>and Final<br>Budget | Actual            | Variance<br>Favorable<br>(Unfavorable) |
|--|---------------------------------|-------------------|--|
| <b>Debt service</b>  |                                 |                   |  |
| Principal payments   | 175,112                         | 175,112           | 0                                      |
| Interest payments  | 86,674                          | 86,433            | 241                                    |
| Total debt service   | <u>261,786</u>                  | <u>261,545</u>    | <u>241</u>                             |
| <b>Capital outlays</b>   |                                 |                   |  |
| Highway equipment purchases  | 0                               | 240,999           | (240,999)                              |
| Total capital outlays  | <u>0</u>                        | <u>240,999</u>    | <u>(240,999)</u>                       |
| Total expenditures   | <u>1,704,087</u>                | <u>1,960,445</u>  | <u>(256,358)</u>                       |
| <b>EXCESS OF REVENUES<br/>OVER (UNDER ) EXPENDITURES</b>               | <u>117,000</u>                  | <u>(42,585)</u>   | <u>(159,585)</u>                       |
| <b>OTHER FINANCING SOURCES (USES)</b>                                  |                                 |                   |  |
| Loan proceeds  | 0                               | 240,999           | 240,999                                |
| Transfer to Capital Reserve Fund                                       | (200,000)                       | (200,000)         | 0                                      |
| Transfer to Recreation Committee Fund                                  | (3,000)                         | (3,000)           | 0                                      |
| Transfer to Cemetery Commission Fund                                   | (9,000)                         | (9,000)           | 0                                      |
| Total other financing sources (uses)                                   | <u>(212,000)</u>                | <u>28,999</u>     | <u>240,999</u>                         |
| <b>EXCESS OF REVENUES OVER (UNDER)<br/>EXPENDITURES AND OTHER USES</b> | <u>(95,000)</u>                 | <u>(13,586)</u>   | <u>81,414</u>                          |
| <b>EXTRAORDINARY ITEM</b>  |                                 |                   |  |
| Flood damage revenues  | 0                               | 95,561            | 95,561                                 |
| Flood damage expenditures  | 0                               | (40,593)          | (40,593)                               |
| Total Extraordinary Item   | <u>0</u>                        | <u>54,968</u>     | <u>54,968</u>                          |
| <b>Net Change in Fund Balances</b>                                     | <u>\$ (95,000)</u>              | <u>41,382</u>     | <u>\$ 136,382</u>                      |
| <b>FUND BALANCE - JUNE 30, 2011:</b>                                   |                                 |                   |  |
| As originally stated   |                                 | 249,278           |  |
| Accounting change  |                                 | 84,682            |  |
| As restated  |                                 | <u>333,960</u>    |  |
| <b>FUND BALANCE - JUNE 30, 2012</b>                                    |                                 | <u>\$ 375,342</u> |  |

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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 Assets, 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 assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

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 assets resulting from the current year's activities.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(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 and the Capital Reserve Fund are shown as a major fund. All other funds are nonmajor and are combined in one column in the fund financial statements.

The Town reports on the following major governmental fund:

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 and 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, which are recognized when due and payable.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(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 Assets*

Government-wide net assets 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 assets – consist of net assets that are restricted by enabling legislation, by grantors, and by other contributions.

Unrestricted net assets – all other net assets are reported in this category.

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

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

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

*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.

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, therefore a budgetary comparison is not presented for this fund.

TOWN OF EAST MONTPELIER, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012  
 (Continued)

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

*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  | \$ | 666,312 |
| Investments - Certificates of deposit with maturities greater than three months |    | 291,011 |
| Total   | \$ | 957,323 |

*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            | \$ | 297,826 |
| Uninsured - collateralized |    | 659,497 |
| Uninsured                  |    | 0       |
| Total                      | \$ | 957,323 |

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

*Note receivable -*

The Town has a note receivable at June 30, 2012 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 \$302,660 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, 2012 was \$302,660. Total principal payments received on this loan during fiscal year 2012 was \$6,643.

TOWN OF EAST MONTPELIER, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012  
 (Continued)

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

*Deferred Revenue -*

The above note receivable in the amount of \$302,660 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, 2012 was \$151,330.

**NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES**

Individual fund interfund receivable and payable balances at June 30, 2012 were:

|                 | Interfund<br>Receivable | Interfund<br>Payables |
|-----------------|-------------------------|-----------------------|
| General Fund    | \$ 0                    | \$ 1,524              |
| Nonmajor Funds: |                         |                       |
| Cemetery Fund   | 0                       | 1,476                 |
| VECAN Fund      | 3,000                   | 0                     |
|                 | \$ 3,000                | \$ 3,000              |

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. Interfund transfers for the fiscal year ended June 30, 2012 consisted of the following:

|                           | Transfer<br>In | Transfer<br>Out |
|---------------------------|----------------|-----------------|
| General Fund              | \$ 0           | \$ 212,000      |
| Capital Reserve Fund      | 200,000        | 0               |
| Other Governmental Funds: |                |                 |
| Cemetery Fund             | 9,000          | 0               |
| Recreation Committee      | 3,000          | 0               |
| Totals                    | \$ 212,000     | \$ 212,000      |

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, 2012  
(Continued)

**NOTE 6 – CAPITAL ASSETS**

The summary of capital assets as of June 30, 2012 is as follows:

|  | Balance<br>06/30/11 | Additions/<br>Trade-ins | Depreciation        | Balance<br>06/30/12 |
|--|---------------------|-------------------------|---------------------|---------------------|
| 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                 | 919,704             | 135,614                 | 0                   | 1,055,318           |
| Infrastructure                         | 661,599             | 444,367                 | 0                   | 1,105,966           |
| Total capital assets being depreciated | <u>3,852,641</u>    | <u>579,981</u>          | <u>0</u>            | <u>4,432,622</u>    |
| Less accumulated depreciation for:     |                     |                         |                     |                     |
| Buildings                              | 119,966             | 0                       | 45,412              | 165,378             |
| Equipment and vehicles                 | 396,053             | (135,979)               | 89,449              | 349,523             |
| Infrastructure                         | 189,254             | 0                       | 64,405              | 253,659             |
| Total accumulated depreciation         | <u>705,273</u>      | <u>(135,979)</u>        | <u>199,266</u>      | <u>768,560</u>      |
| Total capital assets, net              | <u>\$ 3,262,968</u> | <u>\$ 715,960</u>       | <u>\$ (199,266)</u> | <u>\$ 3,779,662</u> |

Depreciation expense of \$199,266 was charged as follows: general government \$40,736, highway and road \$157,797 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, 2011               | \$ 0             |
| Proceeds from tax anticipation note | 200,000          |
| Principal payments                  | <u>(200,000)</u> |
| Balance June 30, 2012               | <u>\$ 0</u>      |

The total amount of short-term interest paid during fiscal year 2012 was \$1,418.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

**NOTE 8 – LONG-TERM DEBT**

Long-term debt at June 30, 2012 consisted of the following:

|  | Total        | Due in one year |
|--|--------------|-----------------|
| Two plow/dump truck notes payable to Kansas State Bank,<br>initial principal payment of \$65,000 paid,<br>then annual principal and interest payments of<br>\$45,460 at 4.69% interest, due July 15, 2012. | \$ 43,664    | \$ 43,664       |
| Emergency facility bond note to Vermont Municipal Bond Bank,<br>annual principal payment of \$105,000 plus semi-annual<br>interest payments at 1.54%-5.05%, due Nov. 15, 2030.                             | 1,995,000    | ** 105,000      |
| Bucket loader note payable to Kansas State Bank,<br>Annual principal and interest payments<br>of \$24,143 at 5.525% interest, due June 1, 2014.  | 44,459       | 21,615          |
| Excavator note payable to Kansas State Bank,<br>Annual principal and interest payments<br>of \$27,953 at 3.35% interest, due August 15, 2016.  | 126,610      | 23,663          |
| Mack Truck note payable to Kansas State Bank,<br>Annual principal and interest payments<br>of \$30,594 at 2.73% interest, due April 10, 2016.  | 114,389      | 27,441          |
| Total long-term notes payable  | \$ 2,324,122 | \$ 221,383      |

\*\* See Note 16 - 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, 2011 | Addition   | Reduction    | June 30, 2012 |
|-----------------------|---------------|------------|--------------|---------------|
| Note and Bond payable | \$ 2,258,235  | \$ 240,999 | \$ (175,112) | \$ 2,324,122  |

The total amount of interest paid on these long-term debts during fiscal year 2012 was \$86,433, of which \$26,161 was reimbursed by the Town of Calais (see note above) resulting in \$60,272 net interest paid.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

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

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

| Year ending:         | Principal           | Interest          | Total               |
|----------------------|---------------------|-------------------|---------------------|
| June 30, 2013        | \$ 221,383          | \$ 88,880         | \$ 310,263          |
| June 30, 2014        | 180,508             | 81,768            | 262,276             |
| June 30, 2015        | 159,269             | 76,796            | 236,065             |
| June 30, 2016        | 160,924             | 72,416            | 233,340             |
| June 30, 2017        | 132,038             | 67,560            | 199,598             |
| June 30, 2018 - 2022 | 525,000             | 275,993           | 800,993             |
| June 30, 2023 - 2027 | 525,000             | 164,924           | 689,924             |
| June 30, 2028 - 2035 | 420,000             | 41,906            | 461,906             |
| <b>Total</b>         | <b>\$ 2,324,122</b> | <b>\$ 870,243</b> | <b>\$ 3,194,365</b> |

**NOTE 9 – RESTRICTED NETS ASSETS AND ASSIGNED FUND BALANCES**

The restricted funds consist of the following as of June 30, 2012:

|                                      | <u>Restricted</u> |
|--------------------------------------|-------------------|
| Bridge & culvert projects            | \$ 1,167          |
| Town Forest                          | 26,756            |
| Veterans' Memorial                   | 1,391             |
| Land conservation                    | 24,934            |
| Reappraisal reserve                  | 34,973            |
| Community development (Sandy Pines)  | 21,732            |
| Fireworks Fund                       | 134               |
| Recreation Committee                 | 7,023             |
| Rally Day Fund                       | 165               |
| VECAN                                | 3,000             |
| Cemetery Trust                       | 107,263           |
| C. Smith Recreation                  | 52,065            |
| <b>Total Restricted Fund Balance</b> | <b>280,603</b>    |
| Community development                | 151,330           |
| <b>Total Restricted Net Assets</b>   | <b>\$ 431,933</b> |

The assigned funds of \$345,388 are broken down on Exhibit C. The \$35,109 in the other governmental funds is for the Emergency Services Facility Fund.

TOWN OF EAST MONTPELIER, VERMONT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2012  
 (Continued)

**NOTE 10 – ACCOUNTING CHANGE**

The Town of East Montpelier changes their method of accounting from “modified cash basis” to “accrual basis” for the government wide financial statements and “modified accrual basis” for the fund financial statements effective for fiscal year June 30, 2012. The beginning Net Assets and Fund Balance amount were changed to reflect the change as of June 30, 2011. The changes were as follows:

|                                       | <u>Net Assets</u> | <u>Fund Balance</u> |
|---------------------------------------|-------------------|---------------------|
| Recording the following Receivables:  |                   |                     |
| Property tax receivables              | \$ 195,187        | \$ 195,187          |
| FEMA grant receivable - St of Vermont | 176,184           | 146,820             |
| Note receivable                       | 309,303           | 309,303             |
| <br>Recording the following Payables: |                   |                     |
| Accounts payable                      | (89,923)          | (89,923)            |
| Deferred revenue - property taxes     | 0                 | (167,402)           |
| Deferred revenue - grants             | 0                 | (309,303)           |
| Due to State - grants                 | (154,651)         | 0                   |
| <br>Total accounting change           | <u>\$ 436,100</u> | <u>\$ 84,682</u>    |

**NOTE 11 - 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, 2012 were due on November 17, 2011 and May 15, 2012. 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, 2012 due date.

The Town tax rate approved for the fiscal year ended June 30, 2012 was \$.5158.

**NOTE 12 - 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.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

**NOTE 12 - PENSION PLAN (Continued)**

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 \$397,785, \$249,219 was covered under the Vermont Municipal Employees' Retirement System. Total employer contributions to the Vermont Municipal Employees' Retirement Plan were \$12,461 for fiscal year 6/30/12, \$14,394 for fiscal year 6/30/11, and \$13,855 for fiscal year 6/30/10.

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% employer contribution. 100% vesting occurs after one year of municipal service. Of the Town's total payroll of \$397,785, \$49,395 was covered under the VMERS defined contribution plan.

**NOTE 13 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2012, expenditures exceeded appropriations in the General Fund by \$256,358. The excess expenditures were funded by primarily from the loan proceeds in the other financing sources and also from the use of excess revenues.

**NOTE 14 – EXTRAORDINARY ITEMS**

Record flooding in the spring of 2011 caused extensive damage throughout the State of Vermont. The Town of East Montpelier suffered infrastructure damage of 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. Cost to repair the damage was approximately \$292,000 of which approximately \$265,000 is expected as reimbursements. The repairs were done in fiscal year 2011 and 2012 with the last project being done in fiscal year 2013.

**NOTE 15 - 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.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012  
(Continued)

**NOTE 16 – 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 wished 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 17 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 14, 2013, the date which the financial statements were available for issue. Management is not aware of any subsequent events which require disclosure except as noted below.

On July 18, 2012, the Town acquired a tax anticipation note for the amount of \$360,000 from People's United Bank. The terms of the loan require full principal plus 1.75% interest, due on June 28, 2012.

TOWN OF EAST MONTPELIER, VERMONT  
 COMBING BALANCE SHEET -  
 OTHER GOVERNMENTAL FUNDS

SCHEDULE 1

JUNE 30, 2012

|                                      | Special Revenue Funds |                                  |               |                           |             |                    |                   |                     |                                     |                |                      |                |            | Permanent Funds |             |                          |
|--------------------------------------|-----------------------|----------------------------------|---------------|---------------------------|-------------|--------------------|-------------------|---------------------|-------------------------------------|----------------|----------------------|----------------|------------|-----------------|-------------|--------------------------|
|                                      | Capital Projects      | 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 | EMSLI Fund |                 | VECAN Grant | C. Smith Recreation Fund |
| Cash                                 | \$ 35,109             | \$108,739                        | \$1,167       | \$26,756                  | \$1,391     | \$ 24,934          | \$ 34,973         | \$ 21,732           | \$ 134                              | \$ 7,023       | \$ 165               | \$ 0           | \$ 0       | \$ 0            | \$ 52,065   |                          |
| Due from other funds                 | 0                     | 0                                | 0             | 0                         | 0           | 0                  | 0                 | 0                   | 0                                   | 0              | 0                    | 0              | 0          | 3,000           | 0           |                          |
| Note receivable                      | 0                     | 0                                | 0             | 0                         | 0           | 0                  | 0                 | 302,660             | 0                                   | 0              | 0                    | 0              | 0          | 0               | 0           |                          |
| Total assets                         | \$ 35,109             | \$108,739                        | \$1,167       | \$26,756                  | \$1,391     | \$ 24,934          | \$ 34,973         | \$ 324,392          | \$ 134                              | \$ 7,023       | \$ 165               | \$ 0           | \$ 0       | \$ 3,000        | \$619,848   |                          |
| <b>LIABILITIES AND FUND BALANCES</b> |                       |                                  |               |                           |             |                    |                   |                     |                                     |                |                      |                |            |                 |             |                          |
| Liabilities                          | \$ 0                  | \$ 1,476                         | \$ 0          | \$ 0                      | \$ 0        | \$ 0               | \$ 0              | \$ 0                | \$ 0                                | \$ 0           | \$ 0                 | \$ 0           | \$ 0       | \$ 0            | \$ 0        | \$ 1,476                 |
| Due to other funds                   | 0                     | 0                                | 0             | 0                         | 0           | 0                  | 0                 | 0                   | 0                                   | 0              | 0                    | 0              | 0          | 0               | 0           | 302,660                  |
| Deferred revenue                     | 0                     | 1,476                            | 0             | 0                         | 0           | 0                  | 0                 | 302,660             | 0                                   | 0              | 0                    | 0              | 0          | 0               | 0           | 0                        |
| Total Liabilities                    | 0                     | 1,476                            | 0             | 0                         | 0           | 0                  | 0                 | 302,660             | 0                                   | 0              | 0                    | 0              | 0          | 0               | 0           | 304,136                  |
| Fund Balances - Restricted:          | 0                     | 0                                | 0             | 0                         | 0           | 0                  | 0                 | 0                   | 0                                   | 0              | 0                    | 0              | 0          | 0               | 50,000      | 50,000                   |
| Non-expendable                       | 0                     | 0                                | 0             | 0                         | 0           | 0                  | 0                 | 0                   | 0                                   | 0              | 0                    | 0              | 0          | 0               | 2,065       | 2,065                    |
| Expendable                           | 0                     | 107,263                          | 1,167         | 26,756                    | 1,391       | 24,934             | 34,973            | 21,732              | 134                                 | 7,023          | 165                  | 0              | 0          | 3,000           | 0           | 228,538                  |
| Special revenue purpose:             |                       |                                  |               |                           |             |                    |                   |                     |                                     |                |                      |                |            |                 |             |                          |
| Assigned:                            |                       |                                  |               |                           |             |                    |                   |                     |                                     |                |                      |                |            |                 |             |                          |
| Capital projects purpose:            | 35,109                | 0                                | 0             | 0                         | 0           | 0                  | 0                 | 0                   | 0                                   | 0              | 0                    | 0              | 0          | 0               | 0           | 35,109                   |
| Total fund balances                  | 35,109                | 107,263                          | 1,167         | 26,756                    | 1,391       | 24,934             | 34,973            | 21,732              | 134                                 | 7,023          | 165                  | 0              | 0          | 3,000           | 52,065      | 315,712                  |
| Total liabilities and fund balances  | \$ 35,109             | \$108,739                        | \$1,167       | \$26,756                  | \$1,391     | \$ 24,934          | \$ 34,973         | \$ 324,392          | \$ 134                              | \$ 7,023       | \$ 165               | \$ 0           | \$ 0       | \$ 3,000        | \$ 52,065   | \$619,848                |

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, 2012

|  | Capital Projects | Special Revenue Funds            |               |                          |             |                    |                   |                     |                                     |                |                      |                | Permanent Funds |            |             |                          |
|--|------------------|----------------------------------|---------------|--------------------------|-------------|--------------------|-------------------|---------------------|-------------------------------------|----------------|----------------------|----------------|-----------------|------------|-------------|--------------------------|
|  |                  | 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 |                 | EMSLI Fund | VECAN Grant | C. Smith Recreation Fund |
| REVENUES   |                  |                                  |               |                          |             |                    |                   |                     |                                     |                |                      |                |                 |            |             |                          |
| Intergovernmental  | \$ 0             | \$ 0                             | \$ 0          | \$ 0                     | \$ 0        | \$ 0               | \$ 11,343         | \$ 0                | \$ 0                                | \$ 0           | \$ 0                 | \$ 0           | \$ 0            | \$ 0       | \$ 0        | \$ 11,343                |
| Fees   | 0                | 0                                | 0             | 0                        | 0           | 0                  | 0                 | 0                   | 0                                   | 6,049          | 0                    | 0              | 0               | 0          | 0           | 6,049                    |
| Interest   | 83               | 325                              | 2             | 22                       | 8           | 98                 | 24                | 9,270               | 0                                   | 0              | 0                    | 0              | 0               | 0          | 485         | 10,317                   |
| Miscellaneous  | 0                | 4,350                            | 0             | 0                        | 0           | 0                  | 0                 | 6,642               | 0                                   | 0              | 116                  | 0              | 0               | 0          | 0           | 11,108                   |
| Total revenues   | 83               | 4,675                            | 2             | 22                       | 8           | 98                 | 11,367            | 15,912              | 0                                   | 6,049          | 116                  | 0              | 0               | 0          | 485         | 38,817                   |
| EXPENDITURES   |                  |                                  |               |                          |             |                    |                   |                     |                                     |                |                      |                |                 |            |             |                          |
| General government   | 0                | 0                                | 0             | 0                        | 0           | 0                  | 0                 | 1,991               | 0                                   | 0              | 0                    | 0              | 0               | 0          | 0           | 1,991                    |
| Health and welfare   | 16,832           | 12,277                           | 0             | 0                        | 0           | 0                  | 0                 | 0                   | 0                                   | 0              | 0                    | 59             | 0               | 0          | 0           | 29,168                   |
| Culture and recreation   | 0                | 0                                | 0             | 0                        | 0           | 2,100              | 0                 | 0                   | 0                                   | 6,591          | 160                  | 0              | 0               | 0          | 0           | 8,851                    |
| Total expenditures   | 16,832           | 12,277                           | 0             | 0                        | 0           | 2,100              | 0                 | 1,991               | 0                                   | 6,591          | 160                  | 59             | 0               | 0          | 0           | 40,010                   |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES                    | (16,749)         | (7,602)                          | 2             | 22                       | 8           | (2,002)            | 11,367            | 13,921              | 0                                   | (542)          | (44)                 | (59)           | 0               | 485        | 0           | (1,193)                  |
| OTHER FINANCING SOURCES (USES):                                |                  |                                  |               |                          |             |                    |                   |                     |                                     |                |                      |                |                 |            |             |                          |
| Transfer from General Fund                                     | 0                | 9,000                            | 0             | 0                        | 0           | 0                  | 0                 | 0                   | 0                                   | 3,000          | 0                    | 0              | 0               | 0          | 0           | 12,000                   |
| Total other financing sources (uses)                           | 0                | 9,000                            | 0             | 0                        | 0           | 0                  | 0                 | 0                   | 0                                   | 3,000          | 0                    | 0              | 0               | 0          | 0           | 12,000                   |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES | (16,749)         | 1,398                            | 2             | 22                       | 8           | (2,002)            | 11,367            | 13,921              | 0                                   | 2,458          | (44)                 | (59)           | 0               | 485        | 0           | 10,807                   |
| FUND BALANCES - JUNE 30, 2011                                  | 51,858           | 105,865                          | 1,165         | 26,734                   | 1,383       | 26,936             | 23,606            | 7,811               | 134                                 | 4,565          | 209                  | 59             | 3,000           | 51,580     | 304,905     |                          |
| FUND BALANCES - JUNE 30, 2012                                  | \$ 35,109        | \$ 107,263                       | \$ 1,167      | \$ 26,756                | \$ 1,391    | \$ 24,934          | \$ 34,973         | \$ 21,732           | \$ 134                              | \$ 7,023       | \$ 165               | \$ 0           | \$ 3,000        | \$ 52,065  | \$ 315,712  |                          |



# FOTHERGILL SEGALE & VALLEY

*Certified Public Accountants*



John E. (Jeff) Fothergill, CPA  
Michael L. Segale, CPA  
Sheila R. Valley, CPA  
Teresa H. Kajenski, CPA  
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***

January 14, 2013

To the Selectboard  
Town of East Montpelier  
East Montpelier, Vermont

We have audited the 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, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

Management of the Town of East Montpelier is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

*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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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*.

We noted certain other matters that we reported to management of the Town of Montpelier, Vermont in a separate letter dated January 14, 2013.

This report is intended solely for the information and use of management, Selectboard, others within the entity, legislative or regulatory body, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Fothergill Segale & Valley, CPAs*

FOTHERGILL SEGALE & VALLEY, CPAs  
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