

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

**FINANCIAL STATEMENTS
JUNE 30, 2018
AND
INDEPENDENT AUDITOR'S REPORT**

DRAFT

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.

JUNE 30, 2018

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DRAFT

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the East Montpelier Volunteer Fire Department, Inc. (the Department) which comprise the Cash Basis Statement of Assets, Liabilities and Net Cash Balances as of June 30, 2018, and the related Statement of Cash Receipts and Disbursements and Statement of Functional Cash Disbursements for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the East Montpelier Volunteer Fire Department, Inc. as of June 30, 2018, and its cash receipts, disbursements and functional disbursements during the year then ended in accordance with the cash basis of accounting described in note 1.

Basis of Accounting

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

Other Matters

Supplementary Information

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

Montpelier, Vermont
_____, 2018

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
CASH BASIS STATEMENT OF ASSETS, LIABILITIES
AND NET CASH BALANCES
JUNE 30, 2018

ASSETS**CURRENT ASSETS:**

Cash	\$ <u>184,598</u>
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LIABILITIES AND NET CASH BALANCES**LIABILITIES:**

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

Unrestricted	
Designated by the Board for -	
Contingency	40,000
Capital	93,143
Undesignated	<u>51,455</u>
Total net cash balances	<u>184,598</u>
Total liabilities and net cash balances	\$ <u>184,598</u>

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

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>
CASH RECEIPTS:	
East Montpelier appropriation	\$ 252,030
Calais appropriation	126,015
Plainfield appropriation	47,645
Donations	5,104
Interest	228
Ambulance fees	120,572
Proceeds from sale of equipment	26,200
Miscellaneous	<u>638</u>
Total cash receipts	<u>578,432</u>
CASH DISBURSEMENTS:	
Fire services	225,913
Ambulance services	276,749
General and administrative	<u>35,290</u>
Total cash disbursements	<u>537,952</u>
INCREASE (DECREASE) IN CASH	40,480
CASH, beginning of year	<u>144,118</u>
CASH, end of year	<u>\$ 184,598</u>

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

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF FUNCTIONAL CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Fire</u>	<u>Ambulance</u>	<u>General & Administration</u>	<u>Total Cash Disbursements</u>
Administrative	\$ -	\$ -	\$ 749	\$ 749
Ambulance, fire and paramedic services	-	16,313	-	16,313
Audit, bookkeeping and treasurer services	-	-	19,416	19,416
Building repair and maintenance	19,271	-	-	19,271
Contributions	7,699	-	-	7,699
Defibrillator loan principal and interest	-	6,171	-	6,171
Dispatch	17,287	10,456	-	27,743
Dues	1,144	290	-	1,434
Electric	10,494	-	-	10,494
Ambulance purchase	14,907	-	-	14,907
Equipment purchases	75,175	4,714	-	79,889
Equipment and truck repairs and maintenance	5,370	1,402	-	6,772
Firefighting supplies, repairs and maintenance	2,806	-	-	2,806
Heating fuel	8,869	-	-	8,869
Insurance	19,583	11,676	-	31,259
Legal	-	-	958	958
Medical supplies	-	17,596	-	17,596
Office supplies	-	-	14,167	14,167
Payroll taxes	-	20,497	-	20,497
Personal gear	2,176	-	-	2,176
Physicals	886	-	-	886
Postage	382	-	-	382
Radio repair and replacement	264	72	-	336
Refreshments	1,931	-	-	1,931
Salary	-	171,748	-	171,748
Stipends	9,400	-	-	9,400
Telephone	6,319	679	-	6,998
Training	1,070	-	-	1,070
Vehicle fuel	3,816	3,621	-	7,437
Vehicle repair and maintenance	16,979	8,163	-	25,142
Hydrant	85	-	-	85
Miscellaneous	-	3,351	-	3,351
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total cash disbursements	\$ <u>225,913</u>	\$ <u>276,749</u>	\$ <u>35,290</u>	\$ <u>537,952</u>

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

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. Summary of operations and significant accounting policies:

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

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

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

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

C. Restricted cash - There was no temporarily or permanently restricted cash as of June 30, 2018.

D. Tax status - The Department is incorporated and exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the Code). The Department had no liability for uncertain tax positions for the year ended June 30, 2018. The tax years ended June 30, 2017, 2016, and 2015 are still open to audit for both federal and state purposes. Contributions to the Department are tax deductible to donors under Section 170 of the Internal Revenue Code. The Department is not classified as a private foundation.

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

2. Cash accounts:

Bank and credit union balances at June 30, 2018 were \$202,574 which were fully insured.

**EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

3. Economic dependence:

During the year ended June 30, 2018, \$252,030 representing 44% and \$126,015 representing 22% of the Department's total cash receipts were received from the Town of East Montpelier and the Town of Calais, respectively.

4. Commitments:

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

In December 2015, the Department signed a three (3) year agreement with the Town of Plainfield to provide ambulance services beginning July 1, 2016. Under this agreement, the Department will bill the Town of Plainfield \$49,074 for the year ended June 30, 2019.

In June 2018, the Department signed a one (1) year agreement with the Town of Marshfield to provide ambulance services beginning July 1, 2018. Under this agreement the Department will bill the Town of Marshfield \$40,000 for the year ended June 30, 2019.

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

5. Board designated cash:

At June 30, 2018, the Department had \$40,000 designated in a contingency account. The contingency account represents monies set aside by the Board to be used at the discretion of the Board.

Also at June 30, 2017, the Department had \$93,143 designated in a capital account. The capital account represents monies set aside by the Board to pay for future capital costs. In any calendar year, the Department may spend up to \$20,000 of capital account funds for emergency purchases at its own discretion. Additionally, any capital purchase exceeding \$20,000 will require approval by both the Town of Calais and Town of East Montpelier Selectboards and, at the discretion of the Selectboards, may require approval by the Town of East Montpelier and Town of Calais voters with a warned article at Town Meeting.

6. Subsequent events:

Management has evaluated subsequent events from June 30, 2018 through _____, 2018, the date the financial statements were available for issuance.

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2018

(Page 1 of 2)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
BUDGETED CASH RECEIPTS:			
East Montpelier appropriation	\$ 252,030	\$ 252,030	\$ -
Calais appropriation	126,015	126,015	-
Plainfield appropriation	<u>47,645</u>	<u>47,645</u>	-
Total budgeted cash receipts	<u>425,690</u>	<u>425,690</u>	<u>-</u>
BUDGETED CASH DISBURSEMENTS:			
Salaries	170,000	171,748	(1,748)
Payroll taxes	25,000	20,497	4,503
Audit and bookkeeping services	16,000	20,167	(4,167)
Building 1	1,000	765	235
Building 2	8,000	14,155	(6,155)
Cellular phone	2,040	2,356	(316)
Diesel	7,000	6,073	927
Dispatch	31,000	27,743	3,257
Hydrant	-	85	(85)
Dues	1,200	1,434	(234)
Electric - station 1	650	675	(25)
Electric - station 2	9,500	9,818	(318)
Snow plowing	5,000	4,350	650
Medical supplies	15,000	16,791	(1,791)
Oxygen	1,000	805	195
Equipment repair	5,000	3,158	1,842
Firefighting supplies	2,500	2,609	(109)
Gasoline	1,000	1,364	(364)
Heating oil - station 1	5,000	5,169	(169)
Heating oil - station 2	500	-	500
Wood pellets - station 2	4,000	3,700	300
Insurance	49,500	31,259	18,241
Legal	1,000	958	42
Bank charges	100	-	100
Chaplain's fund	250	198	52
Office supplies	4,000	2,447	1,553
Office software	6,000	11,720	(5,720)
Personal gear	8,500	2,176	6,324
Physicals	3,000	886	2,114
Infection control	100	-	100
Postage	500	382	118
Radio repairs	1,250	336	914
Radio replacement	3,000	-	3,000
Refreshments	1,500	1,931	(431)
Stipends	9,400	9,400	-

EAST MONTPELIER VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2018

(Page 2 of 2)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
BUDGETED CASH			
DISBURSEMENTS (CONTINUED):			
Telephone	3,500	4,641	(1,141)
Truck repairs and maintenance	16,000	25,143	(9,143)
Training	3,500	1,070	2,430
Defibrillator maintenance	1,500	1,402	98
Total budgeted cash disbursements	<u>425,690</u>	<u>409,622</u>	<u>16,068</u>
INCREASE (DECREASE)			
IN BUDGETED CASH	<u>-</u>	<u>16,068</u>	<u>16,068</u>
UNBUDGETED CASH RECEIPTS:			
Donations	-	5,104	5,104
Interest	-	228	228
Ambulance fees	-	120,572	120,572
Miscellaneous	-	638	638
Total unbudgeted cash receipts	<u>-</u>	<u>152,742</u>	<u>152,742</u>
UNBUDGETED CASH DISBURSEMENTS:			
Ambulance service	-	10,678	(10,678)
Paramedic	-	5,635	(5,635)
Defibrillator loan principal and interest	-	6,171	(6,171)
Donations	-	7,699	(7,699)
Ambulance purchase	-	14,907	(14,907)
Equipment purchases	-	24,798	(24,798)
Payment on tanker loan	-	55,091	(55,091)
Miscellaneous	-	3,351	(3,351)
Total unbudgeted cash disbursements	<u>-</u>	<u>128,330</u>	<u>(128,330)</u>
INCREASE (DECREASE) IN CASH	\$ <u>-</u>	\$ <u>40,480</u>	\$ <u>40,480</u>