

TOWN OF EAST MONTPELIER, VERMONT

AUDIT REPORT

JUNE 30, 2018

TOWN OF EAST MONTPELIER, VERMONT
 AUDIT REPORT
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Sullivan, Powers & Co., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
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, 2018, 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, 2018, 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.

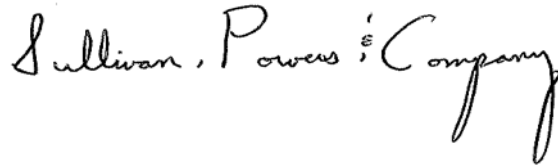
Other Information

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 14, 2018 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 14, 2018
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned to the right of the typed text.

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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, 2018. 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 \$754,695, compared to \$627,287 in fiscal year 2017.
- The cost of all of the Town's operations for the fiscal year ended June 30, 2018 was \$2,066,675 compared to \$1,937,981 in fiscal year 2017, a 6.6% increase.

Fund Financial Statements:

- The Town's General Fund fund balance increased by \$104,650 to \$724,014.
- The Capital Reserve Fund fund balance decreased by \$50,159 to \$532,327.
- The Community Development Fund fund balance increased by \$8,002 to \$40,822.
- The Paving & Structures Grant Fund fund balance increased by \$194,059, however still remains in a deficit of \$(47,438).
- The Park and Ride Grant fund balance decreased by \$1,299, remaining in a deficit of \$(3,474).
- The various non-major governmental funds fund balances decreased by \$3,834, from \$329,363 to \$325,529.

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, 2018
(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, the Community Development Fund, which deals with the activity of the community development program, the Paving and Structures Grant Fund, which contains the activity for capital expenses related to paving and structures grant projects and the Park and Ride Grant Fund, which contains the activity for capital expenses related to the Park and Ride Grant Project. 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, 2018
(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

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Net Change</u>
Current and other assets	\$ 2,200,138	\$ 2,268,338	\$ (68,200)
Capital assets	5,150,167	4,565,071	585,096
Total assets	<u>7,350,305</u>	<u>6,833,409</u>	<u>516,896</u>
Deferred outflows of resources	<u>80,703</u>	<u>106,239</u>	<u>(25,536)</u>
Current liabilities	245,688	330,718	(85,030)
Long-term liabilities due within one year	176,865	176,865	0
Long-term liabilities due after one year	1,613,469	1,797,019	(183,550)
Total liabilities	<u>2,036,022</u>	<u>2,304,602</u>	<u>(268,580)</u>
Deferred inflows of resources	<u>8,979</u>	<u>3,734</u>	<u>5,245</u>
Net investment in capital assets	3,650,927	2,907,695	743,232
Restricted	355,399	346,216	9,183
Unrestricted	1,379,681	1,377,401	2,280
Total net position	<u>\$ 5,386,007</u>	<u>\$ 4,631,312</u>	<u>\$ 754,695</u>

Table 2 - Change in Net Position

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>Net Change</u>
REVENUES			
General revenue:			
Property taxes	\$ 1,804,547	\$ 1,776,457	\$ 28,090
Interest on delinquent taxes	38,141	16,641	21,500
General state grants	103,065	101,262	1,803
Earnings on investments	10,767	4,283	6,484
Other general revenues	4,254	1,356	2,898
Program revenues:			
Charges for services	74,275	75,260	(985)
Operating grants and contributions	260,557	163,902	96,655
Capital grants and contributions	525,764	426,107	99,657
Total revenues	<u>2,821,370</u>	<u>2,565,268</u>	<u>256,102</u>
PROGRAM EXPENSES			
General government	577,999	563,221	14,778
Public safety	321,765	302,953	18,812
Highways and streets	1,025,236	944,643	80,593
Culture and recreation	69,337	50,056	19,281
Cemetery	12,332	14,478	(2,146)
Interest on long-term debt	60,006	62,630	(2,624)
Total program expenses	<u>2,066,675</u>	<u>1,937,981</u>	<u>128,694</u>
Increase (decrease) in net position	<u>\$ 754,695</u>	<u>\$ 627,287</u>	<u>\$ 127,408</u>

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(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 \$1,377,401 balance at June 30, 2017, to a \$1,379,681 balance at June 30, 2018 for the governmental activities.

The Town's combined Net Position increased by \$754,695 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

	6/30/2018		6/30/2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 577,999	\$ 508,669	\$ 563,221	\$ 494,526
Public safety	321,765	243,698	302,953	237,904
Highways and streets	1,025,236	327,117	944,643	427,157
Culture and recreation	69,337	63,587	50,056	45,632
Community development	0	(7,880)	0	(8,115)
Cemetery	12,332	10,882	14,478	12,978
Interest on long-term debt	60,006	60,006	62,630	62,630
Total	<u>\$ 2,066,675</u>	<u>\$ 1,206,079</u>	<u>\$ 1,937,981</u>	<u>\$ 1,272,712</u>

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

As the Town completed the fiscal year June 30, 2018, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$1,571,780, which is approximately 19% higher than fiscal year ended June 30, 2017 total fund balance of \$1,320,361.

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 \$68,971 and expenditures were \$118,018 under the budget.

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(Continued)

The larger variances are as follows:

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues and other sources:			
Property Taxes	\$ 1,798,980	\$ 1,811,547	\$ 12,567
FEMA Reimbursement	0	13,061	13,061
Expenditures:			
Highways and streets - operations - diesel	58,000	39,857	18,143
Highways and streets - operations - sand	42,000	31,140	10,860
Highways and streets - Vehicle Equipment/Repairs	60,000	46,780	13,220

The reasons for these variances are as follows:

Property Taxes: The Town's deferred property taxes decreased approximately \$14,000 from the prior year.

FEMA Reimbursement: The Town received \$13,061 in unexpected FEMA and state funding for the highway crew's clean-up effort of the damage from the late October 2017 wind storm event.

Highways and streets - operations: (1) The price of diesel fuel remained relatively low which, coupled with slightly below normal overall truck use, resulted in lower than expected fuel expense. (2) The Town was able to recover sand from the periphery of the winter sand pile, lessening the need to purchase new sand during FY2018.

Highways and streets - Vehicle Equipment/Repairs: The Town experienced a fortuitous year in terms of major repairs of equipment. Other than some frustrating electrical issues with the 2008 Volvo Loader, which led to its replacement, there were no significant equipment issues.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2018, the Town had \$5,150,167 investment in capital assets, net of depreciation, including buildings, equipment, vehicles and infrastructure (See table below). This represents a net increase of \$585,096 since June 30, 2017.

TOWN OF EAST MONTPELIER, VERMONT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(Continued)

Capital Assets at Year-End
(Net of depreciation)

	Governmental Activities	
	6/30/2018	6/30/2017
Land	\$ 583,902	\$ 488,483
Construction in progress	181,193	136,417
Buildings and building improvement	2,374,936	2,374,936
Vehicles, machinery and equipment	1,402,850	1,198,850
Infrastructure	2,667,274	2,172,578
Accumulated depreciation	(2,059,988)	(1,806,193)
Totals	\$ 5,150,167	\$ 4,565,071

The Town spent \$897,212 on capital asset additions during the fiscal year. The major purchases during the year were: the Town purchased the Hudson property in EM Village for \$95,419 to resolve lingering concerns over town ownership of the old Town Hall parcel and access to the Village Cemetery; \$124,899 was spent on repairing and repaving Muddy Brook Road; \$71,370 was spent on the replacement of a large culvert on Murray Road; the Town purchased a 2018 Komatsu Loader for \$116,637 (with trade) to replace the rapidly failing 2008 Volvo Loader; and, the Town purchased a John Deere Tractor with boom mower for \$134,829 to allow the Town to better the handle the evolving demands of our roadside mowing program.

Debt - At June 30, 2018, the Town had \$1,518,137 in notes outstanding versus \$1,681,395 on June 30, 2017 – a decrease of \$163,258. As of June 30, 2018, the Town owed \$1,365,000 on the Emergency Services Facility bond; \$59,996 on a 2017 Mack Truck; and \$93,141 on a 2018 Mack Truck.

Economic Factors and Next Year’s Budget and Rates

The Town’s elected and appointed officials considered many factors when setting the fiscal year 2019 budget for Town operations. The Selectboard brought forth a budget calling for a 3.3% increase in expenditures, offset somewhat by a small increase in revenues, a \$25,000 increase (to \$100,000) in usage of the available fund balance, and a modest Grand List increase (1.2%), resulting in a municipal tax rate increase of 1.45%. The largest factor in the budget development was a combination of the continued escalation of health care costs (\$20,000; 20.4%) coupled with wage increases for town employees (\$19,000; 4.5%). Other significant variations in the FY19 budget are: 1) an increase in the East Montpelier Fire Department lines of \$14,338 (5.6%) due mainly to increased dispatch and salary expenses; 2) a \$10,250 (146.4%) increase in the Cemetery Commission appropriation to reflect the actual cost of cemetery management now that the commission’s reserve fund is depleted; and, 3) a \$16,667 (4%) increase in the Capital Reserve Fund appropriation to bring it in line with the Town’s adopted Capital Plan.

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, 2018

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 1,584,730
Investments	92,059
Receivables	217,296
Loan Receivable	258,343
Prepaid Expenses	47,710
Capital Assets:	
Land	583,902
Construction in Progress	181,193
Other Capital Assets, (Net of Accumulated Depreciation)	4,385,072
Total Assets	7,350,305
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows of Resources Related to the Town's Participation in VMERS	80,703
Total Deferred Outflows of Resources	80,703
<u>LIABILITIES</u>	
Accounts Payable	198,724
Accrued Payroll and Benefits Payable	14,733
Due to Fiduciary Fund	19,684
Unearned Revenue	954
Accrued Interest Payable	11,593
Noncurrent Liabilities:	
Due within One Year	176,865
Due in More than One Year	1,613,469
Total Liabilities	2,036,022
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Prepaid Property Taxes	2,042
Deferred Inflows of Resources Related to the Town's Participation in VMERS	6,937
Total Deferred Inflows of Resources	8,979
<u>NET POSITION</u>	
Net Investment in Capital Assets	3,650,927
Restricted For:	
Culture and Recreation	52,061
Community Development	208,478
Cemetery	93,450
Other	1,410
Unrestricted	1,379,681
Total Net Position	\$ 5,386,007

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, 2018

	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	\$ 577,999	\$ 48,618	\$ 20,712	\$ 0	\$ (508,669)
Public Safety	321,765	10,577	9,700	57,790	(243,698)
Highways and Streets	1,025,236	0	230,145	467,974	(327,117)
Culture and Recreation	69,337	5,750	0	0	(63,587)
Community Development	0	7,880	0	0	7,880
Cemetery	12,332	1,450	0	0	(10,882)
Interest on Long-term Debt	60,006	0	0	0	(60,006)
Total Primary Government	\$ <u>2,066,675</u>	\$ <u>74,275</u>	\$ <u>260,557</u>	\$ <u>525,764</u>	<u>(1,206,079)</u>
General Revenues:					
Property Taxes					1,804,547
Interest on Delinquent Taxes					38,141
General State Grants					103,065
Unrestricted Investment Earnings					10,767
Other Revenues					4,254
Total General Revenues					<u>1,960,774</u>
Change in Net Position					754,695
Net Position - July 1, 2017					<u>4,631,312</u>
Net Position - June 30, 2018					\$ <u><u>5,386,007</u></u>

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

TOWN OF EAST MONTPELIER, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Capital Reserve Fund	Community Development Fund	Paving & Structures Grant Fund	Park & Ride Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash	\$ 1,584,730	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,584,730
Investments	0	0	0	0	0	92,059	92,059
Receivables	184,277	1,690	0	7,302	3,076	20,951	217,296
Loan Receivable	0	0	258,343	0	0	0	258,343
Due from Other Funds	0	665,466	48,824	0	0	226,128	940,418
Prepaid Expenses	47,710	0	0	0	0	0	47,710
Total Assets	<u>\$ 1,816,717</u>	<u>\$ 667,156</u>	<u>\$ 307,167</u>	<u>\$ 7,302</u>	<u>\$ 3,076</u>	<u>\$ 339,138</u>	<u>\$ 3,140,556</u>
LIABILITIES							
Accounts Payable	\$ 44,308	\$ 134,829	\$ 8,002	\$ 160	\$ 0	\$ 11,425	\$ 198,724
Accrued Payroll and Benefits Payable	14,157	0	0	0	0	576	14,733
Due to Other Funds	908,696	0	0	47,278	3,474	654	960,102
Unearned Revenue	0	0	0	0	0	954	954
Total Liabilities	<u>967,161</u>	<u>134,829</u>	<u>8,002</u>	<u>47,438</u>	<u>3,474</u>	<u>13,609</u>	<u>1,174,513</u>
DEFERRED INFLOWS OF RESOURCES							
Prepaid Property Taxes	2,042	0	0	0	0	0	2,042
Unavailable Property Taxes, Penalties and Interest	123,500	0	0	0	0	0	123,500
Unavailable Loan Receivable	0	0	258,343	0	0	0	258,343
Unavailable Grants	0	0	0	7,302	3,076	0	10,378
Total Deferred Inflows of Resources	<u>125,542</u>	<u>0</u>	<u>258,343</u>	<u>7,302</u>	<u>3,076</u>	<u>0</u>	<u>394,263</u>
FUND BALANCES/(DEFICIT)							
Nonspendable	47,710	0	0	0	0	143,450	191,160
Restricted	0	0	40,822	0	0	22,368	63,190
Committed	0	532,327	0	0	0	43,620	575,947
Assigned	141,025	0	0	0	0	116,492	257,517
Unassigned/(Deficit)	<u>535,279</u>	<u>0</u>	<u>0</u>	<u>(47,438)</u>	<u>(3,474)</u>	<u>(401)</u>	<u>483,966</u>
Total Fund Balances/(Deficit)	<u>724,014</u>	<u>532,327</u>	<u>40,822</u>	<u>(47,438)</u>	<u>(3,474)</u>	<u>325,529</u>	1,571,780
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,816,717</u>	<u>\$ 667,156</u>	<u>\$ 307,167</u>	<u>\$ 7,302</u>	<u>\$ 3,076</u>	<u>\$ 339,138</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.							5,150,167
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.							392,221
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.							(1,801,927)
Deferred Outflows and Inflows of Resources related to the Town's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.							<u>73,766</u>
Net Position of Governmental Activities							<u>\$ 5,386,007</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, 2018

	General Fund	Capital Reserve Fund	Community Development Fund	Paving & Structures Grant Fund	Park & Ride Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:							
Property Taxes	\$ 1,811,547	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,811,547
Penalties and Interest on Delinquent Taxes	38,141	0	0	0	0	0	38,141
Intergovernmental	323,937	1,690	0	382,306	288,277	110,925	1,107,135
Charges for Services	19,006	0	0	0	0	1,450	20,456
Permits, Licenses and Fees	35,362	0	0	0	0	0	35,362
Fines and Forfeits	10,577	0	0	0	0	0	10,577
Loan Repayments	0	0	7,950	0	0	0	7,950
Loan Interest Income	0	0	7,880	0	0	0	7,880
Investment Income	7,016	1,481	174	0	0	2,096	10,767
Donations	367	0	0	0	0	0	367
Other	4,254	0	0	0	0	0	4,254
Total Revenues	2,250,207	3,171	16,004	382,306	288,277	114,471	3,054,436
Expenditures:							
General Government	539,668	9,719	0	0	0	13,046	562,433
Public Safety	276,743	0	0	0	0	5,197	281,940
Highways and Streets	664,013	3,173	0	81,158	0	2,025	750,369
Culture and Recreation	69,337	0	0	0	0	0	69,337
Community Development	0	0	8,002	0	0	0	8,002
Cemetery	0	0	0	0	0	11,232	11,232
Capital Outlay:							
General Government	0	95,419	0	0	0	0	95,419
Highways and Streets	2,995	251,466	0	151,509	289,576	106,247	801,793
Debt Service:							
Principal	105,000	58,258	0	0	0	0	163,258
Interest	53,542	5,692	0	0	0	0	59,234
Total Expenditures	1,711,298	423,727	8,002	232,667	289,576	137,747	2,803,017
Excess/(Deficiency) of Revenues Over Expenditures	538,909	(420,556)	8,002	149,639	(1,299)	(23,276)	251,419
Other Financing Sources/(Uses):							
Transfers In	0	414,817	0	44,420	0	19,442	478,679
Transfers Out	(434,259)	(44,420)	0	0	0	0	(478,679)
Total Other Financing Sources/(Uses)	(434,259)	370,397	0	44,420	0	19,442	0
Net Change in Fund Balances	104,650	(50,159)	8,002	194,059	(1,299)	(3,834)	251,419
Fund Balances/(Deficit) - July 1, 2017	619,364	582,486	32,820	(241,497)	(2,175)	329,363	1,320,361
Fund Balances/(Deficit) - June 30, 2018	\$ 724,014	\$ 532,327	\$ 40,822	\$ (47,438)	\$ (3,474)	\$ 325,529	\$ 1,571,780

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, 2018

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)	\$	251,419
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$897,212) is allocated over their estimated useful lives and reported as depreciation expense (\$312,116). This is the amount by which capital outlays exceeded depreciation in the current period.		585,096
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 (\$163,258) 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.		163,258
Governmental funds report employer pension contributions as expenditures (\$20,628). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$36,266) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(15,638)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(233,066)
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.		<u>3,626</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>754,695</u></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, 2018

	Agency Fund
	East Montpelier Senior Living Initiative Fund
<u>ASSETS</u>	
Due from Other Funds	\$ <u>19,684</u>
Total Assets	<u>19,684</u>
<u>LIABILITIES</u>	
Due to Others	<u>19,684</u>
Total Liabilities	<u>19,684</u>
<u>NET POSITION</u>	
Total Net Position	\$ <u><u>0</u></u>

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

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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.

Paving & Structures Grant Fund – This fund accounts for the capital expenditures related to paving and structures grant projects.

Park & Ride Grant Fund – This fund accounts for the capital expenditures related to the park and ride grant project.

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.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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.

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.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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.

Recognition of revenues on funds received in connection with loan programs are recognized when loans are awarded and expenses incurred in excess of current grants and program income. An offsetting deferred revenue is recognized for all loans receivable. Loan repayment revenue is recognized as the loans are repaid.

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 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 to/from other funds." All other outstanding balances between funds are reported as "due from/to other funds."

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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.

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. 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. 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 acquisition 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, 2018

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:

	Capitalization Threshold	Estimated Service Life
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, 2018

**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.

B. Budgeted Deficit

The Town budgeted a current year’s deficiency of revenues over expenditures in the General Fund in the amount of \$75,000 in order to utilize a portion of the previous year’s surplus. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 1.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town’s cash and investments as of June 30, 2018 consisted of the following:

Cash:	
Deposits with Financial Institutions	\$1,584,605
Cash on Hand	<u>125</u>
Total Cash	1,584,730
Investments:	
Certificates of Deposit	<u>92,059</u>
Total Cash and Investments	<u>\$1,676,789</u>

The Town has three (3) certificates of deposit at North Country Federal Credit Union ranging from \$20,559 to \$50,000 with interest rates ranging from 1.25% to 1.35%. All certificates of deposit mature by fiscal year 2019.

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 cash and certificates of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured by FDIC	\$ 504,092	\$ 504,092
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution’s Agent	<u>1,172,572</u>	<u>1,207,293</u>
Total	<u>\$1,676,664</u>	<u>\$1,711,385</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, 2018

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$1,584,605
Investments – Certificates of Deposit	<u>92,059</u>
Total	<u>\$1,676,664</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, 2018, as reported in the statement of net position, are as follows:

	Governmental Activities
Delinquent Taxes Receivable	\$ 145,566
Penalties and Interest Receivable	23,663
Grants Receivable	46,079
Accounts Receivable	<u>1,988</u>
Total	<u>\$ 217,296</u>

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 was \$258,343. Total principal payments received on this loan during the year were \$7,950.

D. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 488,483	\$ 95,419	\$ 0	\$ 583,902
Construction in Progress	136,417	465,713	420,937	181,193
Total Capital Assets, Not Being Depreciated	<u>624,900</u>	<u>561,132</u>	<u>420,937</u>	<u>765,095</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	2,374,936	0	0	2,374,936
Vehicles, Machinery and Equipment	1,198,850	325,709	121,709	1,402,850
Infrastructure	2,172,578	494,696	0	2,667,274
Totals	<u>5,746,364</u>	<u>820,405</u>	<u>121,709</u>	<u>6,445,060</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	447,276	47,633	0	494,909
Vehicles, Machinery and Equipment	359,042	79,668	58,321	380,389
Infrastructure	999,875	184,815	0	1,184,690
Totals	<u>1,806,193</u>	<u>312,116</u>	<u>58,321</u>	<u>2,059,988</u>
Total Capital Assets, Being Depreciated	<u>3,940,171</u>	<u>508,289</u>	<u>63,388</u>	<u>4,385,072</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,565,071</u>	<u>\$ 1,069,421</u>	<u>\$ 484,325</u>	<u>\$ 5,150,167</u>

Depreciation was charged as follows:

Governmental Activities:	
General Government	\$ 4,196
Public Safety	39,825
Highways and Streets	266,995
Cemetery	<u>1,100</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 312,116</u>

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2018 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 908,696
Capital Reserve Fund	665,466	0
Community Development Fund	48,824	0
Paving & Structures Grant Fund	0	47,278
Park & Ride Grant Fund	0	3,474
Non-Major Governmental Funds	226,128	654
Agency Fund - East Montpelier Senior Living Initiative Fund	<u>19,684</u>	<u>0</u>
Total	<u>\$ 960,102</u>	<u>\$ 960,102</u>

Interfund transfers during the year ended June 30, 2018 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	414,817	Appropriation
General Fund	VLCT Safety Fund	4,942	Fund Local Match
General Fund	Land Conservation Fund	7,500	Appropriation
General Fund	Cemetery Fund	7,000	Appropriation
Capital Reserve Fund	Paving & Structures Grant Fund	<u>44,420</u>	Fund Local Match
Total		<u>\$ 481,679</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 \$2,141 from the difference between the expected and actual experience, \$24,509 from the difference between the projected and actual investment earnings, \$30,806 from changes in assumptions, and \$2,619 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 \$20,628 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$80,703.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

G. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$3,643 from the difference between the expected and actual experience and \$3,294 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). It also includes \$2,042 of prepaid property taxes. Total deferred inflows of resources in the governmental activities is \$8,979.

Deferred inflows of resources in the General Fund consists of \$123,500 of delinquent property taxes, penalties 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 \$2,042 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$125,542.

Deferred inflows of resources in the Community Development Fund consists of \$258,343 of a loan receivable as this would not be available to liquidate current liabilities.

Deferred inflows of resources in the Paving & Structures Grant Fund consists of \$7,302 of grant revenues not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Park & Ride Grant Fund consists of \$3,076 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 Town enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even through they may include clauses that allow for cancellation of the lease in the event the Town does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date of the leases.

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.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Long-term liabilities outstanding as of June 30, 2018 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	\$1,470,000	\$ 0	\$105,000	\$1,365,000
Capital Lease Payable, Kansas StateBank, 2017 Mack Truck, Principal and Interest Payments of \$31,123 Payable on March 1 Annually, Interest at 2.49%, Due March, 2020.	88,905	0	28,909	59,996
Capital Lease Payable, Kansas StateBank, 2018 Mack Truck, Principal and Interest Payments of \$32,827 Payable on March 7 Annually, Interest at 2.84%, Due March, 2021	<u>122,490</u>	<u>0</u>	<u>29,349</u>	<u>93,141</u>
Total	<u>\$1,681,395</u>	<u>\$ 0</u>	<u>\$163,258</u>	<u>\$1,518,137</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 1,470,000	\$ 0	\$ 105,000	\$ 1,365,000	\$ 105,000
Capital Leases Payable	211,395	0	58,258	153,137	63,950
Compensated Absences Payable	30,753	3,604	0	34,357	0
Due to State of Vermont	98,689	0	8,002	90,687	7,915
Net Pension Liability	<u>163,047</u>	<u>0</u>	<u>15,894</u>	<u>147,153</u>	<u>0</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 1,973,884</u>	<u>\$ 3,604</u>	<u>\$ 187,154</u>	<u>\$ 1,790,334</u>	<u>\$ 176,865</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 \$90,687.

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.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities		
	Principal	Interest	Capital Leases
2019	\$ 105,000	\$ 49,472	\$ 63,950
2020	105,000	55,382	63,950
2021	105,000	51,230	32,827
2022	105,000	46,919	0
2023	105,000	42,467	0
2024-2028	525,000	140,685	0
2029-2031	315,000	23,677	0
Total	1,365,000	409,832	160,727
Less: Imputed Interest	0	0	(7,590)
Total	<u>\$ 1,365,000</u>	<u>\$ 409,832</u>	<u>\$ 153,137</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.

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.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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>\$ 47,710</u>
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Non-Major Funds

Special Revenue Funds:

Nonspendable Cemetery Fund Principal	93,450
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Permanent Fund:

Nonspendable C. Smith Recreation Fund Principal	<u>50,000</u>
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Total Non-Major Funds	<u>143,450</u>
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Total Nonspendable Fund Balances	<u>\$191,160</u>
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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>\$40,822</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Veteran's Memorial Expenses by Donations (Source of Revenue is Donations)	1,410
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Restricted for Rally Day Fund by Donations (Source of Revenue is Donations)	<u>151</u>
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Total Special Revenue Funds	<u>1,561</u>
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Capital Projects Funds:

Restricted for Emergency Services Facility Expenditures by Bond Proceeds (Source of Revenue is Bond Proceeds)	<u>18,897</u>
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TOWN OF EAST MONTPELIER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

Permanent Fund:

Restricted for C. Smith Fund by Trust Agreement – Expendable Portion	<u>\$ 1,910</u>
Total Non-Major Funds	<u>22,368</u>
Total Restricted Fund Balances	<u>\$63,190</u>

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

Major Funds

Capital Reserve Fund:

Committed for Capital Projects by the Voters	<u>\$532,327</u>
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Non-Major Funds

Special Revenue Funds:

Committed for Town Forest Expenses by the Voters	26,505
Committed for Land Conservation Expenses by the Voters	<u>17,115</u>

Total Special Revenue Funds	<u>43,620</u>
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Total Committed Fund Balances	<u>\$575,947</u>
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The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:

Assigned to Reduce Property Taxes in Fiscal Year 2019	\$100,000
Assigned for Compensated Absences Payments	35,000
Assigned for Recreation Committee Expenses	<u>6,025</u>

Total General Fund	<u>141,025</u>
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Non-Major Funds

Special Revenue Funds:

Assigned for Reappraisal Expenses	100,638
Assigned for Rally Day Expenses	<u>500</u>

Total Special Revenue Funds	<u>101,138</u>
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Capital Projects Funds:

Assigned for Village Projects Grant Expenditures	<u>15,354</u>
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Total Non-Major Funds	<u>116,492</u>
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Total Assigned Fund Balances	<u>\$257,517</u>
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TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

The General Fund unassigned fund balance includes \$279,788 of emergency reserves as approved by the voters.

The unassigned deficit of \$47,438 in the Paving & Structures Grant Fund will be funded with the collection of grant revenue and a transfer from the Capital Reserve Fund.

The unassigned deficit of \$3,474 in the Park & Ride Grant Fund will be funded with the collection of grant revenue and a transfer from the Capital Reserve Fund.

The unassigned deficit of \$401 in the Cemetery Fund will be funded with future lot sales.

J. Restricted Net Position

The restricted net position of the Town as of June 30, 2018 consisted of the following:

Governmental Activities:

Restricted for Community Development by Grant Agreements	\$208,478
Restricted for Veteran's Memorial Expenses by Donations	1,410
Restricted for Rally Day Expenses by Donations	151
Restricted for Cemetery by Trust Agreement	93,450
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>1,910</u>
Total Governmental Activities	<u>\$355,399</u>

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, 2018, the retirement system consisted of 423 participating employers.

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

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 Liability, Pension Expense and Deferred Outflows of Resources

As of June 30, 2017, the measurement date selected by the State of Vermont, VMERS was funded at 83.64% and had a plan fiduciary net position of \$619,510,342 and a total pension liability of \$740,665,894 resulting in a net position liability of \$121,155,552. As of June 30, 2018, the Town's proportionate share of this was 0.1215% resulting in a net pension liability of \$147,153. The net pension liability was measured as of June 30, 2017, 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 municipalities, actuarially determined. The Town's proportion of 0.1215% was a decrease of 0.0052 from its proportion measured as of the prior year.

For the year ended June 30, 2018, the Town recognized pension expense of \$36,266.

As of June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,141	\$ 3,643
Difference between projected and actual investment earnings on pension assets	24,509	0
Changes in assumptions	30,806	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,619	3,294
Town's required employer contributions made subsequent to the measurement date	20,628	0
	\$ 80,703	\$ 6,937

TOWN OF EAST MONTPELIER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$20,628 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2019	\$19,817
2020	28,217
2021	6,925
2022	<u>(1,821)</u>
Total	<u>\$53,138</u>

Summary of System Provisions

Membership – Full time employees of participating municipalities. The Town elected coverage under Groups B and C provisions.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Groups B and C – Average annual compensation during highest three (3) consecutive years.

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. Groups C – Age 55 with five (5) 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. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC.

Maximum benefit is 60% of AFC for Group B and 50% of AFC for Groups C. 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.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 Groups B and C, 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 Groups B and C, 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 Groups B and C.

Member Contributions – Group B – 4.875%. Group C – 10.00%.

Employer Contributions – Group B – 5.50%. Group C – 7.25%.

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

Significant Actuarial Assumptions and Methods

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation, a decrease from 7.95% in the prior year.

Salary increases: 5% per year.

Mortality – The mortality tables were updated for the current year from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement:

Death in Active Service: Groups B and C – 98% of RP-2014 blended 60% Blue Collar Employee, 40% Healthy Employee with generational projection using Scale SSA-2017.

TOWN OF EAST MONTPELIER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Healthy Post-Retirement: Groups B and C – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational projection using Scale SSA-2017.

Disabled Post-Retirement: Groups B and C – RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017.

Spouse’s Age: Females three years younger than males.

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.30% per annum for Groups B and C members, a decrease from 1.8% in the prior year (beginning at normal retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group B who receive a disability retirement benefit, and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2018 COLA is assumed to be 0.75% for all groups.

Actuarial Cost Method: Entry age actuarial cost method. Entry age is the age at date of employment or, if date is unknown, current age minus years of service. Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary, with normal cost determined using the plan of benefits applicable to each participant.

Actuarial Value of Assets: 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 market value of assets by more than 20%.

Inflation: 2.50%, a decrease from 3% in the prior year.

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	16%	6.07%
Non-US Equity	16%	7.42%
Global Equity	9%	6.85%
Real Estate	8%	4.62%
Private Markets	15%	7.80%
Hedge Funds	8%	3.95%
Risk Parity	4%	4.84%

TOWN OF EAST MONTPELIER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

Discount Rate – The discount rate used to measure the total pension liability was 7.50%, a decrease from 7.95% in the prior year. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System’s projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%):

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$262,731	\$147,153	\$51,299

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 Employment Resource and Benefits Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employment benefits for Vermont municipalities and is owned by the participating members. The agreement does not permit the Trust to make additional assessments to its members. The Town has only elected unemployment coverage with the Trust.

TOWN OF EAST MONTPELIER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

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 2018 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.5999	.5999
Local Agreement	.0025	.0025
Education	<u>1.9021</u>	<u>1.6168</u>
Total	<u>2.5045</u>	<u>2.2192</u>

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 \$1,365,000, 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:

2019	\$ 51,491
2020	53,461
2021	52,077
2022	50,640
2023	49,156
2024-2028	221,895
2029-2031	<u>112,892</u>
Total	<u>\$591,612</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.

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, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 1,798,980	\$ 1,811,547	\$ 12,567
Interest on Delinquent Taxes	9,000	14,629	5,629
Penalties on Delinquent Taxes	10,000	18,275	8,275
Interest on Late Taxes	6,000	5,237	(763)
Education Retention Fees	9,000	10,006	1,006
Current Use Hold Harmless	92,000	98,770	6,770
PILOT - Land	1,000	965	(35)
PILOT - Buildings	3,000	3,330	330
Dog Licenses	2,300	2,255	(45)
Excess Weight Fees	400	520	120
Liquor Licenses	100	210	110
Recording Fees	20,000	18,325	(1,675)
School Share Town Expenses	9,000	9,000	0
Vault Fees	4,000	3,757	(243)
Zoning Fees	4,000	4,545	545
Erosion Control ANR Grant Income	0	9,700	9,700
FEMA Reimbursement	0	13,061	13,061
Loan Reimbursement - Town of Calais	52,847	52,847	0
Green Up Day	225	367	142
State Aid to Highways	144,000	144,042	42
State Equalization Grant Income	0	1,222	1,222
Civil Fines	9,000	10,577	1,577
Interest	500	6,982	6,482
Miscellaneous	100	4,254	4,154
	<u>2,175,452</u>	<u>2,244,423</u>	<u>68,971</u>
Total Revenues			
Expenditures:			
Town Officers' Payroll:			
Municipal Employees	194,000	189,335	4,665
Health Officer	1,000	1,000	0
Selectboard	5,500	5,500	0
Planning Commission Stipend	4,750	4,750	0
Internal Auditor's	6,900	6,047	853
Listers Payroll	20,000	17,537	2,463
Animal Control Officers Stipend	1,500	1,500	0
Constable Stipend	1,500	1,500	0
Delinquent Tax Collector	10,000	0	10,000
	<u>245,150</u>	<u>227,169</u>	<u>17,981</u>
Total Town Officers' Payroll			

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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, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Employee Benefits/Insurances:			
Social Security/Medicare	\$ 37,500	\$ 33,171	\$ 4,329
Municipal Retirement	21,000	20,805	195
Unemployment	2,600	1,822	778
Health Insurance	98,000	101,273	(3,273)
Dental Insurance	3,000	2,937	63
Life, Long-Term and Short-Term Disability	3,600	3,654	(54)
Town Liability Insurance	8,000	7,628	372
Workers' Compensation	23,000	17,621	5,379
Total Employee Benefits/Insurances	196,700	188,911	7,789
Law Enforcement:			
Community Advisory Board	100	100	0
Vermont State Police	33,000	24,613	8,387
Total Law Enforcement	33,100	24,713	8,387
East Montpelier Fire District No. 1:	0	9,700	(9,700)
Professional Fees:			
Contracted Payroll Services	1,000	0	1,000
External Audit	14,500	14,690	(190)
Legal Fees	8,000	3,408	4,592
Total Professional Fees	23,500	18,098	5,402
Municipal Building:			
Custodial	2,700	2,580	120
Electricity	1,800	1,524	276
General Expenses	1,000	380	620
Heating Fuel	2,000	1,116	884
Repairs/Maintenance	3,000	0	3,000
Telephone	2,400	2,252	148
Water	900	1,017	(117)
Total Municipal Building	13,800	8,869	4,931
Municipal Operations:			
Advertising	2,000	1,113	887
Copier Lease	2,900	3,069	(169)
Education/Seminars	2,000	2,075	(75)
Equipment Purchases	1,000	475	525
Gifts/Special Occasions	300	790	(490)
Mileage/Travel Expense	1,500	1,438	62
Fees	350	326	24
Grounds Maintenance	11,500	10,713	787
Off Premise Record Storage	1,100	1,080	20
Office Supplies	5,000	3,959	1,041

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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, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Municipal Operations/(Cont'd):			
Postage	\$ 3,700	\$ 2,679	\$ 1,021
Printing	1,200	1,188	12
Town Report Printing and Mailing	6,300	5,710	590
Property and Casualty Insurance	20,000	17,673	2,327
Public Records Management	8,500	8,385	115
Street Lights	4,700	5,042	(342)
Subscriptions/Memberships	450	346	104
Town Document Updates	5,000	3,483	1,517
	<u>77,500</u>	<u>69,544</u>	<u>7,956</u>
Total Municipal Operations			
Loans and Interest:			
Public Safety Building - Interest	53,542	53,542	0
Public Safety Building - Principal	105,000	105,000	0
Tax Anticipation Note - Interest	1,000	0	1,000
	<u>159,542</u>	<u>158,542</u>	<u>1,000</u>
Total Loans and Interest			
Computers:			
Equipment/Hardware Purchases	3,500	2,285	1,215
General Services/Maintenance	8,000	7,480	520
GIS Mapping Service	2,100	1,830	270
Software	2,700	2,982	(282)
	<u>16,300</u>	<u>14,577</u>	<u>1,723</u>
Total Computers			
Town Clerk and Elections:			
Ballot Clerks/Elections Workers	1,000	950	50
Dog Licensing - Tags and Licenses	200	197	3
Election Equipment	2,000	1,713	287
Record Restoration/Preservation	3,000	0	3,000
Vault Expenses/Town Records	1,000	10	990
	<u>7,200</u>	<u>2,870</u>	<u>4,330</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	2,650	2,626	24
VT Association of Conservation Districts	100	100	0
VT League of Cities and Towns	3,917	3,917	0
Washington County Court Expense	24,936	24,936	0
Wrightsville Beach District	2,923	3,188	(265)
	<u>38,260</u>	<u>38,501</u>	<u>(241)</u>
Total Dues and Fees			

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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, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Transfers:			
Fire Department	\$ 106,693	\$ 106,693	\$ 0
Ambulance Service	145,337	145,337	0
Recreation Board	3,000	3,000	0
Total Transfers	<u>255,030</u>	<u>255,030</u>	<u>0</u>
Grants and Special Projects:			
Invasive Species Control	500	48	452
Front Porch Forum	500	500	0
Capital Reserve Contribution	414,817	414,817	0
Total Grants and Special Projects	<u>415,817</u>	<u>415,365</u>	<u>452</u>
Highway Operations:			
Chloride	25,000	20,321	4,679
Crack Sealant	12,000	10,800	1,200
Culverts	7,600	5,098	2,502
Diesel	58,000	39,857	18,143
Education/Seminars - Highway Personnel	600	130	470
Equipment Rentals	7,000	0	7,000
General Supplies	14,500	6,295	8,205
Gravel	110,000	116,326	(6,326)
Green Up Expenses	600	367	233
Guardrails	5,000	0	5,000
Hazardous Materials Disposal	750	0	750
Pavement Management	3,000	355	2,645
Pavement Markings	5,200	11,749	(6,549)
Permit Fees	220	202	18
Reciprocal Road Maintenance	1,300	2,625	(1,325)
Road Fabric	3,500	0	3,500
Roadside Mowing	10,000	7,400	2,600
Salt	52,000	42,455	9,545
Sand	42,000	31,140	10,860
Signs	4,000	1,074	2,926
Stabilizations Fabric	3,000	2,071	929
Uniforms	3,800	4,592	(792)
Weather Reporting	1,000	0	1,000
VLCT Safety Grant Local Match	0	4,942	(4,942)
Total Highway Operations	<u>370,070</u>	<u>307,799</u>	<u>62,271</u>

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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, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Garage Expenses:			
Electricity	\$ 1,400	\$ 1,194	\$ 206
General Expenses	2,000	2,650	(650)
Heating Fuel	7,000	5,056	1,944
Building Repairs and Maintenance	1,000	4,413	(3,413)
Rubbish	1,600	4,852	(3,252)
Security	400	240	160
Telephone/Communications	2,700	2,664	36
Total Town Garage Expenses	16,100	21,069	(4,969)
Vehicle Equipment/Repairs:	60,000	46,780	13,220
Highway Labor:	205,000	207,514	(2,514)
Voted Articles:			
Cemetery Commission Transfer	7,000	7,000	0
Four Corners Schoolhouse	3,100	3,100	0
Kellogg-Hubbard Library	38,614	38,614	0
Land Conservation	7,500	7,500	0
East Montpelier Signpost	7,000	7,000	0
GMTA Route 2 Commuter Bus Service	8,333	8,333	0
Montpelier Senior Activity Center	7,000	7,000	0
East Montpelier Trails	4,000	4,000	0
Central VT Home Health & Hospice	5,500	5,500	0
Cross Vermont Trail Association	7,500	7,500	0
Total Voted Articles	95,547	95,547	0
Appropriations:			
American Red Cross	250	250	0
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 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	300	300	0
Central Vermont Good Beginnings	300	300	0
Good Samaritan Haven	750	750	0
Green Mountain Transit	1,366	1,366	0
Green Up Vermont	150	150	0
Home Share Now	800	800	0
North Branch Nature Center	750	750	0
Onion River Food Shelf	1,000	1,000	0

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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, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Appropriations/(Cont'd):			
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	125	125	0
Sexual Assault Crisis Team	250	250	0
Twin Valley Seniors, Inc.	3,000	3,000	0
T.W. Wood Gallery	500	500	0
Vermont Association for Blind & Visually Impaired	150	150	0
Vermont Cares	150	150	0
Vermont Center for Independent Living	245	245	0
Washington County Diversion Program	600	600	0
Washington County Mental Health Services	800	800	0
Washington County Youth Service Bureau	400	400	0
	21,836	21,836	0
Total Appropriations	21,836	21,836	0
Total Expenditures	2,250,452	2,132,434	118,018
Excess/(Deficiency) of Revenues Over Expenditures	\$ (75,000)	111,989	\$ 186,989
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Recreation Committee Fund Income		5,784	
Recreation Committee Fund Transfer In		3,000	
Recreation Committee Fund Expenses		(16,123)	
Net Change in Fund Balance		104,650	
Fund Balance - July 1, 2017		619,364	
Fund Balance - June 30, 2018		\$ 724,014	

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.

TOWN OF EAST MONTPELIER, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2018

	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.1215%	0.1267%	0.1295%	0.1129%
Town's Proportionate Share of the Net Pension Liability	\$ 147,153	\$ 163,047	\$ 99,852	\$ 10,308
Town's Covered Employee Payroll	\$ 357,167	\$ 360,638	\$ 350,093	\$ 336,832
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	41.2001%	45.2107%	28.5216%	3.0603%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.64%	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions and Methods: The following changes were effective for the June 30, 2017 valuation date:

- Assumed inflation was lowered from 3.0% to 2.5%.
- The investment return assumption was lowered from 7.95% to 7.50%.
- Assumed COLA increases were lowered from 1.50% to 1.15% for Group A members and from 1.80% to 1.3% for Group B, C and D members.
- The mortality tables were updated from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement.

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

TOWN OF EAST MONTPELIER, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 20,628	\$ 19,835	\$ 19,255	\$ 18,105
Contributions in Relation to the Actuarially Determined Contributions	<u>20,628</u>	<u>19,835</u>	<u>19,255</u>	<u>18,105</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 357,167	\$ 360,638	\$ 350,093	\$ 336,832
Contributions as a Percentage of Town's Covered Employee Payroll	5.775%	5.500%	5.500%	5.375%

Notes to Schedule

Valuation Date: June 30, 2017

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

TOWN OF EAST MONTPELIER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Fund C. Smith Recreation Fund	Total
<u>ASSETS</u>				
Investments	\$ 42,059	\$ 0	\$ 50,000	\$ 92,059
Receivables	4,943	16,008	0	20,951
Due from Other Funds	<u>205,321</u>	<u>18,897</u>	<u>1,910</u>	<u>226,128</u>
Total Assets	<u>\$ 252,323</u>	<u>\$ 34,905</u>	<u>\$ 51,910</u>	<u>\$ 339,138</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 11,425	\$ 0	\$ 0	\$ 11,425
Accrued Payroll and Benefits Payable	576	0	0	576
Due to Other Funds	0	654	0	654
Unearned Revenue	<u>954</u>	<u>0</u>	<u>0</u>	<u>954</u>
Total Liabilities	<u>12,955</u>	<u>654</u>	<u>0</u>	<u>13,609</u>
Fund Balances/(Deficit):				
Nonspendable	93,450	0	50,000	143,450
Restricted	1,561	18,897	1,910	22,368
Committed	43,620	0	0	43,620
Assigned	101,138	15,354	0	116,492
Unassigned/(Deficit)	<u>(401)</u>	<u>0</u>	<u>0</u>	<u>(401)</u>
Total Fund Balances/(Deficit)	<u>239,368</u>	<u>34,251</u>	<u>51,910</u>	<u>325,529</u>
Total Liabilities and Fund Balances	<u>\$ 252,323</u>	<u>\$ 34,905</u>	<u>\$ 51,910</u>	<u>\$ 339,138</u>

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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, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Fund C. Smith Recreation Fund	Total
Revenues:				
Intergovernmental	\$ 22,376	\$ 88,549	\$ 0	\$ 110,925
Charges for Services	1,450	0	0	1,450
Investment Income	1,499	75	522	2,096
Total Revenues	<u>25,325</u>	<u>88,624</u>	<u>522</u>	<u>114,471</u>
Expenditures:				
General Government	13,046	0	0	13,046
Public Safety	0	5,197	0	5,197
Highways and Streets	2,025	0	0	2,025
Cemetery	11,232	0	0	11,232
Capital Outlay:				
Highways and Streets	7,860	98,387	0	106,247
Total Expenditures	<u>34,163</u>	<u>103,584</u>	<u>0</u>	<u>137,747</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(8,838)</u>	<u>(14,960)</u>	<u>522</u>	<u>(23,276)</u>
Other Financing Sources:				
Transfers In	19,442	0	0	19,442
Total Other Financing Sources	<u>19,442</u>	<u>0</u>	<u>0</u>	<u>19,442</u>
Net Change in Fund Balances	10,604	(14,960)	522	(3,834)
Fund Balances - July 1, 2017	<u>228,764</u>	<u>49,211</u>	<u>51,388</u>	<u>329,363</u>
Fund Balances - June 30, 2018	<u>\$ 239,368</u>	<u>\$ 34,251</u>	<u>\$ 51,910</u>	<u>\$ 325,529</u>

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TOWN OF EAST MONTPELIER, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Reappraisal Fund	VLCT Safety 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	\$ 20,559	\$ 0	\$ 0	\$ 0	\$ 21,500	\$ 42,059
Receivables	0	4,943	0	0	0	0	0	0	4,943
Due from Other Funds	<u>100,638</u>	<u>4,442</u>	<u>2,994</u>	<u>5,946</u>	<u>1,410</u>	<u>651</u>	<u>17,115</u>	<u>72,125</u>	<u>205,321</u>
Total Assets	<u>\$ 100,638</u>	<u>\$ 9,385</u>	<u>\$ 2,994</u>	<u>\$ 26,505</u>	<u>\$ 1,410</u>	<u>\$ 651</u>	<u>\$ 17,115</u>	<u>\$ 93,625</u>	<u>\$ 252,323</u>
<u>LIABILITIES AND FUND BALANCES</u>									
Liabilities:									
Accounts Payable	\$ 0	\$ 9,385	\$ 2,040	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,425
Accrued Payroll and Benefits Payable	0	0	0	0	0	0	0	576	576
Unearned Revenue	<u>0</u>	<u>0</u>	<u>954</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>954</u>
Total Liabilities	<u>0</u>	<u>9,385</u>	<u>2,994</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>576</u>	<u>12,955</u>
Fund Balances/(Deficit):									
Nonspendable	0	0	0	0	0	0	0	93,450	93,450
Restricted	0	0	0	0	1,410	151	0	0	1,561
Committed	0	0	0	26,505	0	0	17,115	0	43,620
Assigned	100,638	0	0	0	0	500	0	0	101,138
Unassigned/(Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(401)</u>	<u>(401)</u>
Total Fund Balances/(Deficit)	<u>100,638</u>	<u>0</u>	<u>0</u>	<u>26,505</u>	<u>1,410</u>	<u>651</u>	<u>17,115</u>	<u>93,049</u>	<u>239,368</u>
Total Liabilities and Fund Balances	<u>\$ 100,638</u>	<u>\$ 9,385</u>	<u>\$ 2,994</u>	<u>\$ 26,505</u>	<u>\$ 1,410</u>	<u>\$ 651</u>	<u>\$ 17,115</u>	<u>\$ 93,625</u>	<u>\$ 252,323</u>

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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, 2018

	Reappraisal Fund	VLCT Safety Fund	Municipal Planning Grant Fund	Town Forest Fund	Veteran's Memorial Fund	Rally Day Fund	Land Conservation Fund	Cemetery Fund	Total
Revenues:									
Intergovernmental	\$ 10,387	\$ 4,943	\$ 7,046	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,376
Charges for Services	0	0	0	0	0	0	0	1,450	1,450
Investment Income	375	0	0	277	5	2	64	776	1,499
Total Revenues	<u>10,762</u>	<u>4,943</u>	<u>7,046</u>	<u>277</u>	<u>5</u>	<u>2</u>	<u>64</u>	<u>2,226</u>	<u>25,325</u>
Expenditures:									
General Government	0	0	7,046	0	0	0	6,000	0	13,046
Highways and Streets	0	2,025	0	0	0	0	0	0	2,025
Cemetery	0	0	0	0	0	0	0	11,232	11,232
Capital Outlay:									
Highways and Streets	0	7,860	0	0	0	0	0	0	7,860
Total Expenditures	<u>0</u>	<u>9,885</u>	<u>7,046</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,000</u>	<u>11,232</u>	<u>34,163</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>10,762</u>	<u>(4,942)</u>	<u>0</u>	<u>277</u>	<u>5</u>	<u>2</u>	<u>(5,936)</u>	<u>(9,006)</u>	<u>(8,838)</u>
Other Financing Sources:									
Transfers In	0	4,942	0	0	0	0	7,500	7,000	19,442
Total Other Financing Sources	<u>0</u>	<u>4,942</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,500</u>	<u>7,000</u>	<u>19,442</u>
Net Change in Fund Balances	10,762	0	0	277	5	2	1,564	(2,006)	10,604
Fund Balances - July 1, 2017	89,876	0	0	26,228	1,405	649	15,551	95,055	228,764
Fund Balances - June 30, 2018	<u>\$ 100,638</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 26,505</u>	<u>\$ 1,410</u>	<u>\$ 651</u>	<u>\$ 17,115</u>	<u>\$ 93,049</u>	<u>\$ 239,368</u>

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TOWN OF EAST MONTPELIER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2018

	Emergency Services Facility Fund	Village Projects Grant Fund	Total
<u>ASSETS</u>			
Receivables	\$ 0	\$ 16,008	\$ 16,008
Due from Other Funds	18,897	0	18,897
Total Assets	\$ 18,897	\$ 16,008	\$ 34,905
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to Other Funds	\$ 0	\$ 654	\$ 654
Total Liabilities	0	654	654
Fund Balances:			
Restricted	18,897	0	18,897
Assigned	0	15,354	15,354
Total Fund Balances	18,897	15,354	34,251
Total Liabilities and Fund Balances	\$ 18,897	\$ 16,008	\$ 34,905

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, 2018

	Emergency Services Facility Fund	Village Projects Grant Fund	Total
Revenues:			
Intergovernmental	\$ 0	\$ 88,549	\$ 88,549
Investment Income	75	0	75
Total Revenues	75	88,549	88,624
Expenditures:			
Public Safety	5,197	0	5,197
Capital Outlay:			
Highways and Streets	0	98,387	98,387
Total Expenditures	5,197	98,387	103,584
Net Change in Fund Balances	(5,122)	(9,838)	(14,960)
Fund Balances - July 1, 2017	24,019	25,192	49,211
Fund Balances - June 30, 2018	\$ 18,897	\$ 15,354	\$ 34,251

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

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, 2018, 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 14, 2018.

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. 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, material weaknesses may exist that have not been identified.

Compliance and Other Matters

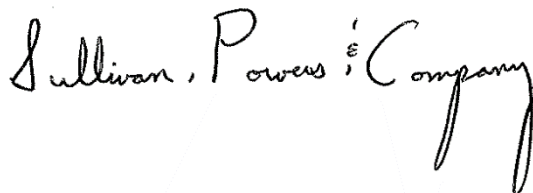
As part of obtaining reasonable assurance about whether the Town of East Montpelier, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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".

However, we noted certain other matters that we reported to the management of the Town of East Montpelier, Vermont in a separate letter dated December 14, 2018.

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 14, 2018
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized 'S' at the beginning and a long, sweeping tail at the end.