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[www.angolanoandcompany.com](http://www.angolanoandcompany.com)

November 2, 2015

Town of Montgomery  
Att: Deanna Robitaille, Town Clerk  
PO Box 356  
Montgomery Ctr., VT 05471

Dear Deanna:

I have electronically forwarded the final financial statements for Town of Montgomery as of and for the year ended December 31, 2014. In addition I will be mailing you 6 bound copies.

If you are thinking of putting our audit report into your Town Report, auditing standards provides you with three options:

- You may include the entire audit report from page one through the last page;
- You may include pages 1 through Schedule 1;
- You can put a statement in that you were audited and that the audit is available at \_\_\_\_\_ and omit our audit report completely.

If you have any questions or need assistance, please do not hesitate to call us.

Sincerely,

*Angolano & Company*

Angolano & Company

Enclosures

Town of Montgomery, Vermont  
Financial Statements  
For The Year Ended December 31, 2014

Town of Montgomery, Vermont  
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For The Year Ended December 31, 2014

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## INDEPENDENT AUDITOR'S REPORT

To the Selectboard  
Town of Montgomery, Vermont

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Town of Montgomery, Vermont, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Town of Montgomery, Vermont, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements referred to above include only the primary government of the Town of Montgomery, Vermont, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Town's legal entity. These primary government financial statements do not include financial data for the Town's legally separate component units, which accounting principles general accepted in the United States of America require to be reported with the financial data of the Town's primary government. As a result, the primary government financial statements do not purport to, and do not represent fairly the financial position of the reporting entity of the Town of Montgomery, Vermont, as of December 31, 2014, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pensions and other post-employment benefit information on pages 5, 35-41, and 30-31 respectively, 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 Montgomery, Vermont's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

## *Angolano & Company*

Angolano & Company  
Shelburne, Vermont  
Firm Registration Number 92-0000141

June 22, 2015

Town of Montgomery, Vermont  
MANAGEMENT DISCUSSION AND ANALYSIS  
December 31, 2014

**Introduction**

The following narrative is an overview and analysis of the budget activities of the Town of Montgomery for the year ending December 31, 2014.

This Management's Discussion and Analysis (MD&A) is based on the known facts, decisions and condition that existed as of the date of the independent auditor's report. Readers should review the independent financial statements immediately following this discussion to enhance their understanding of Montgomery's financial activities.

**Financial Highlights**

During 2014 the Town of Montgomery received \$2,821,732 in taxes and other revenue for governmental programs compared to 2013 receipts of \$2,605,917 an increase in revenues of nearly 8.3%.

The 2014 expenses, including remittance of the education taxes raised to support the Montgomery Town School District of \$1,909,536, amounted to \$2,815,343. The total cost of the Town of Montgomery's programs, excluding the Montgomery School District, decreased from \$1,013,553 in 2013 to \$905,807 a decrease of about 10.5%.

The Town of Montgomery's total net assets at the close of the 2014 fiscal year were \$5,273,877 which includes the list of Capital assets minus the related debt. Of this amount, \$4,706,542 is Capital assets, \$275,403 of restricted funds for other departments and \$177,028 of unrestricted funds which may be used to meet the Town's obligations to its citizens and creditors.

**Using the Annual Report**

The annual report consists of various financial statements. The statement of Net assets, on page 8, and the Statement of Activities, on page 10, provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. The fund financial statements start on page 12 and continue thru page 13. The combined statements include the Town's general fund; the Special Revenue Funds include all other town departments, except the Water department which is the only Proprietary Fund.

Notes to the financial statements on pages 14 thru 34 provide additional information that aids to fully understand the data reported in the government-wide and fund financial statements.

Management Discussion and Analysis (continued)

**Long-Term Debt**

As of December 31, 2014 the Town had several outstanding bonds. Three of these bonds are from the USDA for the construction and upgrade to the municipal water system. The total outstanding principal balance on these three bonds is \$776,775.

The Town also had a loan from the Vermont Municipal Equipment Loan Fund for \$110,000 for the new Fire Dept pumper truck we began 5 annual payments of \$22,000 on June 30<sup>th</sup>, 2013. The balance of this loan is now \$66,000.

Another loan, through the Vermont Municipal Bond Bank, which helped finance the construction of the Public Works Building has a balance of \$375,000 with annual payments of \$25,000 until 2025, and then \$20,000 for the following 5 years.

In April 2013 the Town also entered into a capital lease for the Highway Dept Loader for \$85,934 with annual payments of \$18,403 for 5 years with a purchase of \$1 at the end of the lease.

**Financial Management Contact**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to reflect the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information contact the Town Office at 98 Main Street, PO Box 356, Montgomery Center VT 05471 or call (802) 326-4719.



Town of Montgomery, Vermont  
 District-Wide Statement of Net Position  
 December 31, 2014

EXHIBIT I

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 316,431	\$ 149,616	\$ 466,047
Delinquent Taxes Receivable	97,064		97,064
Delinquent Penalties and Interest Receivable	4,224		4,224
Capital Assets, net	1,252,680	4,706,542	5,959,222
<b>TOTAL ASSETS</b>	<b>\$ 1,670,399</b>	<b>\$ 4,856,158</b>	<b>\$ 6,526,557</b>
<b>LIABILITIES</b>			
Capital Leases Payable	\$ 68,858		\$ 68,858
Long-Term Liabilities:			
Due Within 1 Year	47,000	\$ 14,233	61,233
Due in More Than 1 Year	394,000	762,542	1,156,542
TOTAL LIABILITIES	509,858	776,775	1,286,633
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned Revenues	101,288	-	101,288
TOTAL DEFERRED INFLOWS OF RESOURCES	101,288	-	101,288
<b>NET POSITION</b>			
Net Investment in Capital Assets	742,822	3,929,767	4,672,589
Restricted For Other Purposes	275,403		275,403
Unrestricted (Deficit)	41,028	149,616	190,644
TOTAL NET POSITION	1,059,253	4,079,383	5,138,636
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 1,670,399</b>	<b>\$ 4,856,158</b>	<b>\$ 6,526,557</b>

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
 District-Wide Statement of Activities  
 For The Year Ended December 31, 2014

EXHIBIT II

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Governmental Activities:</b>							
General Government	\$ 287,442		\$ 10,946		\$ (276,496)		\$ (276,496)
Public Safety	80,909		13,437				
Public Works	484,251		123,735		(360,516)		(360,516)
Health and Welfare	6,971				(6,971)		(6,971)
Recreation	24,958		10,519		(14,439)		(14,439)
Other Services	43,228		7,518		(35,710)		(35,710)
Voter Appropriations	23,858				(23,858)		(23,858)
School Appropriations	1,885,678	-	-	-	(1,885,678)		(1,885,678)
Total Governmental Activities	<u>2,837,295</u>	<u>-</u>	<u>166,155</u>	<u>-</u>	<u>(2,671,140)</u>		<u>(2,671,140)</u>
<b>Business-Type Activities:</b>							
Water and Sewer	208,799	98,396	-	-		\$ (110,403)	(110,403)
Total Business-Type Activities	<u>208,799</u>	<u>98,396</u>	<u>-</u>	<u>-</u>		<u>(110,403)</u>	<u>(110,403)</u>
<b>General Revenues:</b>							
Property Taxes					2,573,451		2,573,451
Permits and Licenses					9,718		9,718
Fines and Charges					29,886		29,886
State Revenues not Restricted to Specific Programs					10,000		10,000
Grants and Contributions not Restricted to Specific Programs					1,649		1,649
Investment Earnings					1,660		1,660
Rentals					17,770		17,770
Miscellaneous					11,443		11,443
Transfers					(8,737)	8,737	-
Total General Revenues					<u>2,646,840</u>	<u>8,737</u>	<u>2,655,577</u>
<b>Change in Net Position</b>					(24,300)	(101,666)	(125,966)
<b>Net Position - Beginning of Year</b>					1,083,553	4,181,049	5,264,602
<b>Net Position - Ending of Year</b>					<u>\$ 1,059,253</u>	<u>\$ 4,079,383</u>	<u>\$ 5,138,636</u>

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
 Combined Balance Sheet  
 All Fund Types - Fund Base  
 December 31, 2014

EXHIBIT III

	Governmental Fund Types		Proprietary Fund Type	Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Water Fund	
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash	\$ 226,871	\$ 89,560	\$ 149,616	\$ 466,047
Due From Other Funds	(177,028)	177,028		-
Delinquent Taxes Receivable	97,064			97,064
Interest Receivable	4,224	-	-	4,224
Total Current Assets	<u>151,131</u>	<u>266,588</u>	<u>149,616</u>	<u>567,335</u>
<b>Other Assets:</b>				
Fixed Assets - net	-	-	4,706,542	4,706,542
Total Other Assets	<u>-</u>	<u>-</u>	<u>4,706,542</u>	<u>4,706,542</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 151,131</u></b>	<b><u>\$ 266,588</u></b>	<b><u>\$ 4,856,158</u></b>	<b><u>\$ 5,273,877</u></b>
<b>LIABILITIES AND FUND EQUITY:</b>				
<b>Liabilities:</b>				
Deferred Revenue	\$ 101,288			\$ 101,288
Loans Payable	-	-	\$ 776,775	776,775
Total Liabilities	<u>101,288</u>	<u>\$ -</u>	<u>776,775</u>	<u>878,063</u>
<b>Fund Equity:</b>				
<b>Fund Balances:</b>				
Unassigned	49,843	(8,815)		41,028
Restricted		275,403		275,403
Net Position	-	-	4,079,383	4,079,383
Total Fund Equity	<u>49,843</u>	<u>266,588</u>	<u>4,079,383</u>	<u>4,395,814</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 151,131</u></b>	<b><u>\$ 266,588</u></b>	<b><u>\$ 4,856,158</u></b>	<b><u>\$ 5,273,877</u></b>

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
Reconciliation of the Balance Sheet to the Statement of Net Assets  
Governmental Funds  
December 31, 2014

Fund Balances – total governmental funds \$ 316,431

Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the  
governmental funds:

Governmental capital assets	2,031,752
Less accumulated depreciation	(779,132)

Bonds payable and contractual obligations have not been  
included in the governmental fund financial statements.

Bonds Payable	(375,000)
Notes Payable	(66,000)
Capital Lease Obligations	<u>(68,858)</u>

Net Assets of Governmental Activities \$1,059,193

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types - Fund Base  
 For The Year Ended December 31, 2014

EXHIBIT IV

	General Fund	Special Revenue Funds	Totals (Memorandum Only)
<b>REVENUES:</b>			
Taxes	\$ 2,573,451		\$ 2,573,451
Permits and Licenses	9,718		9,718
Clerk Fees	11,467		11,467
Investment Income	105	\$ 1,555	1,660
Fees		18,419	18,419
Sales		8,785	8,785
Rent	17,130	640	17,770
Donations		28,060	28,060
Miscellaneous	393	265	658
Highway Revenue	82,263		82,263
Private/Local		4,000	4,000
State	<u>53,439</u>	<u>12,042</u>	<u>65,481</u>
<b>TOTAL REVENUES</b>	<u>2,747,966</u>	<u>73,766</u>	<u>2,821,732</u>
<b>EXPENDITURES:</b>			
General Government	201,357	97,749	299,106
Public Safety	15,785	63,364	79,149
Public Works		11,561	11,561
Highway	368,603		368,603
Recreation		24,958	24,958
Assessments	1,909,536		1,909,536
Debt Services	79,202		79,202
Other Services	<u>-</u>	<u>43,228</u>	<u>43,228</u>
<b>TOTAL EXPENDITURES</b>	<u>2,574,483</u>	<u>240,860</u>	<u>2,815,343</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	173,483	(167,094)	6,389
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	5,000	137,966	142,966
Transfers Out	<u>(151,703)</u>	<u>-</u>	<u>(151,703)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	26,780	(29,128)	(2,348)
<b>FUND BALANCES, JANUARY 1, 2014</b>	<u>23,063</u>	<u>295,716</u>	<u>318,779</u>
<b>FUND BALANCES, DECEMBER 31, 2014</b>	<u>\$ 49,843</u>	<u>\$ 266,588</u>	<u>\$ 316,431</u>

The accompanying notes are an integral part of these financial statements

Town of Montgomery, 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 December 31, 2014

Net Changes in fund Balances – total governmental funds \$ (2,348)

Amount reported for governmental activities in the Statement of  
 Activities are different because:

Governmental funds report capital outlays as expenditures. However,  
 in the Statement of Activities, the cost of those assets is  
 depreciated over their estimated useful lives:

Expenditures for capital assets	12,006
Less current year depreciation	(101,617)

Bond proceeds provide current financial resources to governmental  
 funds, but issuing debt increases long-term liabilities in the  
 statement of Net Assets. Repayment of bond principal is an  
 expenditure in the governmental funds, but the repayment  
 reduces long-term liabilities in the Statement of Net Assets.

Repayment of bonds	25,000
Repayment of notes	22,000
Repayment of capital lease obligations	17,076

Expense reported in the Statement of Activities does not require  
 the use of current financial resources and is therefore not  
 reported as expenditures in governmental funds:

Accrued Wages Change	<u>3,523</u>
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Change in Net Assets of Governmental Funds \$ (24,360)

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
Statement of Revenues, Expenses  
and Changes in Retained Earnings  
Proprietary Fund Types  
For The Year Ended December 31, 2014

EXHIBIT V

Operating Revenue:		
User Fees	\$	64,392
Bond Fees		33,225
Service Fees		<u>720</u>
Total Operating Revenue	\$	98,337
Operating Expenses:		
Office Supplies		477
Tech Equipment/Support		513
Telephone		1,461
Electricity		9,582
Propane		1,887
Contract Services		35,139
Dues		200
Testing		192
Equipment		5,241
Building Maintenance		820
Treatment Supplies		269
Fees		551
Miscellaneous		1,542
Depreciation		<u>118,402</u>
Total Operating Expenses		<u>176,276</u>
Operating Income (Loss)		(77,939)
Nonoperating Income (Expenses):		
Interest Income		59
Interest Expense		(32,523)
Transfers In		13,737
Transfers Out		<u>(5,000)</u>
Total Nonoperating Income (Expenses)		<u>(23,727)</u>
Increase (Decrease) in Net Position		(101,666)
Net Position, January 1, 2014		<u>4,181,049</u>
Net Position, December 31, 2014	\$	<u>4,079,383</u>

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
Statement of Cash Flows  
Proprietary Fund Types  
For The Year Ended December 31, 2014

EXHIBIT VI

Cash Flows From Operating Activities:		
Received From Customers	\$ 98,337	
Payments To Vendors and Supplies	<u>(57,874)</u>	
Net Cash Used By Operating Activities		\$ 40,463
Cash Flows From Noncapital Financing Activities:		
Support (To) From Other Funds		8,737
Cash Flows From Capital & Related Financing Activities:		
Interest Income	59	
Payments on Loans Payable	(13,678)	
Interest Paid on Capital Debt	<u>(32,523)</u>	
Net Cash Used By Capital and Related Financing Activities		(46,142)
Cash Flows From Investing Activities:		
None		<u>-</u>
Net Increase (Decrease) in Cash		3,058
Cash, January 1, 2014		<u>146,558</u>
Cash, December 31, 2014		<u>\$ 149,616</u>
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities:		
Cash Provided From Operating Activities:		
Operating Income (Loss)		\$ (77,939)
Adjustments to Reconcile Net Income to Cash Provided (Used) By Operating Activities:		
Depreciation	<u>\$ 118,402</u>	
Total Adjustments		<u>118,402</u>
Net Cash Provided (Used) By Operating Activities		<u>\$ 40,463</u>

The accompanying notes are an integral part of these financial statements



Town of Montgomery, Vermont  
Notes to Financial Statements  
For The Year Ended December 31, 2014

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

Town of Montgomery, Vermont ("Town") is organized as a Town under the applicable laws and regulations of the State of Vermont. It is governed by a Select Board elected by registered voters of the Town to provide public health and safety, highways and streets, public improvements, water, sanitation, planning and zoning, recreation, and general administration. Except where noted, the accounting policies conform to generally accepted accounting principles, as applicable to governmental units.

The Town financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

**Reporting Entity:**

The reporting entity for the Town is based upon criteria set forth by the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity. The financial reporting entity consists of (1) organizations for which the standalone government is financially accountable and (2) the standalone government that is controlled by a separately elected governing body that is legally separate and is fiscally independent. All of the accounts of the Town comprise the standalone government.

The Select Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, Town is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14. The component units included within the reporting entity are Cemetery and Library. Not included is the School District which has issued its own set of financial reports. A component unit is another operation in the Town that has a separately elected Board such as the Town School District.

**Basic Financial Statements - District-wide:**

The Town's basic financial statements include both District-wide (reporting Town as a whole) and fund financial statements (reporting Town's major funds). Both the District-wide and fund financial statements categorized primary activities as either governmental or business type.

The District-wide Statement of Net Position reports all of the non-fiduciary activities of Town. Both the governmental and business-type activities are presented on a consolidated basis and

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

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

are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The District-wide Statement of Activity demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include fees paid by recipients or goods or services provided by a function, and grants that are restricted to a particular function. General State Support and other revenues not identified with a function are presented as general revenues.

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

**Basic Financial Statements – Fund Financial Statements:**

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Town reports major governmental funds as follows:

**Governmental Fund Types:**

- General Fund – The general fund is the Town's primary operating fund and is always classified as a major fund which accounts for typical general government revenues and a wide variety of activities that benefit the Town's as a whole. It accounts for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds – The special revenue funds focus on revenues that are restricted or committed to expenditures for specific purposes (other than major capital projects or expendable trusts). The Town accounts for resources restricted to, or committed for, specific purposes by the Town or a grantor in a special revenue fund. Most federal, some State financial assistance and voter committed funds are accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor or the voters at the close of specified project periods.

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

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

Proprietary Fund Types:

Proprietary Fund – The Proprietary Funds consist of Enterprise Funds and Internal Service Funds. Revenues generally come from fees for services. They use the economic resources measurement focus and full accrual basis of accounting.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Both District-wide and business-type activity statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred regardless of when related cash flows take place. Grant revenues are recognized when eligibility requirements are satisfied. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are recorded when a liability is incurred except for early retirement, and compensated absences, which are recognized to the extent they have matured. When both restricted and unrestricted resources are available for use, restricted resources are used first.

Other Accounting Policies:

Cash and Cash Equivalents:

For purposes of the statement of cash flows for proprietary and similar fund-types, the Town considers highly liquid investments to be cash equivalents if they have a maturity of twelve months or less when purchased.

Interfund Receivables and Payables:

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. All other outstanding balances between funds are also reported as “due to/from

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

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

other funds". As a general rule, the effect of interfund activity has been eliminated from the government wide financial statements.

Transfers:

Advances between funds that are not expected to be repaid are accounted for as transfers.

Deposits and Investments:

Resources from each fund are pooled for deposit and investment purposes. A separate accounting is maintained for each fund. Deposits and Investments are stated at fair value and are managed in accordance with any legal constraints.

Accounts Receivable:

All receivables are reported net of estimated uncollectible amounts. The accounts receivable balances at year end are from governmental entities, except in the proprietary funds which may have some receivables from individuals, and no allowance for doubtful accounts is considered necessary.

Deferred Inflows of Resources:

The Town recognizes differences between the receipt of funds and the recognition of revenues through the use of unearned revenue accounts. These unearned revenue accounts represent funds that will be recognized as revenues in some future period when the conditions have been met.

Capital Assets:

Capital assets, which include land, construction in progress, buildings, improvements, furniture, equipment, infrastructure, and vehicles, are reported in the applicable governmental activities column in the governmental wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year (categories of assets are depreciated over the following lives; land improvements 10-40 years, buildings 25-50 years, building improvements 10-50 years, infrastructure 10-50 years, furniture & equipment 3-20 years, and vehicles 3-15 years). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets, except for land and construction in progress are depreciated using the straight line method over the estimated useful lives with a full year of depreciation taken in the year acquired and none taken in the year of disposal. Land and construction in progress are not depreciated.

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

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

Long-term Obligations:

In the District-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. The face amount of obligations issued is reported as other financing sources.

Budgetary Data:

The Town is required by state law to adopt a budget for the General Fund and Highway Fund. The budget is prepared on the modified accrual basis of accounting which is consistent with generally accepted accounting principles (“GAAP”). Annual appropriations lapse at the end of each fiscal year with the exception of restricted programs indicated as a fund balance restricted or committed. The following procedures are used to establish a budget:

The Select Board with assistance from the Town department heads drafts a budget. The operating budget includes proposed expenditures by line item and the means of financing them.

The budget is adopted by the Select Board for presentation to the voters as a warning or article in the annual report.

The voters vote on the total expense in part by individual line item and the balance by total at the Town’s annual meeting or subsequent special meetings.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the General Fund, Special Revenue Funds, and Capital Projects Fund. Encumbrances are not liabilities and should be recorded as a reservation of fund balance at year end. For budgetary purposes, appropriations lapse at fiscal year-end. The Town has elected to treat its encumbrances as liabilities for budgetary control purposes.

Use of Estimates:

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

Net Position and Fund Balance:

District-wide Financial Statements:

When the Town incurs an expense for which it may use either restricted or unrestricted net

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

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

assets, it generally uses restricted net assets first. Net position on the Statement of Net Position includes the following:

Net Investment in Capital Assets, net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted For Other Purposes – It consists of assets that are restricted by the Town’s creditors, by the state enabling legislation, by grantors and by other contributors.

Restricted For Capital Projects – The component of net position that reports the amount of revenue from bond proceeds, grants, and special assessments in excess of expenditures. These funds are restricted for the construction or acquisition of capital assets.

Unrestricted – All other net position that do not meet the definition of “Restricted For Other Purposes” or “Net Investment in Capital Assets, net of Related Debt”.

Fund Based Financial Statements:

In the fund financial statements, governmental funds report fund balances as unassigned, assigned, restricted, committed, spendable, or non-spendable fund balance.

Unassigned Fund Balance – That portion of the general fund, fund balance that contains all spendable amounts not contained in the other classifications. It is used in other funds only to report a deficit.

Assigned Fund Balance – Includes amounts intended to be used by the government for specific purposes, as determined by the Board, but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Restricted Fund Balance - Includes amounts constrained to specific purposes stipulated by constitution, external resource providers (grantors and contributors), or through enabling legislation.

Committed Fund Balance – Includes amounts constrained for the specific purposes determined by a formal action of the government’s highest level of decision-making authority, generally the voters.

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

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

Spendable Fund Balance – The portion of the permanent fund balance that is available to be spent on the designated purpose of the fund.

Non-spendable Fund Balance – The portion of the permanent fund balance that has to be maintained, and cannot be spent, or an asset such as inventory or prepaid that are not expected to be converted to cash.

Function and Object Codes:

Function and object codes refer to the account code structure prescribed by the Vermont Department of Education. The Vermont Department of Education requires Town to use these codes in order to insure accuracy in building and maintaining a statewide database for policy development and funding plans.

Memorandum Only Columns:

The total columns are captioned "memorandum only" because they do not represent consolidated financial information and are presented only to make financial analysis easier. Data in these columns do not present financial position, results of operations, or cash flows in accordance with GAAP. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2 – CASH, CASH EQUIVALENTS, AND REPURCHASE AGREEMENTS**

Cash and cash equivalent deposits with financial institutions at December 31st amounted to \$466,047. As major revenues are received during the year bank deposits may temporarily exceed insured limits.

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of any investments. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

The Town's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town would 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.

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

**NOTE 2 – CASH, CASH EQUIVALENTS, AND REPURCHASE AGREEMENTS  
(CONTINUED)**

FDIC insures all accounts held by the same financial institution up to a combined total of \$250,000. There are some special provisions which increase this limit.

Concentration of Credit Risk:

The policy of the Town contains no limitations on the amount that can be on deposit in any one financial institution.

The cash deposits held at financial institutions and cash on hand can be categorized according to four levels of risk.

These four levels of risk are as follows:

- Category 1    Repurchase Agreements - Deposits which are invested in government securities held by the Town or by its agent in the Town's name.
- Category 2    Collateralized Accounts - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Bank's name.
- Category 3    Letter of Credit - Private commercial insurance protection or letter of credit issued by the financial institution to cover funds in excess of FDIC limits.
- Category 4    Deposits which are not collateralized or insured. (includes cash on hand)

Balances held in each area are as follows:

	Carrying Amount	Bank Balance
- Insured (FDIC) and/or (SIPC)	\$250,355	\$250,336
- Category 1	0	0
- Category 2	0	0
- Category 3	215,692	230,304
- Category 4	<u>0</u>	<u>0</u>
Total deposits	<u>\$466,047</u>	<u>\$480,640</u>

The difference between the book balance and bank balance is due to reconciling items such as deposits in transit and outstanding checks. Due to higher cash flows at certain times during the year, the amount of uninsured and not collateralized cash could have been much higher than at year end.



Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

**NOTE 2 – CASH, CASH EQUIVALENTS, AND REPURCHASE AGREEMENTS  
(CONTINUED)**

The Town holds a letter of credit to cover uninsured deposits. The letter of credit is drawn on the Federal Home Loan Bank of Boston.

**NOTE 3 - INTERFUND RECEIVABLES**

In compliance with GASB 1300.109 Town does not maintain separate bank accounts for each fund, unless it is required by law, or grant agreement. The composition of amounts due to and from other funds as of December 31, 2014, is as follows:

Fund Financial Statements:		Amount
Receivable Fund	Payable Fund	
Special Revenue Fund:		
Recreation	General Fund	\$ 16,934
Rescue Fund	General Fund	36,245
Library	General Fund	12,108
Teen Center	General Fund	6,969
Bridge Reserve	General Fund	12,195
Capital Improvement	General Fund	19,647
Machinery Replacement	General Fund	42,912
Fire Department	General Fund	7,664
Restoration of Records	General Fund	23,245
Police Assistant Grant	General Fund	4,571
Hectorvill Bridge	General Fund	846
Community Garden	General Fund	455
Conservation Commission	General Fund	<u>2,052</u>
Total Special Revenue Fund		<u>\$185,843</u>
	Special Revenue Fund:	
General Fund	Reappraisal Fund	<u>\$ 8,815</u>

**NOTE 4 – CAPITAL ASSETS**

Capital activity for the Town for the year ended December 31, 2014, was as follows:

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

	<u>Primary Government</u>			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 591,840	\$ 0	\$ 0	\$ 591,840
Building Improvements	0	12,066	0	12,066
Infrastructure	580,479	0	0	580,479
Furniture and Equipment	221,088	0	0	221,088
Vehicles	<u>626,339</u>	<u>0</u>	<u>0</u>	<u>626,339</u>
Total capital assets at historical costs	<u>2,019,746</u>	<u>12,066</u>	<u>0</u>	<u>2,031,812</u>
Less accumulated depreciation:				
Buildings	59,184	14,796	0	73,980
Building Improvements	0	402	0	402
Infrastructure	290,710	46,546	0	337,256
Furniture and Equipment	49,088	10,815	0	59,903
Vehicles	<u>278,533</u>	<u>29,058</u>	<u>0</u>	<u>307,591</u>
Total accum. Depr.	<u>677,515</u>	<u>101,617</u>	<u>0</u>	<u>779,132</u>
Governmental activities Capital Assets, Net	<u>\$1,342,231</u>	<u>\$ (89,551)</u>	<u>\$ 0</u>	<u>\$1,252,680</u>
Business-type activities (Water Department):				
Capital assets being depreciated:				
Buildings	\$3,843,291	\$ 0	\$ 0	\$3,843,291
Infrastructure	1,984,618	0	0	1,984,618
Vehicles	<u>8,510</u>	<u>0</u>	<u>0</u>	<u>8,510</u>
Total capital assets at historical costs	<u>5,836,419</u>	<u>0</u>	<u>0</u>	<u>5,836,419</u>
Less accumulated depreciation:				
Buildings	523,864	76,865	0	600,729
Infrastructure	478,952	40,686	0	520,638
Vehicles	<u>7,659</u>	<u>851</u>	<u>0</u>	<u>8,510</u>
Total accum. Depr.	<u>1,011,475</u>	<u>118,402</u>	<u>0</u>	<u>1,129,877</u>
Business type activities Capital Assets, Net	<u>\$4,824,944</u>	<u>\$(118,402)</u>	<u>\$ 0</u>	<u>\$4,706,542</u>

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions as follows:

Governmental activities:	
General Government	\$ 402
Public Safety	0
Public Works	94,244
Cemetery	0
Health & Welfare	6,971
Solid Waste Management	0
Recreation	0
Other Support Services	<u>0</u>
Total governmental activities depreciation expense	<u>\$101,617</u>

**NOTE 5 – UNEARNED REVENUE (DEFERRED INFLOWS)**

The unearned revenues reported at year end are summarized as following:

Property Taxes	<u>\$101,288</u>
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**NOTE 6 - LONG-TERM OBLIGATIONS**

The Town issues general obligation bonds and notes to finance the acquisition and construction of major capital facilities, renovations, and equipment purchases. General obligation bonds are direct obligations and pledge the full faith and credit of the issuing entity. These bonds are generally issued as 5 to 20-year serial bonds with equal amounts of principal maturing each year.

The following is a summary of general obligation bonds & notes:

	Balance Jan. 1, 2014	Borrowings	Retirements	Balance Dec. 31, 2014
<b><u>General Government:</u></b>				

**BONDS:**

Vermont Municipal Bond Bank, Bond Payable, net interest cost at 2.96%, interest paid semi-annually on June 1<sup>st</sup>

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

**NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)**

	Balance Jan. 1, 2014	Borrowings	Retirements	Balance Dec. 31, 2014
and December 1st, principal of \$25,000 due on December 1 <sup>st</sup> from 2011 through 2025, then \$20,000 due on December 1 <sup>st</sup> of each year until 2030; originally borrowed \$475,000 on July 1 <sup>st</sup> , 2010, for the Public Works Building.	\$ <u>400,000</u>	\$ <u>0</u>	\$ <u>25,000</u>	\$ <u>375,000</u>
Total Bonds	\$ <u>400,000</u>	\$ <u>0</u>	\$ <u>25,000</u>	\$ <u>375,000</u>

**NOTES:**

State of Vermont Municipal Equipment Loan Fund, interest at 2.0%, interest paid annually on June 30<sup>th</sup>, principal of \$22,000 due on June 30<sup>th</sup> from 2013 until 2017; originally borrowed \$110,000 on July 2, 2012, for a 2012 International Pumper Truck.

	\$ <u>88,000</u>	\$ <u>0</u>	\$ <u>22,000</u>	\$ <u>66,000</u>
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Total Notes	\$ <u>88,000</u>	\$ <u>0</u>	\$ <u>22,000</u>	\$ <u>66,000</u>
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<b>Total General Government</b>	\$ <u>488,000</u>	\$ <u>0</u>	\$ <u>47,000</u>	\$ <u>441,000</u>
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**Water Department:**

**BONDS:**

USDA – Rural Development, Bond Payable loan # 03, interest at 4.5%, principal and interest totaling \$10,625 paid semi-annually on May 13<sup>th</sup> and November 13<sup>th</sup> starting in May 2002 until 2041; originally borrowed \$392,500 on November 13, 2001, for a Town Water Project.

	\$ 336,204	\$ 0	\$ 6,192	\$ 330,012
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Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

**NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)**

	Balance Jan. 1, 2014	Borrowings	Retirements	Balance Dec. 31, 2014
USDA – Rural Development, Bond Payable loan # 01, interest at 3.25%, principal and interest totaling \$3,758 paid semi-annually on May 13 <sup>th</sup> and November 13 <sup>th</sup> starting in May 2002 until 2041; originally borrowed \$167,500 on November 13, 2001, for a Town Water Project.	137,374	0	3,076	134,298
USDA – Rural Development, Bond Payable loan # 05, interest at 4.125%, principal and interest totaling \$8,718 paid semi-annually on June 10 <sup>th</sup> and December 10 <sup>th</sup> starting in December 2007 until 2047; originally borrowed \$340,000 on December 10, 2007, for a Town Water Project.	<u>\$ 316,875</u>	<u>\$ 0</u>	<u>\$ 4,410</u>	<u>\$ 312,465</u>
<b>Total Water Department</b>	<u>\$ 790,453</u>	<u>\$ 0</u>	<u>\$13,678</u>	<u>\$ 776,775</u>
Total Bonds and Notes	<u>\$1,278,453</u>	<u>\$ 0</u>	<u>\$60,678</u>	<u>\$1,217,775</u>

The annual debt service requirement to maturity for general obligation bonds and notes including interest are as follows:

**General Government:**

	Principal	Interest	Total
During the year ended Dec. 31, 2015	\$ 47,000	\$12,168	\$ 59,168
2016	47,000	11,191	58,191
2017	47,000	10,201	57,201
2018	25,000	9,192	34,192
2019	25,000	8,579	33,579
2020-2024	125,000	32,443	157,443
2025-2029	105,000	13,790	118,790
2030-2034	<u>20,000</u>	<u>685</u>	<u>20,685</u>
Totals	<u>\$441,000</u>	<u>\$98,249</u>	<u>\$539,249</u>

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

**NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)**

The annual debt service requirement to maturity for general obligation bonds and notes including interest are as follows:

**Water Department:**

	Principal	Interest	Total
During the year ended Dec. 31, 2015	\$ 14,233	\$ 31,969	\$ 46,202
2016	14,823	31,379	46,202
2017	15,437	30,765	46,202
2018	16,077	30,125	46,202
2019	16,744	29,458	46,202
2020-2024	94,754	136,255	231,009
2025-2029	116,193	114,817	231,010
2030-2034	142,558	88,452	231,010
2035-2039	174,995	56,015	231,010
2040-2044	123,038	20,546	143,584
2045-2049	<u>47,923</u>	<u>3,334</u>	<u>51,257</u>
Totals	<u>\$776,775</u>	<u>\$573,115</u>	<u>\$1,349,890</u>

The following is a summary of other long term obligations:

	Balance Jan. 1, 2014	Increases	Retirements	Balance Dec. 31, 2014
<b>OTHER LONG-TERM OBLIGATIONS:</b>				
Obligations Under Capital Lease	<u>\$85,934</u>	<u>\$ 0</u>	<u>\$17,076</u>	<u>\$68,858</u>

**NOTE 7 - CAPITAL LEASES**

On 4/24/13, the Town of Montgomery, Vermont entered into a non-cancellable lease agreement with John Deer Financial for the lease of a 2012 JD 524K Highway Loader. This lease qualifies as a capital lease, for accounting purposes and thus, will be recorded at the present value of the future minimum lease payments at the inception of the lease in the general long-term debt group beginning in 2013. The total amount due is \$92,018, to be paid in annual installments of \$18,403.43 over 5 years with a buyout at the end of \$1

The future minimum lease obligations and the net present value of these minimum lease payments are as follows:

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

**NOTE 7 - CAPITAL LEASES (CONTINUED)**

During the year ending December 31, 2015	\$18,403
2016	18,403
2017	18,404
2018	<u>18,405</u>
Total minimum lease payments	73,615
Less amount representing interest	<u>4,757</u>
Present value of minimum lease payments	<u>\$68,858</u>

Interest rate on the capitalized lease is approximately 2.3 percent.

**NOTE 8 – RESTRICTED, COMMITTED AND ASSIGNED FUND BALANCES (Fund Financial Statements)**

Restricted, committed and assigned fund balances represent amounts that must be used for specific purposes within that fund and cannot be spent otherwise without prior approval of funding source. A more detailed explanation is provided in Note 1. Reservations at year end are for the following:

Special Revenue Fund:	
Recreation	\$ 16,934
Rescue Fund	36,245
Library	12,463
Teen Center	6,969
Cemetery Fund	89,205
Bridge Reserve	12,195
Capital Improvement Reserve	19,647
Machinery Replacement Reserve	42,912
Fire Department	7,664
Restoration of Records	23,245
Police Assistant Grant	4,571
Community Garden	455
Hectorville Bridge	846
Conservation commission	<u>2,052</u>
Total	<u>\$275,403</u>

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

**NOTE 9 – NET RESOURCES RESTRICTED (District-wide Financial Statements)**

Restricted net resource balances represent amounts that must be used for specific purposes and cannot be spent otherwise without prior approval of the funding source. Restrictions at year end are for the following:

Net Resources Restricted For Other Purposes:

Recreation	\$ 16,934
Rescue Fund	36,245
Library	12,463
Teen Center	6,969
Cemetery Fund	89,205
Bridge Reserve	12,195
Capital Improvement Reserve	19,647
Machinery Replacement Reserve	42,912
Fire Department	7,664
Restoration of Records	23,245
Police Assistant Grant	4,571
Community Garden	455
Hectorville Bridge	846
Conservation commission	<u>2,052</u>
Total	<u>\$275,403</u>

**NOTE 10 – TRANSFERS IN THE FUND BASED FINANCIAL STATEMENTS**

The Town transfers funds to cover expenditures made in one fund for which the revenues are in another fund, or at the request of the voters. The following transfers were made during the year.

Funds of \$5,000 were transferred from the Enterprise Fund – Water Department to the General Fund as part of its annual stipend.

Funds of \$151,703 were transferred from the General Fund to the following special revenue funds per articles passed by the voters.

Fire Department	\$28,000
Rescue Fund	26,500
Recreation Fund	18,000
Library	14,966
Teen Center	3,000



Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

**NOTE 10 – TRANSFERS IN THE FUND BASED FINANCIAL STATEMENTS  
(CONTINUED)**

Bridge Reserve	\$10,000
Capital Improvement Reserve	15,000
Machinery Replacement Reserve	10,000
Water Department	13,737
Reappraisal Fund	12,000
Conservation Commission	500

**NOTE 11 – PROPERTY TAXES**

The Town voters vote an amount to be raised in taxes. In July the Select Board sets the tax rate at an amount based on the April 1<sup>st</sup> grant list certified by the listed. Taxes are due on the 2<sup>nd</sup> Friday in October. Unpaid taxes go delinquent on the following Saturday. Delinquent taxes become a lien on the property.

**NOTE 12 - PENSIONS**

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (Cost sharing pension plan)

Employees other than Teachers are eligible to participate in the Vermont Municipal Employees' Retirement System ("VMERS") providing they work a minimum of 30 hours per week for the school year employee or a minimum of 24 hours per week for a calendar year employee. There are four levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. The Town participates in Group B. Normal retirement for Group A members is age 65 and the completion of 5 years of creditable service, or age 55 and completion of 35 years of creditable service. Normal retirement for Group B members is age 62 and the completion of 5 years of creditable service, or age 55 and completion of 30 years of creditable service. Normal retirement for Group C and D members is age 55 and the completion of 5 years of creditable service. A member may receive reduced benefits at age 55 if they have 5 years of service and have made contributions for at least 2.5 years.

The System is an actuarial reserve, joint-contributory program. The State Legislature has sole authority to amend benefit provisions. Both the members and the Town make contributions to the fund according to the following schedule:

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

**NOTE 12 – PENSIONS (CONTINUED)**

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (Cost sharing pension plan) (CONTINUED)

	Group A	Group B	Group C	Group D
Employees' Contributions (% of gross wages)	2.5%	4.750%	9.625%	11.125%
The Town's contributions (% of gross wages)	4.0%	5.375%	6.875%	9.625%

There is a municipal defined contribution plan option with a 5% withholding and a 5.125% match.

Employee contributions are withheld pre income tax by the Town and are remitted to the State of Vermont. Such withholdings totaled \$6,032 during the year. The Town contributed \$6,747 during the year. The Town's total payroll for all employees during the year was \$206,961, with \$128,893 of such amount related to employees covered by the Vermont Municipal Employees' Retirement System. The plan had six (6) members at December 31, 2014.

Additional information and ten-year historical trend information can be obtained from the separately issued Vermont State Municipal Retirement System Comprehensive Annual Financial Report.

**NOTE 13 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to limited torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, students and guests; as well as natural disasters. Town uses risk sharing pools and carries commercial insurance to cover these risks. There have been no significant reductions in coverage from the prior year. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

In addition, Town of Montgomery, Vermont is a member of Vermont League of Cities and Towns (VLCT), and participates in that entity's public entity risk pools. The VLCT has set up two insurance Trusts; the Property and Casualty Intermunicipal Fund, Inc. (PACIF) for multi-line insurance, the Vermont League of Cities and Towns Unemployment Trust, Inc. (VLCTUT) for unemployment compensation. PACIF, and VLCTUT are nonprofit corporations formed to provide insurance and risk management programs for Vermont cities and towns and is owned by the participating members. The Trusts are not licensed insurance carriers and members are not protected by the Vermont Insurance Guaranty Association.

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

**NOTE 13 - RISK MANAGEMENT (CONTINUED)**

To provide insurance coverage, PACIF has established a self-funded insurance trust. It provides extensive coverage for losses to member municipalities for property damage, auto accidents, injured employees, public official liability and employment practices liability, members gain additional benefits from PACIF's unique public safety and risk management programs as well as dedicated in-house claims adjusters. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and PACIF is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

To provide unemployment coverage, VLCTUT has established a separate trust of funds from member contributions to pay administrative costs, unemployment claims, and provides excess reinsurance protection. Contributions are based on payroll expense and the previous two year unemployment compensation experience. In the event that total contributions assessed to and made by all members result in an actual or projected financial deficit and VLCTUT is unable to meet its required obligations, the Program will be terminated with each members assessed their proportionate share of the deficit.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset 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.

**NOTE 14 - OPERATING LEASES (LESSEE)**

On February 28, 2008, the Town of Montgomery, Vermont entered into a 5 year lease agreement with De Lage Landen Financial Services for the lease of a copier/printer/fax machine at \$159.91 per month. On December 10, 2012, this lease was bought out with another 5 year lease with De Lage Landen Financial Services. The total amount due is \$6,776, to be paid in monthly installments of \$112.94 over 5 years. The following is a schedule of future minimum lease payments under this lease.

During the year ended December 31, 2015	\$1,355
2016	1,355
2017	1,356
Thereafter	<u>0</u>
Total	<u>\$4,066</u>

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

**NOTE 14 - OPERATING LEASES (LESSEE) (CONTINUED)**

Total lease payments made this year between both leases were \$1,355.

**NOTE 15 - OPERATING LEASES (LESSOR)**

On October 21, 2005, the Town of Montgomery, Vermont entered into a lease agreement with the United States Postal Service for the lease of building space at 98 Main Street in Montgomery Center. The total amount due to the Town is \$59,500, to be paid in annual installments of \$11,900 over 5 years. On May 7, 2011, this lease was extended for another 5 years through October 31, 2017, at \$11,900 annually with an option for another 5 years through 2022 at \$12,495 annually. The following is a schedule of future minimum lease payments under this lease.

During the year ended December 31, 2015	\$11,900
2016	11,900
2017	11,900
Thereafter	<u>0</u>
Total	<u>\$35,700</u>

Total lease payments received this year were \$11,900.

On July 9, 2013, the Town of Montgomery, Vermont renewed a lease agreement with the TD Bank for the lease of space for an ATM machine at 98 Main Street in Montgomery Center. The total amount due to the Town is \$3,300, to be paid in annual installments of \$1,100 over 3 years. The original lease was dated November 27, 1990, and has since been extended in 2000, 2003, 2012, and now in 2013 through November 2016. The following is a schedule of future minimum lease payments under this lease.

During the year ended December 31, 2015	\$1,100
2016	1,100
Thereafter	<u>0</u>
Total	<u>\$2,200</u>

Total lease payments received this year were \$1,100.

On May 7, 2012, the Town of Montgomery, Vermont entered into a lease agreement with L.F. Hurtubise & Sons Inc. for the lease of a parcel of land (16 acres plus or minus). The total

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2014

**NOTE 15 - OPERATING LEASES (LESSOR) (CONTINUED)**

amount due to the Town is \$5,400, to be paid in annual installments of \$1,080 over 5 years. The following is a schedule of future minimum lease payments under this lease.

During the year ended December 31, 2015	\$1,080
2016	1,080
Thereafter	<u>0</u>
Total	<u>\$2,160</u>

Total lease payments received this year were \$1,080.

**NOTE 16 - COMMITMENTS**

The Town participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money recovered may be required and the collectibility of any related receivable at December 31, 2014, may be impaired. It is the opinion of the Town, that there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

The Town is responsible for the withholding and paying over of certain payroll taxes and related items. At December 31, 2014, Town showed a liability for any taxes due and unpaid. These taxes are subject to audit by the State and federal government. It is the opinion of the Town, that there are no significant contingent liabilities relating to compliance with the rules and regulations governing these or other taxes.

Town of Montgomery, Vermont  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
Budgetary Basis - General Fund  
For The Year Ended December 31, 2014

Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES:</b>			
Taxes:			
Current Taxes	\$ 625,135	\$ 2,278,495	\$ 1,653,360
Municipal Tax Credit	-	11,321	11,321
Education Tax	-	39,663	39,663
Delinquent Taxes	55,179	169,561	114,382
Penalties & Interest	20,000	21,125	1,125
State Land Tax	16,000	16,762	762
PILOT	1,000	1,134	134
Land Use & Current Use	<u>30,000</u>	<u>35,390</u>	<u>5,390</u>
Subtotal Taxes	<u>747,314</u>	<u>2,573,451</u>	<u>1,826,137</u>
Permits and Licenses:			
Zoning Permits	2,000	2,710	710
Dog Licenses	2,300	2,280	(20)
Hunting/Fishing Licenses	2,300	2,189	(111)
Liquor Licenses	1,000	1,200	200
Marriage Licenses	600	910	310
DMV/Fleet Permit Fees	<u>-</u>	<u>429</u>	<u>429</u>
Subtotal Permits and Licenses	<u>8,200</u>	<u>9,718</u>	<u>1,518</u>
Clerk Fees:			
Recording Fees	8,500	7,570	(930)
Office Fees	2,000	1,972	(28)
Copier/Fax	400	440	40
Vital Records	<u>800</u>	<u>1,485</u>	<u>685</u>
Subtotal Clerk Fees	<u>11,700</u>	<u>11,467</u>	<u>(233)</u>
Rental Income:			
Town Hall	1,000	3,050	2,050
Post Office Rents	11,900	11,900	-
ATM	1,100	1,100	-
Leased Land	<u>1,080</u>	<u>1,080</u>	<u>-</u>
Subtotal Rental Income	<u>15,080</u>	<u>17,130</u>	<u>2,050</u>
Grants:			
FEMA	-	43,439	43,439
Other Grants	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Subtotal Fines	<u>10,000</u>	<u>53,439</u>	<u>43,439</u>
Miscellaneous:			
Investment Income	100	105	5

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
Statement of Revenues, Expenditures and  
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Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Miscellaneous	\$ 3,500	\$ 393	\$ (3,107)
Subtotal Miscellaneous	<u>3,600</u>	<u>498</u>	<u>(3,102)</u>
Highway Revenue:			
State Aid To Highways	75,000	80,263	5,263
Plowing	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Subtotal Highway Fund	<u>77,000</u>	<u>82,263</u>	<u>5,263</u>
 TOTAL REVENUE	 <u>872,894</u>	 <u>2,747,966</u>	 <u>1,875,072</u>
 EXPENDITURES:			
Payroll:			
Town Clerk	16,000	16,000	-
Town Treasurer	13,000	13,000	-
Assistant Clerks	12,000	13,119	1,119
Selectmen	5,000	5,000	-
Auditors	500	430	(70)
Dog Officers	500	221	(279)
Board of Civil Authority	500	542	42
Health Officer	150	150	-
Delinquent Tax Collector	4,350	7,194	2,844
Social Security	4,000	4,586	586
Retirement	1,348	1,527	179
Health Insurance	<u>19,652</u>	<u>18,568</u>	<u>(1,084)</u>
Subtotal	<u>77,000</u>	<u>80,337</u>	<u>3,337</u>
Town Office:			
Office Supplies	3,000	2,267	(733)
Postage	2,250	2,276	26
Office Equipment	1,500	3,905	2,405
Telephone	1,500	1,582	82
Website Costs	175	156	(19)
Contracted Services	2,500	1,953	(547)
Equipment Rental	2,500	2,037	(463)
Miscellaneous	<u>75</u>	<u>140</u>	<u>65</u>
Subtotal	<u>13,500</u>	<u>14,316</u>	<u>816</u>
Lister's Office:			
Salaries	10,000	7,969	(2,031)
Social Security	765	610	(155)

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
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Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Supplies	\$ 700	\$ 216	\$ (484)
Mileage Reimbursement	350	236	(114)
Dues and Fees	250	50	(200)
Training and Conferences	1,000	324	(676)
Miscellaneous	935	1,301	366
Subtotal	<u>14,000</u>	<u>10,706</u>	<u>(3,294)</u>
Zoning:			
Administrator	2,200	2,839	639
Social Security	170	217	47
Supplies	100	35	(65)
Telephone	75	73	(2)
Legal Advertisements	300	431	131
Training and Conferences	105	-	(105)
Miscellaneous	50	-	(50)
Subtotal	<u>3,000</u>	<u>3,595</u>	<u>595</u>
Office Building Expense:			
Janitor Wages	1,200	548	(652)
Social Security	100	42	(58)
Electricity	2,300	2,044	(256)
Heating Oil	3,000	3,389	389
Water	400	380	(20)
Contracted Services	2,000	1,161	(839)
Building Maintenance	2,650	3,668	1,018
Grounds Maintenance	350	251	(99)
Subtotal	<u>12,000</u>	<u>11,483</u>	<u>(517)</u>
General Government Expenses:			
Town Reports and Postage	1,300	1,064	(236)
Electricity - Street Lights	11,500	11,747	247
Mowing	4,500	4,085	(415)
Legal Services	3,450	1,185	(2,265)
Legal Advertisements	386	568	182
Audit Services	6,000	5,500	(500)
Insurance and Bonds	22,100	22,033	(67)
Unemployment Compensation	3,306	3,306	-
Workers Compensation	9,800	9,703	(97)
Delinquent Taxes	78,827	-	(78,827)
Miscellaneous	1,000	881	(119)
Dog Impound Expenses	1,000	751	(249)

The accompanying notes are an integral part of these financial statements



Town of Montgomery, Vermont  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
Budgetary Basis - General Fund  
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Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Education	\$ 1,000	\$ 967	\$ (33)
Subtotal	<u>144,169</u>	<u>61,790</u>	<u>(82,379)</u>
Licenses & Vital Records:			
VT Fish/Wildlife Fees	2,000	2,145	145
Dog License Fees	1,000	963	(37)
Civil Marriage Fees	500	875	375
Subtotal	<u>3,500</u>	<u>3,983</u>	<u>483</u>
Town Hall:			
Janitor Wages	1,000	68	(932)
Social Security	75	5	(70)
Telephone	350	404	54
Electricity	1,000	897	(103)
Fuel Oil/Gas	3,500	5,893	2,393
Propane	-	41	41
Water	340	520	180
Rubbish Removal	50	-	(50)
Repairs/Maintenance	2,000	7,104	5,104
Miscellaneous	185	215	30
Subtotal	<u>8,500</u>	<u>15,147</u>	<u>6,647</u>
Public Safety Building:			
Janitor Wages	750	759	9
Social Security	60	58	(2)
Electricity	2,800	3,080	280
Fuel Oil/Gas	7,000	9,212	2,212
Water	350	340	(10)
Repairs/Maintenance	1,000	2,132	1,132
Miscellaneous	40	204	164
Subtotal	<u>12,000</u>	<u>15,785</u>	<u>3,785</u>
Highway Department - Winter Roads:			
Labor	43,000	51,127	8,127
Contracted Services	-	540	540
Salt	10,000	8,577	(1,423)
Gravel	12,000	7,140	(4,860)
Sand and Gravel	18,000	17,983	(17)
Equipment	-	139	139
Miscellaneous	-	18	18

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
Statement of Revenues, Expenditures and  
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Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Disaster	\$ -	\$ 20,725	\$ 20,725
Subtotal	<u>83,000</u>	<u>106,249</u>	<u>23,249</u>
Highway Department - Summer Roads:			
Labor	20,000	23,282	3,282
Contracted Services	500	3,000	2,500
Equipment Rental	2,000	-	(2,000)
Gravel	27,500	-	(27,500)
Cold Patch	250	850	600
Miscellaneous	9,750	5,443	(4,307)
Flood Repairs	<u>12,000</u>	<u>46,539</u>	<u>34,539</u>
Subtotal	<u>72,000</u>	<u>79,114</u>	<u>7,114</u>
State Aid:			
Labor	13,250	1,171	(12,079)
Contracted Services	2,500	540	(1,960)
Equipment Rental	6,000	-	(6,000)
Materials	10,000	-	(10,000)
Miscellaneous	<u>250</u>	<u>-</u>	<u>(250)</u>
Subtotal	<u>32,000</u>	<u>1,711</u>	<u>(30,289)</u>
Diesel Fuel:			
Diesel Fuel	<u>55,000</u>	<u>48,129</u>	<u>(6,871)</u>
Subtotal	<u>55,000</u>	<u>48,129</u>	<u>(6,871)</u>
Machinery:			
Labor	13,000	14,737	1,737
Vehicle Maintenance	30,000	43,552	13,552
Miscellaneous	<u>2,000</u>	<u>2,158</u>	<u>158</u>
Subtotal	<u>45,000</u>	<u>60,447</u>	<u>15,447</u>
Garage:			
Labor	250	325	75
Telephone	1,500	1,867	367
Electricity	2,000	2,073	73
Propane	5,000	6,392	1,392
Water	350	340	(10)
Gasoline	100	48	(52)
Building Maintenance	1,500	2,150	650
Miscellaneous	<u>1,300</u>	<u>2,731</u>	<u>1,431</u>
Subtotal	<u>12,000</u>	<u>15,926</u>	<u>3,926</u>

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
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Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Highway Employee Benefits:			
Vacation Pay	\$ 2,500	\$ 3,098	\$ 598
Sick/Personal Leave	1,500	1,874	374
Holiday Pay	2,500	2,423	(77)
Social Security	7,500	7,228	(272)
Retirement	5,000	4,331	(669)
Health Insurance	39,304	35,731	(3,573)
Uniforms	<u>1,196</u>	<u>2,342</u>	<u>1,146</u>
Subtotal	<u>59,500</u>	<u>57,027</u>	<u>(2,473)</u>
Assessments:			
NW Solid Waste Management	1,210	1,210	-
VT League of Cities and Towns	2,143	2,143	-
NW Regional Planning Commission	1,153	1,153	-
County Tax	12,770	12,769	(1)
Montgomery School District	-	1,885,678	1,885,678
Hazens Notch Association	1,000	1,000	-
Champlain Valley Agency on Aging	1,800	1,800	-
Hectorville Bridge	375	375	-
Franklin County Industrial	500	500	-
Franklin County Home Health	1,440	1,440	-
Green Up VT	100	100	-
Missisquoi River Basin	500	500	-
Green Mountain Transit	568	568	-
Franklin County Humane Society	<u>300</u>	<u>300</u>	<u>-</u>
Subtotal	<u>23,859</u>	<u>1,909,536</u>	<u>1,885,677</u>
Debt Services:			
PWB Bond Payment	37,064	37,039	(25)
Highway Truck 2009	18,403	18,403	-
Fire Pumper Truck	<u>23,760</u>	<u>23,760</u>	<u>-</u>
Subtotal	<u>79,227</u>	<u>79,202</u>	<u>(25)</u>
 TOTAL EXPENDITURES	 <u>749,255</u>	 <u>2,574,483</u>	 <u>(1,825,228)</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 123,639	 173,483	 49,844
 OTHER FINANCING SOURCES (USES):			
Transfer From Water Department	5,000	5,000	-

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
Statement of Revenues, Expenditures and  
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Schedule 1

	Budget	Actual	Variance - Favorable (Unfavorable)
Transfer to Water Department	\$ (13,737)	\$ (13,737)	\$ -
Transfer to Special Revenue Funds	<u>(137,966)</u>	<u>(137,966)</u>	<u>-</u>
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 (23,064)	 26,780	 (49,844)
 FUND BALANCES, JANUARY 1, 2014	 <u>23,064</u>	 <u>23,063</u>	 <u>(1)</u>
 FUND BALANCES, DECEMBER 31, 2014	 <u>\$ -</u>	 <u>\$ 49,843</u>	 <u>\$ 49,843</u>

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
Combining Balance Sheet  
Special Revenue Funds  
December 31, 2014

Schedule 2  
(page 1 of 2)

	Fire Department	Rescue Fund	Recreation Fund	Library	Teen Center	Cemetery Fund	Bridge Reserve	Capital Improvement Reserve	Subtotals
ASSETS:									
Current Assets:									
Cash				\$ 355		\$ 89,205			\$ 89,560
Due From Other Funds	\$ 7,664	\$ 36,245	\$ 16,934	12,108	\$ 6,969	-	\$ 12,195	\$ 19,647	111,762
Total Current Assets	<u>7,664</u>	<u>36,245</u>	<u>16,934</u>	<u>12,463</u>	<u>6,969</u>	<u>89,205</u>	<u>12,195</u>	<u>19,647</u>	<u>201,322</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,664</u></b>	<b><u>\$ 36,245</u></b>	<b><u>\$ 16,934</u></b>	<b><u>\$ 12,463</u></b>	<b><u>\$ 6,969</u></b>	<b><u>\$ 89,205</u></b>	<b><u>\$ 12,195</u></b>	<b><u>\$ 19,647</u></b>	<b><u>\$ 201,322</u></b>
LIABILITIES AND FUND BALANCES:									
Liabilities:									
None	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:									
Unassigned									-
Restricted	7,664	36,245	16,934	12,463	6,969	89,205	12,195	19,647	201,322
Total Fund Balances	<u>7,664</u>	<u>36,245</u>	<u>16,934</u>	<u>12,463</u>	<u>6,969</u>	<u>89,205</u>	<u>12,195</u>	<u>19,647</u>	<u>201,322</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b><u>\$ 7,664</u></b>	<b><u>\$ 36,245</u></b>	<b><u>\$ 16,934</u></b>	<b><u>\$ 12,463</u></b>	<b><u>\$ 6,969</u></b>	<b><u>\$ 89,205</u></b>	<b><u>\$ 12,195</u></b>	<b><u>\$ 19,647</u></b>	<b><u>\$ 201,322</u></b>

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
 Combining Balance Sheet  
 Special Revenue Funds  
 December 31, 2014

Schedule 2  
 (page 2 of 2)

	Machinery Replacement Fund	Reappraisal Fund	Restoration of Records	Police Assistant Grant	Community Garden	Conservation Commission	Hectorville Bridge	Subtotals	Totals
<b>ASSETS:</b>									
<b>Current Assets:</b>									
Cash								\$ -	\$ 89,560
Due From Other Funds	\$ 42,912	\$ (8,815)	\$ 23,245	\$ 4,571	\$ 455	\$ 2,052	\$ 846	65,266	177,028
Total Current Assets	<u>42,912</u>	<u>(8,815)</u>	<u>23,245</u>	<u>4,571</u>	<u>455</u>	<u>2,052</u>	<u>846</u>	<u>65,266</u>	<u>266,588</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 42,912</u></b>	<b><u>\$ (8,815)</u></b>	<b><u>\$ 23,245</u></b>	<b><u>\$ 4,571</u></b>	<b><u>\$ 455</u></b>	<b><u>\$ 2,052</u></b>	<b><u>\$ 846</u></b>	<b><u>\$ 65,266</u></b>	<b><u>\$ 266,588</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>									
<b>Liabilities:</b>									
None	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>									
Unassigned		(8,815)						(8,815)	(8,815)
Restricted	42,912	-	23,245	4,571	455	2,052	846	74,081	275,403
Total Fund Balances	<u>42,912</u>	<u>(8,815)</u>	<u>23,245</u>	<u>4,571</u>	<u>455</u>	<u>2,052</u>	<u>846</u>	<u>65,266</u>	<u>266,588</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b><u>\$ 42,912</u></b>	<b><u>\$ (8,815)</u></b>	<b><u>\$ 23,245</u></b>	<b><u>\$ 4,571</u></b>	<b><u>\$ 455</u></b>	<b><u>\$ 2,052</u></b>	<b><u>\$ 846</u></b>	<b><u>\$ 65,266</u></b>	<b><u>\$ 266,588</u></b>

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Special Revenue Funds  
 For The Year Ended December 31, 2014

Schedule 3  
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	Fire Department	Rescue Fund	Recreation Fund	Library	Teen Center	Cemetary Fund	Bridge Reserve	Capital Improvement Reserve	Subtotals
<b>REVENUES:</b>									
Investment Income						\$ 1,555			\$ 1,555
Fees		\$ 13,919	\$ 826	\$ 472					15,217
Sales				8,785					8,785
Rent			200						200
Donations	\$ 9,437		10,519	4,503					24,459
Miscellaneous		100	30						130
Private/Local	4,000								4,000
State	-	-	-	2,665	-	-	-	-	2,665
<b>TOTAL REVENUES</b>	<b>13,437</b>	<b>14,019</b>	<b>11,575</b>	<b>16,425</b>	<b>\$ -</b>	<b>1,555</b>	<b>\$ -</b>	<b>\$ -</b>	<b>57,011</b>
<b>EXPENDITURES:</b>									
General Government								42,786	42,786
Public Safety	30,157	31,155							61,312
Public Works							11,528		11,528
Recreation			21,573		3,385				24,958
Other Services	-	-	-	37,520	-	5,358	-	-	42,878
<b>TOTAL EXPENDITURES</b>	<b>30,157</b>	<b>31,155</b>	<b>21,573</b>	<b>37,520</b>	<b>3,385</b>	<b>5,358</b>	<b>11,528</b>	<b>42,786</b>	<b>183,462</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(16,720)</b>	<b>(17,136)</b>	<b>(9,998)</b>	<b>(21,095)</b>	<b>(3,385)</b>	<b>(3,803)</b>	<b>(11,528)</b>	<b>(42,786)</b>	<b>(126,451)</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Transfers In	28,000	26,500	18,000	14,966	3,000	-	10,000	15,000	115,466
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>11,280</b>	<b>9,364</b>	<b>8,002</b>	<b>(6,129)</b>	<b>(385)</b>	<b>(3,803)</b>	<b>(1,528)</b>	<b>(27,786)</b>	<b>(10,985)</b>
<b>FUND BALANCES, JANUARY 1, 2014</b>	<b>(3,616)</b>	<b>26,881</b>	<b>8,932</b>	<b>18,592</b>	<b>7,354</b>	<b>93,008</b>	<b>13,723</b>	<b>47,433</b>	<b>212,307</b>
<b>FUND BALANCES, DECEMBER 31, 2014</b>	<b>\$ 7,664</b>	<b>\$ 36,245</b>	<b>\$ 16,934</b>	<b>\$ 12,463</b>	<b>\$ 6,969</b>	<b>\$ 89,205</b>	<b>\$ 12,195</b>	<b>\$ 19,647</b>	<b>\$ 201,322</b>

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Town of Montgomery, Vermont  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Special Revenue Funds  
 For The Year Ended December 31, 2014

Schedule 3  
 (page 2 of 2)

	Machinery Replacement Fund	Reappraisal Fund	Restoration of Records	Police Assistant Grant	Community Garden	Conservation Commission	Hectorville Bridge	Subtotals	Totals
REVENUES:									
Investment Income								\$ -	\$ 1,555
Fees			\$ 3,202					3,202	18,419
Sales								-	8,785
Rent					\$ 440			440	640
Donations					365	\$ 2,357	\$ 879	3,601	28,060
Miscellaneous						135		135	265
Private/Local								-	4,000
State	-	\$ 9,177	-	-	-	200	-	9,377	12,042
<b>TOTAL REVENUES</b>	<b>\$ -</b>	<b>9,177</b>	<b>3,202</b>	<b>\$ -</b>	<b>805</b>	<b>2,692</b>	<b>879</b>	<b>16,755</b>	<b>73,766</b>
EXPENDITURES:									
General Government		53,394				1,569		54,963	97,749
Public Safety				2,052				2,052	63,364
Public Works							33	33	11,561
Recreation								-	24,958
Other Services	-	-	-	-	350	-	-	350	43,228
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>53,394</b>	<b>-</b>	<b>2,052</b>	<b>350</b>	<b>1,569</b>	<b>33</b>	<b>57,398</b>	<b>240,860</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(44,217)	3,202	(2,052)	455	1,123	846	(40,643)	(167,094)
OTHER FINANCING SOURCES (USES):									
Transfers In	10,000	12,000	-	-	-	500	-	22,500	137,966
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	10,000	(32,217)	3,202	(2,052)	455	1,623	846	(18,143)	(29,128)
FUND BALANCES, JANUARY 1, 2014	32,912	23,402	20,043	6,623	-	429	-	83,409	295,716
FUND BALANCES, DECEMBER 31, 2014	<b>\$ 42,912</b>	<b>\$ (8,815)</b>	<b>\$ 23,245</b>	<b>\$ 4,571</b>	<b>\$ 455</b>	<b>\$ 2,052</b>	<b>\$ 846</b>	<b>\$ 65,266</b>	<b>\$ 266,588</b>

The accompanying notes are an integral part of these financial statements





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May 7, 2015

To the Select Board  
Town of Montgomery, Vermont

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Town of Montgomery, Vermont** for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 2, 2015. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Montgomery, Vermont are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during December 31, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the lives of property, plant, and equipment is based on expected usefulness. We evaluated the key factors and assumptions used to develop

the lives of property, plant, and equipment in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Fund Balances and Net Resources in Notes 8 and 9 to the financial statements as to how any surplus is to be used in future fiscal years.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Select Board and management of Town of Montgomery, Vermont and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Angolano & Company*

Angolano & Company,  
Shelburne, Vermont  
Firm Registration Number 92-0000141