

**TOWN OF EAST MONTPELIER, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2016**

TOWN OF EAST MONTPELIER, VERMONT  
AUDIT REPORT  
TABLE OF CONTENTS  
JUNE 30, 2016

	<u>Page #</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-9
Basic Financial Statements:	
Statement of Net Position	Exhibit A 10
Statement of Activities	Exhibit B 11
Governmental Funds:	
Balance Sheet	Exhibit C 12
Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit D 13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit E 14
Fiduciary Fund:	
Statement of Fiduciary Net Position	Exhibit F 15
Notes to the Financial Statements	16-38
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	Schedule 1 39-44
Schedule of Proportionate Share of the Net Pension Liability - VMERS Defined Benefit Plan	Schedule 2 45
Schedule of Contributions - VMERS Defined Benefit Plan	Schedule 3 46

TOWN OF EAST MONTPELIER, VERMONT  
AUDIT REPORT  
TABLE OF CONTENTS  
JUNE 30, 2016

	<u>Page #</u>
Other Information:	
Combining Balance Sheet - Non-Major Governmental Funds	Schedule 4 47
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	Schedule 5 48
Combining Balance Sheet - Non-Major Special Revenue Funds	Schedule 6 49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Special Revenue Funds	Schedule 7 50
Combining Balance Sheet - Non-Major Capital Projects Funds	Schedule 8 51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Capital Projects Funds	Schedule 9 52
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"	53-54
Schedule of Findings and Deficiencies in Internal Control	55
Response to Deficiencies in Internal Control	

# Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street  
P.O. Box 947  
Montpelier, VT 05601  
802/223-2352  
[www.sullivanpowers.com](http://www.sullivanpowers.com)

Fred Duplessis, CPA  
Richard J. Brigham, CPA  
Chad A. Hewitt, CPA  
Wendy C. Gilwee, CPA  
VT Lic. #92-000180

## Independent Auditor's Report

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of East Montpelier, Vermont, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of East Montpelier, Vermont's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of East Montpelier, Vermont, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, the budgetary comparison information on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability on Schedule 2 and the Schedule of Contributions on Schedule 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

***Other Reporting Required by “Government Auditing Standards”***

In accordance with “Government Auditing Standards”, we have also issued our report dated December 19, 2016 on our consideration of the Town of East Montpelier, Vermont’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Auditing Standards” in considering the Town of East Montpelier, Vermont’s internal control over financial reporting and compliance.

December 19, 2016  
Montpelier, Vermont  
VT Lic. #92-000180

*Sullivan, Powers & Company*

TOWN OF EAST MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016

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, 2016. Please read it in conjunction with the Town's financial statements that begin on Exhibit A. This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives.

## **Financial Highlights**

### *Government-Wide Financial Statements:*

- The Town's Net Position increased as a result of this year's operations by \$330,358, compared to \$391,894 in fiscal year 2015.
- The cost of all of the Town's operations for the fiscal year ended June 30, 2016 was \$1,838,568 compared to \$1,808,504 in fiscal year 2015, a 1.7% increase.

### *Fund Financial Statements:*

- The Town's General Fund fund balance increased by \$156,337 to \$578,781.
- The Capital Reserve Fund fund balance increased by \$97,103 to \$223,756.
- The Community Development Fund fund balance increased by \$7,935 to \$24,875.
- The various non-major governmental funds fund balances decreased by \$19,206, from \$341,993 to \$322,787.

## **Using This Annual Report**

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

### *Reporting the Town as a Whole*

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

TOWN OF EAST MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016  
(Continued)

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

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

*Reporting the Town's Most Significant Funds*

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

Governmental Funds

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



TOWN OF EAST MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016  
(Continued)

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

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

Table 1 - Net Position

	6/30/2016	6/30/2015	Net Change
Current and other assets	\$ 1,681,633	\$ 1,422,455	\$ 259,178
Capital assets	4,190,389	4,193,103	(2,714)
Total assets	<u>5,872,022</u>	<u>5,615,558</u>	<u>256,464</u>
Deferred outflows of resources	<u>66,973</u>	<u>18,697</u>	<u>48,276</u>
Current liabilities	110,366	100,346	10,020
Long-term liabilities due within one year	61,252	112,915	(51,663)
Long-term liabilities due after one year	1,746,892	1,715,522	31,370
Total liabilities	<u>1,918,510</u>	<u>1,928,783</u>	<u>(10,273)</u>
Deferred inflows of resources	<u>16,460</u>	<u>31,805</u>	<u>(15,345)</u>
Net investment in capital assets	2,639,366	2,541,238	98,128
Restricted	336,896	324,098	12,798
Unrestricted	1,027,763	808,331	219,432
Total net position	<u>\$ 4,004,025</u>	<u>\$ 3,673,667</u>	<u>\$ 330,358</u>

Table 2 - Change in Net Position

	6/30/2016	6/30/2015	Net Change
REVENUES			
General revenue:			
Property taxes	\$ 1,701,071	\$ 1,645,571	\$ 55,500
Interest on delinquent taxes	16,066	19,790	(3,724)
General state grants	94,260	95,041	(781)
Earnings on investments	2,497	2,305	192
Gain on sale of equipment	0	1,156	(1,156)
Other general revenues	806	1,025	(219)
Program revenues:			
Charges for services	84,406	79,021	5,385
Operating grants and contributions	182,856	149,215	33,641
Capital grants and contributions	86,964	207,274	(120,310)
Total revenues	<u>2,168,926</u>	<u>2,200,398</u>	<u>(31,472)</u>
PROGRAM EXPENSES			
General government	553,366	513,319	40,047
Public safety	293,686	265,936	27,750
Highways and streets	848,044	893,377	(45,333)
Culture and recreation	54,737	49,946	4,791
Cemetery	20,434	9,796	10,638
Interest on long-term debt	68,301	76,130	(7,829)
Total program expenses	<u>1,838,568</u>	<u>1,808,504</u>	<u>30,064</u>
Increase (decrease) in net position	<u>\$ 330,358</u>	<u>\$ 391,894</u>	<u>\$ (61,536)</u>

TOWN OF EAST MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016  
(Continued)

Unrestricted Net Position is the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. This also includes funds with tax revenues that have been assigned for a certain type of expenses. The unrestricted Net Position changed from a \$808,331 balance at June 30, 2015, to a \$1,027,763 balance at June 30, 2016 for the governmental activities.

The Town's combined Net Position increased by \$330,358 as a result of the current year operations.

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

Table 3 - Governmental Activities

	6/30/2016		6/30/2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 553,366	\$ 469,964	\$ 513,319	\$ 447,452
Public safety	293,686	225,872	265,936	197,285
Highways and streets	848,044	665,162	893,377	613,154
Culture and recreation	54,737	50,802	49,946	43,240
Community development	0	(8,343)	0	(8,563)
Cemetery	20,434	12,584	9,796	4,296
Interest on long-term debt	68,301	68,301	76,130	76,130
Total	<u>\$ 1,838,568</u>	<u>\$ 1,484,342</u>	<u>\$ 1,808,504</u>	<u>\$ 1,372,994</u>

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

As the Town completed the fiscal year June 30, 2016, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$1,150,199, which is approximately 27% higher than fiscal year ended June 30, 2015 total fund balance of \$908,030.

*General Fund Budgetary Highlights*

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

Schedule 1 compares actual to budget which shows the favorable and unfavorable variances that arose during the fiscal year in the General Fund. Revenues exceeded the budget by \$16,457 and expenditures were \$137,318 under the budget.

TOWN OF EAST MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016  
(Continued)

The larger variances are as follows:

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues and other sources:			
Property taxes	\$ 1,718,809	\$ 1,706,071	\$ (12,738)
Current use hold harmless	85,000	92,966	7,966
Better back roads grant	0	10,000	10,000
Expenditures:			
Highways and streets - operations - diesel	64,000	31,128	32,872
Highways and streets - operations - salt	60,000	30,382	29,618
Highways and streets - labor	218,000	187,984	30,016

The reasons for these variances are as follows:

Property taxes: The majority of the decrease is due to the Town abating taxes from their acquisition of the LaPerle Farm property.

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

Better back roads grant: The Town received a grant from the State that was unanticipated at the time the budget was created.

Highways and streets - operations and labor: (1) The Selectboard anticipated hiring a new road foreman to work alongside the current road foreman, who is nearing retirement. This was delayed until FY17. (2) Due to an abnormally mild winter, the cost to maintain the winter roads, both labor and materials, was less than anticipated.

## Capital Assets and Debt Administration

### *Capital Assets*

At June 30, 2016, the Town had \$4,190,389 investment in capital assets, net of depreciation, including buildings, equipment, vehicles and infrastructure (See table below). This represents a net decrease of \$2,714 since June 30, 2015.

TOWN OF EAST MONTPELIER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016  
(Continued)

Capital Assets at Year-End  
(Net of depreciation)

	Governmental Activities	
	6/30/2016	6/30/2015
Land	\$ 358,328	\$ 116,353
Construction in progress	57,815	30,428
Buildings and building improvement	2,370,389	2,370,389
Vehicles, machinery and equipment	1,101,839	1,101,839
Infrastructure	2,078,390	2,078,390
Accumulated depreciation	(1,776,372)	(1,504,296)
Totals	<u>\$ 4,190,389</u>	<u>\$ 4,193,103</u>

The Town spent \$273,862 on capital asset additions during the fiscal year. The major purchases during the year were: \$239,975 was spent on the purchase of the LaPerle Farm property and \$30,172 was spent on continued work on the East Montpelier Village sidewalk project.

*Debt* - At June 30, 2016, the Town had \$1,575,000 in notes outstanding versus \$1,680,000 on June 30, 2015 – a decrease of \$105,000. As of June 30, 2016, the Town owed \$1,575,000 on the Emergency Services Facility bond.

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

The Town's elected and appointed officials considered many factors when setting the fiscal year 2017 budget for Town operations. Once again, the Selectboard brought forth a budget designed to ensure no more than a 2 cent increase in the town portion of the property tax rate. The largest factor in the budget development was the decision of the board to fully fund the capital reserve fund budget line item to match the town's capital plan, which necessitated a budget figure of \$414,817, an increase of \$77,817. This increase was effectively offset by the use of \$75,000 of available fund balance. The other significant variations in the FY17 budget are: 1) an increase in the ambulance service line of \$19,296 (17.5%), as the East Montpelier Fire Department continued to work toward a sustainable balance between professional and volunteer staffing for the service; 2) an appropriation of \$10,000 for the Land Conservation Fund, the first infusion of capital in that fund in a decade; and, 3) the decrease in the winter sand line by \$12,000 to reflect a shift to town crew trucking of sand to the town garage rather than contracting that service. Including fund balance use, the planned FY2017 expenditures reflected an increase of \$58,488 from FY2016.

### **Contacting the Town's Financial Management**

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

TOWN OF EAST MONTPELIER, VERMONT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 1,035,380
Investments	111,929
Receivables	213,073
Loan Receivable	274,009
Prepaid Expenses	47,242
Capital Assets:	
Land	358,328
Construction in Progress	57,815
Other Capital Assets, (Net of Accumulated Depreciation)	3,774,246
Total Assets	5,872,022
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows of Resources Related to the Town's Participation in VMERS	66,973
Total Deferred Outflows of Resources	66,973
<u>LIABILITIES</u>	
Accounts Payable	60,173
Accrued Payroll and Benefits Payable	12,438
Due to Fiduciary Fund	19,573
Due to Delinquent Tax Collector	13,737
Accrued Interest Payable	4,445
Noncurrent Liabilities:	
Due within One Year	61,252
Due in More than One Year	1,746,892
Total Liabilities	1,918,510
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Prepaid Property Taxes	16,460
Total Deferred Inflows of Resources	16,460
<u>NET POSITION</u>	
Net Investment in Capital Assets	2,639,366
Restricted For:	
Culture and Recreation	51,143
Community Development	192,250
Cemetery	92,100
Other	1,403
Unrestricted	1,027,763
Total Net Position	\$ 4,004,025

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

TOWN OF EAST MONTPELIER, VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	Program Revenues				Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs:					
Primary Government:					
Governmental Activities:					
General Government	\$ 553,366	\$ 54,729	\$ 28,673	\$ 0	\$ (469,964)
Public Safety	293,686	9,549	0	58,265	(225,872)
Highways and Streets	848,044	0	154,183	28,699	(665,162)
Culture and Recreation	54,737	3,935	0	0	(50,802)
Community Development	0	8,343	0	0	8,343
Cemetery	20,434	7,850	0	0	(12,584)
Interest on Long-term Debt	68,301	0	0	0	(68,301)
Total Primary Government	\$ <u>1,838,568</u>	\$ <u>84,406</u>	\$ <u>182,856</u>	\$ <u>86,964</u>	<u>(1,484,342)</u>
General Revenues:					
Property Taxes					1,701,071
Interest on Delinquent Taxes					16,066
General State Grants					94,260
Unrestricted Investment Earnings					2,497
Other Revenues					806
Total General Revenues					<u>1,814,700</u>
Change in Net Position					330,358
Net Position - July 1, 2015					<u>3,673,667</u>
Net Position - June 30, 2016					\$ <u><u>4,004,025</u></u>

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

TOWN OF EAST MONTPELIER, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	Capital Reserve Fund	Community Development Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 1,035,380	\$ 0	\$ 0	\$ 0	\$ 1,035,380
Investments	0	0	0	111,929	111,929
Receivables	195,456	0	0	17,617	213,073
Loan Receivable	0	0	274,009	0	274,009
Due from Other Funds	0	223,756	32,810	217,452	474,018
Prepaid Expenses	47,242	0	0	0	47,242
Total Assets	<u>\$ 1,278,078</u>	<u>\$ 223,756</u>	<u>\$ 306,819</u>	<u>\$ 346,998</u>	<u>\$ 2,155,651</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 30,114	\$ 0	\$ 7,935	\$ 22,124	\$ 60,173
Accrued Payroll and Benefits Payable	11,895	0	0	543	12,438
Due to Other Funds	493,591	0	0	0	493,591
Due to Delinquent Tax Collector	13,737	0	0	0	13,737
Total Liabilities	<u>549,337</u>	<u>0</u>	<u>7,935</u>	<u>22,667</u>	<u>579,939</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Prepaid Property Taxes	16,460	0	0	0	16,460
Unavailable Property Taxes and Interest	133,500	0	0	0	133,500
Unavailable Loan Receivable	0	0	274,009	0	274,009
Unavailable Grants	0	0	0	1,544	1,544
Total Deferred Inflows of Resources	<u>149,960</u>	<u>0</u>	<u>274,009</u>	<u>1,544</u>	<u>425,513</u>
<u>FUND BALANCES</u>					
Nonspendable	47,242	0	0	142,100	189,342
Restricted	0	0	24,875	26,523	51,398
Committed	0	0	0	31,372	31,372
Assigned	134,181	223,756	0	122,792	480,729
Unassigned	397,358	0	0	0	397,358
Total Fund Balances	<u>578,781</u>	<u>223,756</u>	<u>24,875</u>	<u>322,787</u>	<u>1,150,199</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,278,078</u>	<u>\$ 223,756</u>	<u>\$ 306,819</u>	<u>\$ 346,998</u>	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:					
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.					4,190,389
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.					409,053
Long-Term and Accrued Liabilities, Including Bonds Payable, Amounts Due to the State of Vermont and the Net Pension Liability, are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds.					(1,812,589)
Deferred Outflows of Resources related to the Town's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.					66,973
Net Position of Governmental Activities					<u>\$ 4,004,025</u>

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

TOWN OF EAST MONTPELIER, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Capital Reserve Fund	Community Development Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 1,706,071	\$ 0	\$ 0	\$ 0	\$ 1,706,071
Interest on Delinquent Taxes	16,066	0	0	0	16,066
Intergovernmental	311,138	0	0	51,091	362,229
Charges for Services	23,888	0	0	11,360	35,248
Permits, Licenses and Fees	31,266	0	0	0	31,266
Fines and Forfeits	9,549	0	0	0	9,549
Loan Repayments	0	0	7,488	0	7,488
Loan Interest Income	0	0	8,343	0	8,343
Investment Income	1,357	78	39	1,023	2,497
Donations	307	0	0	0	307
Other	806	0	0	0	806
Total Revenues	<u>2,100,448</u>	<u>78</u>	<u>15,870</u>	<u>63,474</u>	<u>2,179,870</u>
Expenditures:					
General Government	506,595	0	0	33,606	540,201
Public Safety	249,813	0	0	4,200	254,013
Highways and Streets	614,172	0	0	653	614,825
Culture and Recreation	54,737	0	0	0	54,737
Community Development	0	0	7,935	0	7,935
Cemetery	0	0	0	19,334	19,334
Capital Outlay:					
General Government	0	239,975	0	0	239,975
Highways and Streets	0	0	0	31,887	31,887
Debt Service:					
Principal	105,000	0	0	0	105,000
Interest	69,794	0	0	0	69,794
Total Expenditures	<u>1,600,111</u>	<u>239,975</u>	<u>7,935</u>	<u>89,680</u>	<u>1,937,701</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>500,337</u>	<u>(239,897)</u>	<u>7,935</u>	<u>(26,206)</u>	<u>242,169</u>
Other Financing Sources/(Uses):					
Transfers In	0	337,000	0	7,000	344,000
Transfers Out	<u>(344,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(344,000)</u>
Total Other Financing Sources/(Uses)	<u>(344,000)</u>	<u>337,000</u>	<u>0</u>	<u>7,000</u>	<u>0</u>
Net Change in Fund Balances	156,337	97,103	7,935	(19,206)	242,169
Fund Balances - July 1, 2015	<u>422,444</u>	<u>126,653</u>	<u>16,940</u>	<u>341,993</u>	<u>908,030</u>
Fund Balances - June 30, 2016	<u>\$ 578,781</u>	<u>\$ 223,756</u>	<u>\$ 24,875</u>	<u>\$ 322,787</u>	<u>\$ 1,150,199</u>

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



TOWN OF EAST MONTPELIER, VERMONT  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2016

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

Net change in fund balances - total government funds (Exhibit D)	\$ 242,169
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$271,862) is allocated over their estimated useful lives and reported as depreciation expense (\$272,076). This is the amount by which depreciation exceeded capital outlays in the current period.	(214)
The net effect of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to reduce net position.	(2,500)
The issuance of long-term debt (\$0) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$105,000) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	105,000
Governmental funds report employer pension contributions as expenditures (\$19,255). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$28,738) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.	(9,483)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(10,944)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	6,330
Change in net position of governmental activities (Exhibit B)	\$ <u>330,358</u>

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

TOWN OF EAST MONTPELIER, VERMONT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2016

	Agency Fund
	East Montpelier Senior Living Initiative Fund
<u>ASSETS</u>	
Due from Other Funds	\$ 19,573
Total Assets	19,573
<u>LIABILITIES</u>	
Due to Others	19,573
Total Liabilities	19,573
<u>NET POSITION</u>	
Total Net Position	\$ 0

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

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **A. The Financial Reporting Entity**

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

### **B. Basis of Presentation**

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

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

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

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

The Town reports on the following major governmental funds:

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

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

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

Additionally, the Town reports the following fund type:

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

### **C. Measurement Focus**

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

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

**D. Basis of Accounting**

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

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

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

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

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

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**E. Use of Estimates**

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

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

**1. Cash**

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

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

**2. Investments**

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

**3. Receivables**

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

**4. Due from/to Other Funds**

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

**5. Pensions**

For purposes of measuring the proportionate share of the net pension liability and the related deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Vermont Municipal Employees’ Retirement System (VMERS) plan and additions to/deductions from the VMERS’ fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**6. Inventories and Prepaid Expenses**

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

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

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

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town has one type which arises under the accrual basis of accounting that qualifies for reporting in this category. The governmental activities reports deferred outflows of resources from one source; deferred outflows related to the Town’s participation in the Vermont Employees Retirement System. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has four types of items which arise under the modified accrual basis of accounting and one type which arises under the accrual basis of accounting that qualify for reporting in this category. The governmental activities reports deferred inflows of resources from one source; prepaid property taxes. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related. The governmental funds reports deferred inflows of resources from four sources; prepaid property taxes, unavailable property taxes and interest, an unavailable loan receivable and unavailable grants. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

**8. Capital Assets**

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

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

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

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

## 9. Compensated Absences

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

## 10. Long-term Liabilities

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

## 11. Fund Equity

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



TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

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

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

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

Pension-related differences arise because governmental funds report the current year’s required employer contributions as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources. In addition the accrual for the Town’s proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

The Town's cash and investments as of June 30, 2016 consisted of the following:

Cash:	
Deposits with Financial Institutions	\$1,035,255
Cash on Hand	<u>125</u>
Total Cash	1,035,380
Investments:	
Certificates of Deposit	<u>111,929</u>
Total Cash and Investments	<u>\$1,147,309</u>

The Town has three (3) certificates of deposit at various banks ranging from \$20,054 to \$70,375 with interest rates ranging from 0.40% to 1.24%. All certificates of deposit mature by fiscal year 2018.

**Custodial Credit Risk**

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

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured by FDIC	\$ 301,930	\$ 302,596
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	<u>845,254</u>	<u>878,094</u>
Total	<u>\$1,147,184</u>	<u>\$1,180,690</u>

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

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$1,035,255
Investments – Certificates of Deposit	<u>111,929</u>
Total	<u>\$1,147,184</u>

**Interest Rate Risk**

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

**Credit Risk**

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

**Concentration of Credit Risk**

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

**B. Receivables**

Receivables as of June 30, 2016, as reported in the statement of net position, are as follows:

	<u>Governmental Activities</u>
Delinquent Taxes Receivable	\$ 171,707
Interest Receivable	9,952
Penalties Receivable	13,737
Grants Receivable	17,617
Accounts Receivable	<u>60</u>
Total	<u>\$ 213,073</u>

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**C. Loan Receivable**

The Town obtained a \$318,900 federal grant through the Vermont Community Development Program and has loaned these funds to The Housing Foundation, Inc. for a septic system upgrade at Sandy Pines Mobile Home Park. The loan has an interest rate of 3% and requires monthly installments of \$1,319 until October 1, 2027 with a balloon payment of \$172,756 due on October 1, 2027 for the remaining balance. The balance of this loan receivable as of June 30, 2016 was \$274,009. Total principal payments received on this loan during the year were \$7,488.

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 116,353	\$ 241,975	\$ 0	\$ 358,328
Construction in Progress	30,428	31,887	4,500	57,815
Total Capital Assets, Not Being Depreciated	<u>146,781</u>	<u>273,862</u>	<u>4,500</u>	<u>416,143</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	2,370,389	0	0	2,370,389
Vehicles, Machinery and Equipment	1,101,839	0	0	1,101,839
Infrastructure	2,078,390	0	0	2,078,390
Totals	<u>5,550,618</u>	<u>0</u>	<u>0</u>	<u>5,550,618</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	352,173	47,482	0	399,655
Vehicles, Machinery and Equipment	452,558	46,095	0	498,653
Infrastructure	699,565	178,499	0	878,064
Totals	<u>1,504,296</u>	<u>272,076</u>	<u>0</u>	<u>1,776,372</u>
Total Capital Assets, Being Depreciated	<u>4,046,322</u>	<u>(272,076)</u>	<u>0</u>	<u>3,774,246</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,193,103</u>	<u>\$ 1,786</u>	<u>\$ 4,500</u>	<u>\$ 4,190,389</u>

Depreciation was charged as follows:

Governmental Activities:	
General Government	\$ 4,439
Public Safety	39,673
Highways and Streets	226,864
Cemetery	<u>1,100</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 272,076</u>

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**E. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2016 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 493,591
Capital Reserve Fund	223,756	0
Community Development Fund	32,810	0
Non-Major Governmental Funds	217,452	0
Agency Fund - East Montpelier		
Senior Living Initiative Fund	<u>19,573</u>	<u>0</u>
Total	<u>\$ 493,591</u>	<u>\$ 493,591</u>

Interfund transfers during the year ended June 30, 2016 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Recreation Committee Fund	\$ 3,000	* Appropriation
General Fund	Capital Reserve Fund	337,000	Appropriation
General Fund	Cemetery Fund	<u>7,000</u>	Appropriation
Total		<u>\$ 347,000</u>	

\* The transfer from the General Fund to the Recreation Committee Fund is netted within the General Fund as this fund is consolidated within the General Fund in order to comply with GASB Statement No. 54.

**F. Deferred Outflows of Resources**

Deferred outflows of resources in the Governmental Activities consists of \$3,156 from the difference between the expected and actual experience, \$19,885 from changes in assumptions, \$19,291 from the difference between the projected and actual investment earnings, \$5,386 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$19,255 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Governmental Activities is \$66,973.

**G. Deferred Inflows of Resources**

Deferred inflows of resources in the Governmental Activities consists of \$16,460 of prepaid property taxes.

Deferred inflows of resources in the General Fund consists of \$133,500 of delinquent property taxes and interest on those taxes that was not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$16,460 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$149,960.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

Deferred inflows of resources in the Community Development Fund consists of \$274,009 of a loan receivable that was not collected within sixty (60) days after year-end as this would not be available to liquidate current liabilities.

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$1,544 of grant revenues not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

#### **H. Long-term Liabilities**

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

The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries. The accrual for the Town's share of the net pension liability is recorded in the government-wide financial statements.

It is the policy of the Town to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements.

Long-term liabilities outstanding as of June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, East Montpelier Fire Department Building, Principal Payments of \$105,000 Payable on December 1 Annually, Interest Ranging from 1.54% to 5.05% Payable on June 1 and December 1, Due December, 2030	\$1,680,000	\$ 0	\$105,000	\$1,575,000
Total	\$1,680,000	\$ 0	\$105,000	\$1,575,000

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds Payable	\$ 1,680,000	\$ 0	\$ 105,000	\$ 1,575,000	\$ 53,337
Compensated Absences Payable	23,560	3,098	0	26,658	0
Due to State of Vermont	114,569	0	7,935	106,634	7,915
Net Pension Liability	10,308	89,544	0	99,852	0
Total Governmental Activities Long-term Liabilities	<u>\$ 1,828,437</u>	<u>\$ 92,642</u>	<u>\$ 112,935</u>	<u>\$ 1,808,144</u>	<u>\$ 61,252</u>

As part of the Town's community development loan program that was originally funded by the State of Vermont, the Town is required to repay the State based on loan repayments. The agreement requires the Town to repay one-half of the annual principal and interest repayments received to the State of Vermont up to a cumulative total of \$159,450, which is half of the \$318,900 original loan as described in Note IV.C. The current balance is \$106,634.

Compensated absences and required contributions to the pension plans are paid by the applicable fund where the employee is charged.

The change in the net pension liability is allocated to the function where the employee is charged.

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2017	\$ 105,000	\$ 53,337
2018	105,000	53,542
2019	105,000	49,472
2020	105,000	55,382
2021	105,000	51,230
2022-2026	525,000	188,570
2027-2031	525,000	65,178
Total	<u>\$ 1,575,000</u>	<u>\$ 516,711</u>

## I. Fund Balances

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

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

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

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

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

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

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

Major Funds

General Fund:

Nonspendable Prepaid Expenses	\$ <u>47,242</u>
-------------------------------	------------------

Non-Major Funds

Special Revenue Funds:

Nonspendable Cemetery Fund Principal	92,100
--------------------------------------	--------

Permanent Fund:

Nonspendable C. Smith Recreation Fund Principal	<u>50,000</u>
---	---------------

Total Non-Major Funds	<u>142,100</u>
-----------------------	----------------

Total Nonspendable Fund Balances	<u>\$189,342</u>
----------------------------------	------------------

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

Major Funds

Community Development Fund:

Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	<u>\$24,875</u>
--	-----------------



TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

Non-Major Funds

Special Revenue Funds:

Restricted for Veteran's Memorial Expenses by Donations (Source of Revenue is Donations)	\$ 1,403
Restricted for Rally Day Fund by Donations (Source of Revenue is Donations)	<u>147</u>
Total Special Revenue Funds	1,550

Capital Projects Funds:

Restricted for Emergency Services Facility Expenditures by Bond Proceeds (Source of Revenue is Bond Proceeds)	23,977
--	--------

Permanent Fund:

Restricted for C. Smith Fund by Trust Agreement – Expendable Portion	<u>996</u>
---	------------

Total Non-Major Funds	<u>26,523</u>
-----------------------	---------------

Total Restricted Fund Balances	<u>\$51,398</u>
--------------------------------	-----------------

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

Non-Major Funds

Special Revenue Funds:

Committed for Town Forest Expenses by the Voters	\$25,837
Committed for Land Conservation Expenses by the Voters	<u>5,535</u>

Total Committed Fund Balances	<u>\$31,372</u>
-------------------------------	-----------------

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

Major Funds

General Fund:

Assigned to Reduce Property Taxes in Fiscal Year 2017	\$ 75,000
Assigned for Compensated Absences Payments	25,000
Assigned for Future Highway Excess Wages	25,000
Assigned for Recreation Committee Expenses	<u>9,181</u>

Total General Fund	<u>134,181</u>
--------------------	----------------

Capital Reserve Fund:

Assigned for Capital Expenditures	<u>223,756</u>
-----------------------------------	----------------

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses	\$ 79,378
Assigned for Rally Day Expenses	500
Assigned for Cemetery Expenses	<u>7,270</u>

Total Special Revenue Funds 87,148

Capital Projects Funds:

Assigned for Village Projects Grant Expenditures	27,390
Assigned for Paving & Structures Grant Expenditures	<u>8,254</u>

Total Capital Projects Funds 35,644

Total Non-Major Funds 122,792

Total Assigned Fund Balances \$480,729

The General Fund unassigned fund balance includes \$237,830 of emergency reserves as approved by the voters.

**J. Restricted Net Position**

The restricted net position of the Town as of June 30, 2016 consisted of the following:

Governmental Activities:

Restricted for Community Development by Grant Agreements	\$192,250
Restricted for Veteran's Memorial Expenses by Donations	1,403
Restricted for Rally Day Expenses by Donations	147
Restricted for Cemetery by Trust Agreement	92,100
Restricted for C. Smith Recreation Fund by Trust Agreement – Non-Expendable Portion	50,000
Restricted for C. Smith Recreation Fund by Trust Agreement – Expendable Portion	<u>996</u>

Total Governmental Activities \$336,896

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**V. OTHER INFORMATION**

**A. PENSION PLAN**

**Defined Benefit Plan**

**Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2016, the retirement system consisted of 436 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources**

As of June 30, 2015, the measurement date selected by the State of Vermont, VMERS was funded at 87.42% and had a plan fiduciary net position of \$535,903,742 and a total pension liability of \$612,999,552 resulting in a net pension liability of \$77,095,810. As of June 30, 2016, the Town's proportionate share of this was .1295% resulting in a liability of \$99,852. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2015, the Town's proportion of .1295% was an increase of 0.0166% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$28,738.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

As of June 30, 2016, the Town reported deferred outflows of resources from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 3,156
Changes in assumptions	19,885
the measurement date actual investment earnings	19,291
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,386
Town's required employer contributions made subsequent to the measurement date	19,255
	<u>\$ 66,973</u>

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$19,255 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2017	\$ 9,688
2018	9,688
2019	9,688
2020	<u>18,654</u>
Total	<u>\$47,718</u>

### Summary of System Provisions

**Membership:** Full time employees of participating municipalities. The Town elected coverage under Group B provisions.

**Creditable Service:** Service as a member plus purchased service.

**Average Final Compensation (AFC):** Group B – Average annual compensation during highest three (3) consecutive years.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

Service Retirement Allowance:

Eligibility – Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service.

Amount – Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC.

Maximum benefit is 60% of AFC for Group B. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Group B.

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members.

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

Amount – Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

Disability Retirement Allowance:

Eligibility – Five (5) years of service and disability as determined by Retirement Board.

Amount – Immediate allowance based on AFC and service to date of disability.

Death Benefit:

Eligibility – Death after five (5) years of service.

Amount – For Group B, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death.

Optional Benefit and Death after Retirement: For Group B, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee.

Refund of Contribution: Upon termination, if the member so elects or if no other benefit is payable, the member’s accumulated contributions are refunded.

Post-Retirement Adjustments: Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 3% for Group B.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

Member Contributions: Group B – 4.875% effective July 1, 2015 (increased from 4.75%)

Employer Contributions: Group B – 5.50% effective July 1, 2015 (increased from 5.375%)

Retirement Stipend: \$25 per month payable at the option of the Board of Trustees.

**Significant Actuarial Assumptions and Methods**

Interest Rate: A select-and-ultimate interest rate set, specified as follows. The interest rate set is restarted every year.

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and later: 9.00%
Year 9: 8.50%	

Salary increases: 5% per year.

Deaths:

Active participants – 50% of the probabilities in the 1995 Buck Mortality Tables for males and females.

Non-disabled retirees and terminated vested participants – The 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females.

Disabled retirees – RP-2000 Disabled Life Tables.

Beneficiaries – 1995 Buck Mortality Tables for males and females.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.8% per annum for Group B members.

Actuarial Cost Method: Entry Age Normal – Level Percentage of Pay.

Asset Valuation Method: Invested assets are reported at fair value.

Note – For funding purposes – A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

Long-term Expected Rate of Return:

The long-term expected rate of return on investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	8.61%
Fixed Income	1.91%
Alternatives	6.93%
Multi-strategy	4.88%

Nominal long-term expected rates of return for these asset classes are equal to the sum of the expected long-term real rates and the expected long-term inflation rate of 3.0%.

Discount Rate: The discount rate used to measure the total pension liability was 7.95%, a decrease from 8.23% in the prior year. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.95 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%):

<u>1% Decrease (6.95%)</u>	<u>Discount Rate (7.95%)</u>	<u>1% Increase (8.95%)</u>
\$199,449	\$99,852	\$16,362

TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**Additional Information**

Additional information regarding the State of Vermont Municipal Employees' Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

**B. RISK MANAGEMENT**

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

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

**C. PROPERTY TAXES**

The Town is responsible for assessing and collecting its own property taxes, as well as education taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes were levied in August and are due November 15 and May 15 of each year. The penalty is eight percent (8%). Interest is charged at one percent (1%) per month. The tax rates for 2016 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.5792	.5792
Local Agreement	.0030	.0030
Education	<u>1.9757</u>	<u>1.6312</u>
Total	<u>2.5579</u>	<u>2.2134</u>



TOWN OF EAST MONTPELIER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**D. COMMITMENTS AND CONTINGENCIES**

One June 30, 2010, the Town signed a Financing and Land Use Agreement with the Town of Calais, Vermont related to the land and building constructed for the East Montpelier Volunteer Fire Department, Inc. The property is owned by the Town of East Montpelier and the bond payable, with a current balance of \$1,575,000, is a liability of the Town of East Montpelier. The Town of Calais, which also receives its public safety coverage from the East Montpelier Volunteer Fire Department, Inc., has agreed to reimburse the Town of East Montpelier one-third of the annual bond principal and interest payments for twenty (20) years. After full payment of the bond, if either town wishes to terminate this agreement, an appraisal will be done of the property and the buy-out amount between the two parties will be two-thirds of the fair market value to the Town of East Montpelier and one-third of the fair market value to the Town of Calais. On June 24, 2013, the Town signed a Cost Allocation Agreement with the Town of Calais in which all future improvements to the property will be split two-thirds by the Town of East Montpelier and one-third by the Town of Calais and must have consent from both Towns.

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

2017	\$ 57,215
2018	56,039
2019	54,782
2020	53,461
2021	52,077
2022-2026	237,857
2027-2031	<u>196,726</u>
Total	<u>\$708,157</u>

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

**E. SUBSEQUENT EVENTS**

On July 12, 2016, the Town approved a lease agreement with Kansas State Bank for a 2017 Mack Truck in the amount of \$148,234 with an interest rate of 2.49% and a maturity date of March 1, 2020.

**F. OTHER**

At the 2016 Town Meeting, the voters approved transferring the Recreation Committee Fund's fund balance to a separate non-profit organization. As of June 30, 2016, the Town has not yet transferred these assets. The fund balance as of June 30, 2016 was \$9,181.

TOWN OF EAST MONTPELIER, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 1,718,809	\$ 1,706,071	\$ (12,738)
Interest on Delinquent Taxes	9,000	8,881	(119)
Penalties on Delinquent Taxes	10,000	14,343	4,343
Interest on Late Taxes	6,000	7,185	1,185
Education Retention Fees	8,000	10,953	2,953
Current Use Hold Harmless	85,000	92,966	7,966
PILOT - Land	1,000	0	(1,000)
PILOT - Buildings	2,500	1,294	(1,206)
Dog Licenses	2,500	2,240	(260)
Excess Weight Fees	400	490	90
Liquor Licenses	100	70	(30)
Recording Fees	20,000	20,160	160
School Share Town Expenses	9,000	9,000	0
Vault Fees	4,000	3,936	(64)
Zoning Fees	6,000	4,370	(1,630)
Better Back Roads Grant Income	0	10,000	10,000
Central VT Solid Waste Grant Income	0	3,219	3,219
Loan Reimbursement - Town of Calais	58,265	58,265	0
Green Up Day	225	307	82
State Aid to Highways	144,000	144,183	183
State Equalization Grant Income	0	1,211	1,211
Civil Fines	9,000	9,549	549
Interest	0	1,357	1,357
Miscellaneous	600	806	206
Total Revenues	2,094,399	2,110,856	16,457
Expenditures:			
Town Officers' Payroll:			
Town Clerk	42,500	42,846	(346)
Assistant Town Clerk	1,000	0	1,000
Municipal Employees	139,000	140,528	(1,528)
Health Officer	1,000	1,000	0
Selectboard	5,500	5,500	0
Planning Commission Stipend	4,750	4,750	0
Internal Auditor's	6,650	5,720	930
Listers Payroll	18,000	16,767	1,233
Animal Control Officers Stipend	1,500	1,500	0
Constable Stipend	1,500	1,500	0
Delinquent Tax Collector	10,000	14,424	(4,424)
Total Town Officers' Payroll	231,400	234,535	(3,135)

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF EAST MONTPELIER, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Employee Benefits/Insurances:			
Social Security/Medicare	\$ 35,000	\$ 32,721	\$ 2,279
Municipal Retirement	19,500	19,628	(128)
Unemployment	5,000	4,140	860
Health/Dental Insurance	72,000	73,799	(1,799)
Life, Long-Term and Short-Term Disability	3,600	3,259	341
Town Liability Insurance	5,600	6,138	(538)
Workers' Compensation	19,000	17,837	1,163
Total Employee Benefits/Insurances	159,700	157,522	2,178
Law Enforcement:			
Community Advisory Board	50	50	0
Vermont State Police	31,800	33,412	(1,612)
Total Law Enforcement	31,850	33,462	(1,612)
Professional Fees:			
Contracted Payroll Services	2,000	0	2,000
External Audit	13,500	14,017	(517)
Legal Fees	8,000	2,213	5,787
Total Professional Fees	23,500	16,230	7,270
Municipal Building:			
Custodial	2,700	2,795	(95)
Electricity	1,800	1,542	258
General Expenses	1,200	655	545
Heating Fuel	2,500	950	1,550
Repairs/Maintenance	3,000	3,051	(51)
Telephone	2,400	2,400	0
Water	900	935	(35)
Total Municipal Building	14,500	12,328	2,172
Municipal Operations:			
Advertising	2,200	1,148	1,052
Copier Lease	2,500	2,539	(39)
Education/Seminars	2,000	1,120	880
Equipment Purchases	1,500	685	815
Gifts/Special Occasions	300	446	(146)
Mileage/Travel Expense	1,500	1,268	232
Fees	300	324	(24)
Grounds Maintenance	9,500	9,462	38
Off Premise Record Storage	1,100	1,080	20
Office Supplies	6,000	3,972	2,028
Postage	3,600	3,125	475
Printing	1,200	1,637	(437)

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF EAST MONTPELIER, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Municipal Operations/(Cont'd):			
Town Report Printing and Mailing	\$ 5,500	\$ 5,584	\$ (84)
Property and Casualty Insurance	21,000	22,564	(1,564)
Public Records Management	8,500	7,629	871
Street Lights	4,700	4,600	100
Subscriptions/Memberships	250	313	(63)
	<u>71,650</u>	<u>67,496</u>	<u>4,154</u>
Total Municipal Operations			
Loans and Interest:			
Public Safety Building - Principal	105,000	105,000	0
Public Safety Building - Interest	69,794	69,794	0
Tax Anticipation Note - Interest	1,000	0	1,000
	<u>175,794</u>	<u>174,794</u>	<u>1,000</u>
Total Loans and Interest			
Computers:			
Equipment/Hardware Purchases	3,500	3,624	(124)
General Services/Maintenance	7,000	5,906	1,094
GIS Mapping Service	2,100	627	1,473
Software	2,700	2,306	394
	<u>15,300</u>	<u>12,463</u>	<u>2,837</u>
Total Computers			
Town Clerk and Elections:			
Ballot Clerks/Elections Workers	500	705	(205)
Dog Licensing - Tags and Licenses	200	182	18
Election Equipment	2,000	1,646	354
Record Restoration/Preservation	3,000	2,500	500
Vault Expenses/Town Records	1,000	35	965
	<u>6,700</u>	<u>5,068</u>	<u>1,632</u>
Total Town Clerk and Elections			
Dues and Fees:			
CV Economic Development	900	900	0
CV Regional Planning Commission	2,834	2,834	0
CV Solid Waste Management District	2,599	2,599	0
VT Association of Conservation Districts	100	100	0
VT League of Cities and Towns	3,751	3,731	20
Washington County Court Expense	24,183	24,183	0
Wrightsville Beach District	1,329	2,391	(1,062)
	<u>35,696</u>	<u>36,738</u>	<u>(1,042)</u>
Total Dues and Fees			

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF EAST MONTPELIER, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Transfers:			
Fire Department	\$ 106,267	\$ 106,267	\$ 0
Ambulance Service	110,084	110,084	0
Recreation Board	3,000	3,000	0
Total Transfers	219,351	219,351	0
Grants and Special Projects:			
Invasive Species Control	1,000	224	776
Front Porch Forum	0	556	(556)
Recreation Expenses	0	3,350	(3,350)
Central VT Solid Waste Management District Grant	0	2,994	(2,994)
Capital Reserve Contribution	337,000	337,000	0
Total Grants and Special Projects	338,000	344,124	(6,124)
Highway Operations:			
Chloride	25,000	18,118	6,882
Crack Sealant	12,000	0	12,000
Culverts	7,400	7,496	(96)
Diesel	64,000	31,128	32,872
Education/Seminars - Highway Personnel	600	60	540
Equipment Rentals	7,000	2,854	4,146
General Supplies	14,500	10,466	4,034
Gravel	107,000	113,153	(6,153)
Green Up Expenses	600	328	272
Guardrails	5,000	0	5,000
Hazardous Materials Disposal	750	414	336
Pavement Management	3,000	444	5,200
Pavement Markings	5,200	0	2,556
Reciprocal Road Maintenance	1,300	1,313	(13)
Road Fabric	5,200	3,050	2,150
Roadside Mowing	6,500	5,800	700
Salt	60,000	30,382	29,618
Sand	52,000	39,253	12,747
Signs	4,000	4,471	(471)
Stabilizations Fabric	3,000	1,656	1,344
Uniforms	3,600	3,776	(176)
Weather Reporting	1,000	1,600	(600)
Total Highway Operations	388,650	275,762	112,888

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF EAST MONTPELIER, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Garage Expenses:			
Electricity	\$ 1,400	\$ 899	\$ 501
General Expenses	2,000	176	1,824
Heating Fuel	7,000	2,246	4,754
Building Repairs and Maintenance	1,000	0	1,000
Renovations	0	1,018	(1,018)
Rubbish	1,600	1,543	57
Security	500	470	30
Telephone/Communications	2,700	2,535	165
Total Town Garage Expenses	16,200	8,887	7,313
Vehicle Equipment/Repairs:	50,000	72,229	(22,229)
Highway Labor:	218,000	187,984	30,016
Voted Articles:			
Cemetery Commission Transfer	7,000	7,000	0
Four Corners Schoolhouse	4,400	4,400	0
Kellogg-Hubbard Library	38,614	38,614	0
East Montpelier Signpost	8,200	8,200	0
GMTA Route 2 Commuter Bus Service	8,333	8,333	0
Montpelier Senior Activity Center	5,000	5,000	0
East Montpelier Trails	4,000	4,000	0
Total Voted Articles	75,547	75,547	0
Appropriations:			
Capstone Community Action	500	500	0
Central Vermont Adult Basic Education	750	750	0
Central Vermont Council on Aging	1,875	1,875	0
Central Vermont Good Beginnings	300	300	0
Central Vermont Home Health and Hospice	5,500	5,500	0
Central Vermont Memorial Civic Center	1,000	1,000	0
Circle (Battered Women's Services and Shelter)	675	675	0
Community Connections	2,500	2,500	0
Downstreet Housing & Community Development	150	150	0
Family Center of Washington County	500	500	0
Friends of the Winooski River	200	200	0
Girls/ Boyz First Mentoring	200	200	0
Green Mountain Transit	1,366	1,366	0
Green Up Vermont	150	150	0
Home Share Now	600	600	0
North Branch Nature Center	750	750	0

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF EAST MONTPELIER, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Appropriations/(Cont'd):			
Onion River Food Shelf	\$ 1,000	\$ 1,000	\$ 0
Our House of Central Vermont	250	250	0
People's Health and Wellness Clinic, Inc.	1,250	1,250	0
Prevent Child Abuse of Vermont	300	300	0
Project Independence	250	250	0
Sexual Assault Crisis Team	250	250	0
Twin Valley Seniors, Inc.	1,000	1,000	0
Vermont Cares	150	150	0
Vermont Center for Independent Living	245	245	0
Washington County Diversion Program	450	450	0
Washington County Youth Service Bureau	400	400	0
	<hr/>	<hr/>	<hr/>
Total Appropriations	22,561	22,561	0
	<hr/>	<hr/>	<hr/>
Total Expenditures	2,094,399	1,957,081	137,318
	<hr/>	<hr/>	<hr/>
Excess of Revenues			
Over Expenditures	\$ 0	153,775	\$ 153,775
	<hr/>		<hr/>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Recreation Committee Fund Income		3,935	
Recreation Committee Fund Transfer In		3,000	
Recreation Committee Fund Expenses		(4,373)	
		<hr/>	
Net Change in Fund Balance		156,337	
		<hr/>	
Fund Balance - July 1, 2015		422,444	
		<hr/>	
Fund Balance - June 30, 2016		\$ 578,781	
		<hr/>	

The reconciling items are due to combining one (1) fund, the Recreation Committee Fund, with the General Fund in order to comply with GASB Statement No. 54.

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF EAST MONTPELIER, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
VMERS DEFINED BENEFIT PLAN  
JUNE 30, 2016

	2016	2015
Total Plan Net Pension Liability	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.1295%	0.1129%
Town's Proportionate Share of the Net Pension Liability	\$ 99,852	\$ 10,308
Town's Covered Employee Payroll	\$ 350,093	\$ 336,832
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	28.5216%	3.0603%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.42%	98.32%

**Notes to Schedule**

Benefit Changes: None.

Changes in Assumptions: The discount rate used to measure the net pension liability was lowered from 8.23% to 7.95%, due to the adoption by the Board of Trustees of a 7.95% expected future rate of return on assets for funding purposes.

Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

See Disclaimer in Accompanying Independent Auditor's Report.



TOWN OF EAST MONTPELIER, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
VMERS DEFINED BENEFIT PLAN  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 19,255	\$ 18,105
Contributions in Relation to the Actuarially Determined Contributions	<u>19,255</u>	<u>18,105</u>
Contribution Excess/(Deficiency)	\$ <u>0</u>	\$ <u>0</u>
Town's Covered Employee Payroll	\$ 350,093	336,832
Contributions as a Percentage of Town's Covered Employee Payroll	5.500%	5.375%

**Notes to Schedule**

Valuation Date: June 30, 2015

Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF EAST MONTPELIER, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Fund C. Smith Recreation Fund	Total
<u>ASSETS</u>				
Investments	\$ 111,929	\$ 0	\$ 0	\$ 111,929
Receivables	4,182	13,435	0	17,617
Due from Other Funds	<u>113,215</u>	<u>53,241</u>	<u>50,996</u>	<u>217,452</u>
Total Assets	\$ <u>229,326</u>	\$ <u>66,676</u>	\$ <u>50,996</u>	\$ <u>346,998</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 16,613	\$ 5,511	\$ 0	\$ 22,124
Accrued Payroll and Benefits Payable	<u>543</u>	<u>0</u>	<u>0</u>	<u>543</u>
Total Liabilities	<u>17,156</u>	<u>5,511</u>	<u>0</u>	<u>22,667</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Grants	<u>0</u>	<u>1,544</u>	<u>0</u>	<u>1,544</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>1,544</u>	<u>0</u>	<u>1,544</u>
<u>FUND BALANCES</u>				
Nonspendable	92,100	0	50,000	142,100
Restricted	1,550	23,977	996	26,523
Committed	31,372	0	0	31,372
Assigned	<u>87,148</u>	<u>35,644</u>	<u>0</u>	<u>122,792</u>
Total Fund Balances	<u>212,170</u>	<u>59,621</u>	<u>50,996</u>	<u>322,787</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>229,326</u>	\$ <u>66,676</u>	\$ <u>50,996</u>	\$ <u>346,998</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF EAST MONTPELIER, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Fund C. Smith Recreation Fund	Total
Revenues:				
Intergovernmental	\$ 23,936	\$ 27,155	\$ 0	\$ 51,091
Charges for Services	11,360	0	0	11,360
Investment Income	<u>768</u>	<u>43</u>	<u>212</u>	<u>1,023</u>
Total Revenues	<u>36,064</u>	<u>27,198</u>	<u>212</u>	<u>63,474</u>
Expenditures:				
General Government	33,606	0	0	33,606
Public Safety	0	4,200	0	4,200
Highways and Streets	0	653	0	653
Cemetery	19,334	0	0	19,334
Capital Outlay:				
Highways and Streets	<u>0</u>	<u>31,887</u>	<u>0</u>	<u>31,887</u>
Total Expenditures	<u>52,940</u>	<u>36,740</u>	<u>0</u>	<u>89,680</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(16,876)</u>	<u>(9,542)</u>	<u>212</u>	<u>(26,206)</u>
Other Financing Sources:				
Transfers In	<u>7,000</u>	<u>0</u>	<u>0</u>	<u>7,000</u>
Total Other Financing Sources	<u>7,000</u>	<u>0</u>	<u>0</u>	<u>7,000</u>
Net Change in Fund Balances	(9,876)	(9,542)	212	(19,206)
Fund Balances - July 1, 2015	<u>222,046</u>	<u>69,163</u>	<u>50,784</u>	<u>341,993</u>
Fund Balances - June 30, 2016	<u>\$ 212,170</u>	<u>\$ 59,621</u>	<u>\$ 50,996</u>	<u>\$ 322,787</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF EAST MONTPELIER, VERMONT  
COMBINING BALANCE SHEET  
NON-MAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2016

	Reappraisal Fund	VLCT Safety Grant Fund	Municipal Planning Grant Fund	Town Forest Fund	Veteran's Memorial Fund	Rally Day Fund	Land Conservation Fund	Cemetery Fund	Total
<u>ASSETS</u>									
Investments	\$ 0	\$ 0	\$ 0	\$ 20,054	\$ 0	\$ 0	\$ 0	\$ 91,875	\$ 111,929
Receivables	0	0	4,182	0	0	0	0	0	4,182
Due from Other Funds	<u>79,378</u>	<u>0</u>	<u>7,049</u>	<u>10,746</u>	<u>1,403</u>	<u>647</u>	<u>5,535</u>	<u>8,457</u>	<u>113,215</u>
Total Assets	<u>\$ 79,378</u>	<u>\$ 0</u>	<u>\$ 11,231</u>	<u>\$ 30,800</u>	<u>\$ 1,403</u>	<u>\$ 647</u>	<u>\$ 5,535</u>	<u>\$ 100,332</u>	<u>\$ 229,326</u>
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts Payable	\$ 0	\$ 0	\$ 11,231	\$ 4,963	\$ 0	\$ 0	\$ 0	\$ 419	\$ 16,613
Accrued Payroll and Benefits Payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>543</u>	<u>543</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>11,231</u>	<u>4,963</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>962</u>	<u>17,156</u>
Fund Balances:									
Nonspendable	0	0	0	0	0	0	0	92,100	92,100
Restricted	0	0	0	0	1,403	147	0	0	1,550
Committed	0	0	0	25,837	0	0	5,535	0	31,372
Assigned	<u>79,378</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>500</u>	<u>0</u>	<u>7,270</u>	<u>87,148</u>
Total Fund Balances	<u>79,378</u>	<u>0</u>	<u>0</u>	<u>25,837</u>	<u>1,403</u>	<u>647</u>	<u>5,535</u>	<u>99,370</u>	<u>212,170</u>
Total Liabilities and Fund Balances	<u>\$ 79,378</u>	<u>\$ 0</u>	<u>\$ 11,231</u>	<u>\$ 30,800</u>	<u>\$ 1,403</u>	<u>\$ 647</u>	<u>\$ 5,535</u>	<u>\$ 100,332</u>	<u>\$ 229,326</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF EAST MONTPELIER, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Reappraisal Fund	VLCT Safety Grant Fund	Municipal Planning Grant Fund	Town Forest Fund	Veteran's Memorial Fund	Rally Day Fund	Land Conservation Fund	Cemetery Fund	Total
Revenues:									
Intergovernmental	\$ 10,294	\$ 2,411	\$ 11,231	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,936
Charges for Services	0	0	0	3,510	0	0	0	7,850	11,360
Investment Income	<u>111</u>	<u>0</u>	<u>0</u>	<u>161</u>	<u>3</u>	<u>1</u>	<u>16</u>	<u>476</u>	<u>768</u>
Total Revenues	<u>10,405</u>	<u>2,411</u>	<u>11,231</u>	<u>3,671</u>	<u>3</u>	<u>1</u>	<u>16</u>	<u>8,326</u>	<u>36,064</u>
Expenditures:									
General Government	0	2,411	11,231	4,964	0	0	15,000	0	33,606
Cemetery	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>19,334</u>	<u>19,334</u>
Total Expenditures	<u>0</u>	<u>2,411</u>	<u>11,231</u>	<u>4,964</u>	<u>0</u>	<u>0</u>	<u>15,000</u>	<u>19,334</u>	<u>52,940</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>10,405</u>	<u>0</u>	<u>0</u>	<u>(1,293)</u>	<u>3</u>	<u>1</u>	<u>(14,984)</u>	<u>(11,008)</u>	<u>(16,876)</u>
Other Financing Sources:									
Transfers In	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,000</u>	<u>7,000</u>
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,000</u>	<u>7,000</u>
Net Change in Fund Balances	10,405	0	0	(1,293)	3	1	(14,984)	(4,008)	(9,876)
Fund Balances - July 1, 2015	<u>68,973</u>	<u>0</u>	<u>0</u>	<u>27,130</u>	<u>1,400</u>	<u>646</u>	<u>20,519</u>	<u>103,378</u>	<u>222,046</u>
Fund Balances - June 30, 2016	<u>\$ 79,378</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,837</u>	<u>\$ 1,403</u>	<u>\$ 647</u>	<u>\$ 5,535</u>	<u>\$ 99,370</u>	<u>\$ 212,170</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF EAST MONTPELIER, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2016

	Bridge & Culvert Fund	Emergency Services Facility Fund	Village Projects Grant Fund	Paving & Structures Grant Fund	Total
<u>ASSETS</u>					
Receivables	\$ 0	\$ 0	\$ 11,891	\$ 1,544	\$ 13,435
Due from Other Funds	<u>0</u>	<u>23,977</u>	<u>21,010</u>	<u>8,254</u>	<u>53,241</u>
Total Assets	<u>\$ 0</u>	<u>\$ 23,977</u>	<u>\$ 32,901</u>	<u>\$ 9,798</u>	<u>\$ 66,676</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ <u>0</u>	\$ <u>0</u>	\$ <u>5,511</u>	\$ <u>0</u>	\$ <u>5,511</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>5,511</u>	<u>0</u>	<u>5,511</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,544</u>	<u>1,544</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,544</u>	<u>1,544</u>
<u>FUND BALANCES</u>					
Restricted	0	23,977	0	0	23,977
Assigned	<u>0</u>	<u>0</u>	<u>27,390</u>	<u>8,254</u>	<u>35,644</u>
Total Fund Balances	<u>0</u>	<u>23,977</u>	<u>27,390</u>	<u>8,254</u>	<u>59,621</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 0</u>	<u>\$ 23,977</u>	<u>\$ 32,901</u>	<u>\$ 9,798</u>	<u>\$ 66,676</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF EAST MONTPELIER, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Bridge & Culvert Fund	Emergency Services Facility Fund	Village Projects Grant Fund	Paving & Structures Grant Fund	Total
Revenues:					
Intergovernmental	\$ 0	\$ 0	\$ 27,155	\$ 0	\$ 27,155
Investment Income	<u>1</u>	<u>42</u>	<u>0</u>	<u>0</u>	<u>43</u>
Total Revenues	<u>1</u>	<u>42</u>	<u>27,155</u>	<u>0</u>	<u>27,198</u>
Expenditures:					
Public Safety	0	4,200	0	0	4,200
Highways and Streets	653	0	0	0	653
Capital Outlay:					
Highways and Streets	<u>0</u>	<u>0</u>	<u>30,172</u>	<u>1,715</u>	<u>31,887</u>
Total Expenditures	<u>653</u>	<u>4,200</u>	<u>30,172</u>	<u>1,715</u>	<u>36,740</u>
Net Change in Fund Balances	(652)	(4,158)	(3,017)	(1,715)	(9,542)
Fund Balances - July 1, 2015	<u>652</u>	<u>28,135</u>	<u>30,407</u>	<u>9,969</u>	<u>69,163</u>
Fund Balances - June 30, 2016	<u>\$ 0</u>	<u>\$ 23,977</u>	<u>\$ 27,390</u>	<u>\$ 8,254</u>	<u>\$ 59,621</u>

See Disclaimer in Accompanying Independent Auditor's Report.

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

77 Barre Street  
P.O. Box 947  
Montpelier, VT 05601  
802/223-2352  
[www.sullivanpowers.com](http://www.sullivanpowers.com)

Fred Duplessis, CPA  
Richard J. Brigham, CPA  
Chad A. Hewitt, CPA  
Wendy C. Gilwee, CPA  
VT Lic. #92-000180

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"

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of East Montpelier, Vermont as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of East Montpelier, Vermont's basic financial statements and have issued our report thereon dated December 19, 2016.

***Internal Control Over Financial Reporting***

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

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



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 2016-1, that we consider to be a significant deficiency.

### ***Compliance and Other Matters***

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

We also noted certain other matters that we reported to the management of the Town of East Montpelier, Vermont in a separate letter dated December 19, 2016.

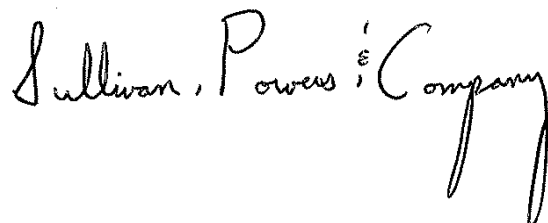
### ***Town of East Montpelier, Vermont's Response to Deficiency in Internal Control***

The Town of East Montpelier, Vermont's response to the deficiency in internal control identified in our audit is included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Town of East Montpelier, Vermont's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

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

December 19, 2016  
Montpelier, Vermont  
VT Lic. #92-000180



TOWN OF EAST MONTPELIER, VERMONT  
SCHEDULE OF FINDINGS AND  
DEFICIENCIES IN INTERNAL CONTROL  
JUNE 30, 2016

Deficiencies in Internal Control:

Material Weaknesses:

None noted.

Significant Deficiencies:

2016-1 Reconciliation of Balance Sheet Accounts

*Criteria:*

Internal controls should be in place to provide for the reconciliation of all balance sheet accounts to supporting documentation on an annual basis in order to detect and correct errors in account balances.

*Condition:*

A number of balance sheet accounts such as prepaid expenses, grants receivable, accounts payable and accrued payroll and benefits payable were not reconciled prior to the audit to the actual balances at year end which resulted in various adjustments to revenue and expenses.

*Cause:*

Unknown.

*Effect:*

The Town's account balances were not completely reconciled which resulted in various adjustments to revenue and expenses.

*Recommendation:*

We recommend that all balance sheet accounts be reconciled to supporting documentation at least annually in order to detect and correct errors.

*Town of East Montpelier, Vermont*

P.O. Box 157  
East Montpelier, VT  
05651-0157

Town Clerk's Office  
Phone 802-223-3313  
Fax 802-223-4467

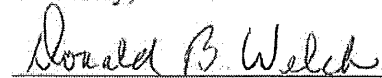
December 19, 2016

Sullivan, Powers & Company  
77 Barre Street  
Montpelier, Vermont 05601

Re: 2016-1 Reconciliation of Balance Sheet Accounts

Based on our discussion, the nature of the deficiency is only related to timing at year end, based on the accrual basis. In cases where we are unsure about the proper posting, we will propose journal entries for your review.

Sincerely,



Donald Welch  
Town Treasurer