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

February 15, 2017

Town of Montgomery  
Att: Deanna-Dee Robitaille  
P. O. 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, 2015. 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, 2015

Town of Montgomery, Vermont  
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For The Year Ended December 31, 2015

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For The Year Ended December 31, 2015

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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, each major fund, and the aggregate remaining fund information of Town of Montgomery, Vermont, as of and for the year ended December 31, 2015, 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, each major fund, and the aggregate remaining fund information of the Town of Montgomery, Vermont, as of December 31, 2015, 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, 2015, 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 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 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

February 13, 2017

Town of Montgomery, Vermont  
MANAGEMENT DISCUSSION AND ANALYSIS  
December 31, 2015

**Introduction**

The following is a narrative as an overview and analysis of the budget activities of the Town of Montgomery for the year ending December 31, 2015.

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 2015 the Town of Montgomery received \$2,937,566.53 in taxes and other revenue for governmental programs compared to 2014 receipts of \$2,821,732 an increase in revenues of nearly 2.9%.

The 2015 expenses, including remittance of the education taxes raised to support the Montgomery Town School District of \$1,942,119.82, amounted to \$2,774,125.43. The total cost of the Town of Montgomery's programs, excluding the Montgomery School District, decreased from \$905,807 in 2014 to \$832,005.61, a decrease of about 8.1%.

**Using the Annual Report**

The annual report consists of various financial statements. The statement of Net assets, on page 7, and the Statement of Activities, on page 8, 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 9 and continue thru page 16. 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 17 thru 41 provide additional information that aids to fully understand the data reported in the government-wide and fund financial statements.

**Long-Term Debt**

As of December 31, 2015 the Town had several outstanding bonds. Three of these bonds are from the USDA for construction and upgrade to the municipal water system. The total outstanding principal balance on these three bonds is \$762,529.69.

The Town also had two loans thru the Vermont Municipal Equipment Loan Fund. The first was for the newest highway truck which was paid in June 25, 2013. The second is 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 now balance of \$44,000.



Management Discussion and Analysis (continued)

Another loan is thru the Vermont Municipal Bond Bank which helped finance the construction of the Public Works Building has a balance of \$350,000 with annual payments of \$25,000 until 2025, and then \$20,000 for the next 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, 2015

EXHIBIT I

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 513,994	\$ 144,456	\$ 658,450
Accounts Receivable - Other		333	333
Delinquent Taxes Receivable	124,975		124,975
Delinquent Penalties and Interest Receivable	4,580		4,580
Capital Assets, net	<u>1,177,146</u>	<u>4,588,991</u>	<u>5,766,137</u>
TOTAL ASSETS	<u>\$ 1,820,695</u>	<u>\$ 4,733,780</u>	<u>\$ 6,554,475</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Vermont Municipal Pension	<u>\$ 5,207</u>	<u>\$ -</u>	<u>\$ 5,207</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,207</u>	<u>\$ -</u>	<u>\$ 5,207</u>
<b>LIABILITIES</b>			
Accounts Payable - Other	\$ 1,246		\$ 1,246
Net Pension Liability	4,849		4,849
Long-Term Liabilities:			
Due Within 1 Year	65,403	\$ 14,823	80,226
Due in More Than 1 Year	<u>381,338</u>	<u>747,707</u>	<u>1,129,045</u>
TOTAL LIABILITIES	<u>\$ 452,836</u>	<u>\$ 762,530</u>	<u>\$ 1,215,366</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned Revenues	\$ 129,544		\$ 129,544
Vermont Municipal Pension	<u>14,952</u>	<u>\$ -</u>	<u>14,952</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 144,496</u>	<u>\$ -</u>	<u>\$ 144,496</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 730,405	\$ 3,826,461	\$ 4,556,866
Restricted For Other Purposes	299,951		299,951
Unrestricted (Deficit)	<u>198,214</u>	<u>144,789</u>	<u>343,003</u>
TOTAL NET POSITION	<u>\$ 1,228,570</u>	<u>\$ 3,971,250</u>	<u>\$ 5,199,820</u>

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, 2015

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		
					Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 205,530				\$ (205,530)		\$ (205,530)
Public Safety	83,088		6,000		(77,088)		(77,088)
Public Works	493,531		187,903		(305,628)		(305,628)
Health and Welfare	11,452				(11,452)		(11,452)
Recreation	54,605		15,000		(39,605)		(39,605)
Other Services	40,937		2,321		(38,616)		(38,616)
Voter Appropriations	25,574				(25,574)		(25,574)
School Appropriations	1,942,120	-	-	-	(1,942,120)		(1,942,120)
Total Governmental Activities	<u>2,856,837</u>	<u>-</u>	<u>211,224</u>	<u>-</u>	<u>(2,645,613)</u>		<u>(2,645,613)</u>
<b>Business-Type Activities:</b>							
Water	209,407	94,537	-	-		\$ (114,870)	(114,870)
Total Business-Type Activities	<u>209,407</u>	<u>94,537</u>	<u>-</u>	<u>-</u>		<u>(114,870)</u>	<u>(114,870)</u>
<b>General Revenues:</b>							
Property Taxes					2,683,909		2,683,909
Permits and Licenses					8,211		8,211
Fines and Charges					43,023		43,023
State Revenues not Restricted to Specific Programs					14,439		14,439
Grants and Contributions not Restricted to Specific Programs					26,058		26,058
Private Grants not Restricted to Specific Programs					269		269
Investment Earnings					1,736		1,736
Rentals					14,960		14,960
Miscellaneous					44,040		44,040
Transfers					(6,737)	6,737	-
Total General Revenues					<u>2,829,908</u>	<u>6,737</u>	<u>2,836,645</u>
<b>Change in Net Position</b>					184,295	(108,133)	76,162
<b>Net Position - Beginning of Year</b>					1,059,253	4,079,383	5,138,636
<b>Prior Period Adjustment - VMERS</b>					(14,978)	-	(14,978)
<b>Net Position - Ending of Year</b>					<u>\$ 1,228,570</u>	<u>\$ 3,971,250</u>	<u>\$ 5,199,820</u>

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
 Combined Balance Sheet  
 All Governmental Fund Types - Fund Base  
 December 31, 2015

EXHIBIT III

	Major Funds		Totals
	General Fund	Special Revenue Fund	
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash	\$ 426,880	\$ 87,114	\$ 513,994
Due From Other Funds	(212,360)	212,360	-
Delinquent Taxes Receivable	124,975		124,975
Interest Receivable	4,580	-	4,580
Total Current Assets	344,075	299,474	643,549
<b>TOTAL ASSETS</b>	<b>\$ 344,075</b>	<b>\$ 299,474</b>	<b>\$ 643,549</b>
<b>LIABILITIES AND FUND EQUITY:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 1,246		\$ 1,246
Deferred Revenue	129,544	-	129,544
Total Liabilities	130,790	\$ -	130,790
<b>Fund Equity:</b>			
<b>Fund Balances:</b>			
Restricted		29,188	29,188
Committed		270,763	270,763
Unassigned	213,285	(477)	212,808
Total Fund Equity	213,285	299,474	512,759
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 344,075</b>	<b>\$ 299,474</b>	<b>\$ 643,549</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, 2015

Fund Balances – total governmental funds	\$ 512,759
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:</p>	
Governmental capital assets	2,061,151
Less accumulated depreciation	(884,005)
<p>Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:</p>	
Deferred Outflows – VMERS	5,207
<p>Bonds payable and contractual obligations have not been included in the governmental fund financial statements.</p>	
Bonds Payable	(350,000)
Notes Payable	(44,000)
Capital Lease Obligations	(52,741)
<p>Accrued liabilities have not been reflected in the governmental fund financial statements:</p>	
Net Pension Liability	(4,849)
Deferred Inflows – VMERS	<u>(14,952)</u>
Net Assets of Governmental Activities	<u>\$1,228,570</u>

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, 2015

EXHIBIT IV

	Major Funds		Totals
	General Fund	Special Revenue Fund	
REVENUES:			
Taxes	\$ 2,683,909		\$ 2,683,909
Permits and Licenses	8,211		8,211
Clerk Fees	10,239		10,239
Investment Income	114	\$ 1,622	1,736
Fees		32,784	32,784
Sales		20,856	20,856
Rent	14,635	325	14,960
Donations		26,058	26,058
Sale of Fixed Assets		2,500	2,500
Miscellaneous	7,320	340	7,660
Highway Revenue	93,238		93,238
Private/Local		8,590	8,590
State	112,903	24,225	137,128
 TOTAL REVENUES	 2,930,569	 117,300	 3,047,869
EXPENDITURES:			
General Government	182,863	22,649	205,512
Public Safety	10,797	70,531	81,328
Public Works	35,336	17,077	52,413
Highway	336,723		336,723
Recreation		83,944	83,944
Assessments	1,967,694		1,967,694
Debt Services:			
Interest Charges	16,963		16,963
Principal Reduction	61,246		61,246
Other Services	-	38,981	38,981
 TOTAL EXPENDITURES	 2,611,622	 233,182	 2,844,804
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 318,947	 (115,882)	 203,065
OTHER FINANCING SOURCES (USES):			
Transfers In	7,000	148,768	155,768
Transfers Out	(162,505)	-	(162,505)

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, 2015

EXHIBIT IV

	Major Funds		Totals
	General Fund	Special Revenue Fund	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 163,442	\$ 32,886	\$ 196,328
FUND BALANCES, JANUARY 1, 2015	<u>49,843</u>	<u>266,588</u>	<u>316,431</u>
FUND BALANCES, DECEMBER 31, 2015	<u>\$ 213,285</u>	<u>\$ 299,474</u>	<u>\$ 512,759</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, 2015

Net Changes in fund Balances – total governmental funds \$196,328

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	29,339
Less current year depreciation	(104,873)

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	16,117

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:

Deferred Outflows – VMERS Change	5,207
Net Pension Liability Change	(4,849)
Deferred Inflows - VMERS Change	<u>(14,952)</u>

Change in Net Assets of Governmental Funds \$169,317

The accompanying notes are an integral part of these financial statements



Town of Montgomery, Vermont  
Balance Sheet  
Proprietary Fund Type - Enterprise Fund  
December 31, 2015

EXHIBIT V

ASSETS:

Current Assets:

Cash	\$ 144,456	
Accounts Receivable	<u>333</u>	
Total Current Assets		\$ 144,789

Other Assets:

Fixed Assets - net	<u>4,588,991</u>	
Total Other Assets		<u>4,588,991</u>

TOTAL ASSETS \$ 4,733,780

LIABILITIES AND FUND EQUITY:

Liabilities:

Loans Payable	\$ <u>762,530</u>	
Total Liabilities		\$ 762,530

Fund Equity:

Net Position	<u>3,971,250</u>	
Total Fund Equity		<u>3,971,250</u>

TOTAL LIABILITIES AND FUND EQUITY \$ 4,733,780

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
Statement of Revenues, Expenses  
and Changes in Net Position  
Proprietary Fund Type - Enterprise Fund  
For The Year Ended December 31, 2015

EXHIBIT VI

Operating Revenue:		
User Fees	\$	61,245
Bond Fees		32,676
Service Fees		<u>554</u>
Total Operating Revenue	\$	94,475
Operating Expenses:		
Office Supplies		769
Telephone		1,489
Electricity		10,291
Propane		1,146
Contract Services		37,846
Dues		210
Testing		1,077
Tools		206
Equipment		3,373
Building Maintenance		1,109
Treatment Supplies		582
Fees		571
Miscellaneous		1,230
Depreciation		<u>117,551</u>
Total Operating Expenses		<u>177,450</u>
Operating Income (Loss)		(82,975)
Nonoperating Income (Expenses):		
Interest Income		62
Interest Expense		(31,957)
Transfers In		13,737
Transfers Out		<u>(7,000)</u>
Total Nonoperating Income (Expenses)		<u>(25,158)</u>
Increase (Decrease) in Net Position		(108,133)
Net Position, January 1, 2015		<u>4,079,383</u>
Net Position, December 31, 2015	\$	<u>3,971,250</u>

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
Statement of Cash Flows  
Proprietary Fund Type - Enterprise Fund  
For The Year Ended December 31, 2015

EXHIBIT VII

Cash Flows From Operating Activities:		
Received From Customers	\$ 94,142	
Payments To Vendors and Supplies	<u>(59,899)</u>	
Net Cash Used By Operating Activities		\$ 34,243
Cash Flows From Noncapital Financing Activities:		
Support (To) From Other Funds		6,737
Cash Flows From Capital & Related Financing Activities:		
Interest Income	62	
Payments on Loans Payable	(14,245)	
Interest Paid on Capital Debt	<u>(31,957)</u>	
Net Cash Used By Capital and Related Financing Activities		(46,140)
Cash Flows From Investing Activities:		
None		<u>-</u>
Net Increase (Decrease) in Cash		(5,160)
Cash, January 1, 2015		<u>149,616</u>
Cash, December 31, 2015		<u>\$ 144,456</u>
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities:		
Cash Provided From Operating Activities:		
Operating Income (Loss)		\$ (82,975)
Adjustments to Reconcile Net Income to Cash Provided (Used) By Operating Activities:		
Depreciation	\$ 117,551	
(Increase) Decrease in Accounts Receivable	<u>(333)</u>	
Total Adjustments		<u>117,218</u>
Net Cash Provided (Used) By Operating Activities		<u>\$ 34,243</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, 2015

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

The 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. There are no component units included within the reporting entity. 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 Towns 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 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.

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

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

The District-wide Statement of Activity demonstrates the degree to which the direct expenses of a given function or segment 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 the special revenue fund. Most federal, some State financial assistance and voter committed funds are accounted for in the 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, 2015

**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, 2015

**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, 2015

**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.

Pensions:

*VMERS*. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (*VMERS*) and additions to/deductions from *VMERS*'s 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.

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 amount and not the individual line items 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.



Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

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

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 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 – 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

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

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

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.

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 June 30th amounted to \$658,450. As major revenues are received during the year bank deposits may temporarily exceed insured limits.

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

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

**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.

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)

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

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

Balances held in each area are as follows:

	Carrying Amount	Bank Balance
- Insured (FDIC) and/or (SIPC)	\$250,174	\$250,174
- Category 1	0	0
- Category 2	0	0
- Category 3	408,236	408,782
- Category 4	<u>40</u>	<u>0</u>
Total deposits	<u>\$658,450</u>	<u>\$658,393</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.

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

**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, 2015 is as follows:

Fund Financial Statements:		
Receivable Fund	Payable Fund	Amount
Special Revenue Fund	General Fund	<u>\$212,360</u>

**NOTE 4 – CAPITAL ASSETS**

Capital activity for the Town for the year ended December 31, 2015 was as follows:

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

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

	<u>Primary Government</u>			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 591,840	\$ 0	\$ 0	\$ 591,840
Building Improvements	12,066	0	0	12,066
Infrastructure	580,479	0	0	580,479
Furniture and Equipment	221,088	29,339	0	250,427
Vehicles	<u>626,339</u>	<u>0</u>	<u>0</u>	<u>626,339</u>
Total capital assets at historical costs	<u>2,031,812</u>	<u>29,339</u>	<u>0</u>	<u>2,061,151</u>
Less accumulated depreciation:				
Buildings	73,980	14,796	0	88,776
Building Improvements	402	402	0	804
Infrastructure	337,256	43,365	0	380,621
Furniture and Equipment	59,903	12,771	0	72,674
Vehicles	<u>307,591</u>	<u>33,539</u>	<u>0</u>	<u>341,130</u>
Total accum. Depr.	<u>779,132</u>	<u>104,873</u>	<u>0</u>	<u>884,005</u>
Governmental activities Capital Assets, Net	<u>\$1,252,680</u>	<u>\$ (75,534)</u>	<u>\$ 0</u>	<u>\$1,177,146</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	600,729	76,865	0	677,594
Infrastructure	520,638	40,686	0	561,324
Vehicles	<u>8,510</u>	<u>0</u>	<u>0</u>	<u>8,510</u>
Total accum. Depr.	<u>1,129,877</u>	<u>117,551</u>	<u>0</u>	<u>1,247,428</u>
Business type activities Capital Assets, Net	<u>\$4,706,542</u>	<u>\$(117,551)</u>	<u>\$ 0</u>	<u>\$4,588,991</u>

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

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

Depreciation expense was charged to functions as follows:

Governmental activities:	
General Government	\$ 402
Public Safety	0
Public Works	91,063
Cemetery	0
Health & Welfare	11,452
Solid Waste Management	0
Recreation	1,956
Other Support Services	<u>0</u>
Total governmental activities depreciation expense	<u>\$104,873</u>

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

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

Property Taxes	<u>\$129,544</u>
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**NOTE 6 – OPEB AND TERMINATION BENEFITS**

The Governmental Accounting Standards Board (GASB) issued Statement #45 requiring the entire liability for Other Post Employment Benefits (post-employment health care benefits) to be accrued. The Town does not offer any OPEB plans and has no liability under GASB #45.

Voluntary termination benefits are governed by GASB Statement #47 and are recognized to the extent they become payable in the current year. The Town does not offer any OPEB or termination benefits.

**NOTE 7 - 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.

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

**NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)**

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

	Balance Jan. 1, 2015	Borrowings	Retirements	Balance Dec. 31, 2015
<b><u>General Government:</u></b>				
<b><u>BONDS:</u></b>				
Vermont Municipal Bond Bank, Bond Payable, net interest cost at 2.96%, interest paid semi-annually on June 1 <sup>st</sup> 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.	\$ 375,000	\$ 0	\$25,000	\$ 350,000
Total Bonds	\$ 375,000	\$ 0	\$25,000	\$ 350,000
<b><u>NOTES:</u></b>				
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.	\$ 66,000	\$ 0	\$22,000	\$ 44,000
Total Notes	\$ 66,000	\$ 0	\$22,000	\$ 44,000
<b>Total General Government</b>	<b>\$ 441,000</b>	<b>\$ 0</b>	<b>\$47,000</b>	<b>\$ 394,000</b>

**Water Department:**

**BONDS:**

USDA – Rural Development, Bond Payable loan # 03, interest at 4.5%, principal and interest totaling \$10,625

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

**NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)**

	Balance Jan. 1, 2015	Borrowings	Retirements	Balance Dec. 31, 2015
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.	\$ 330,012	\$ 0	\$ 6,473	\$ 323,539
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.	134,298	0	3,178	131,120
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>312,465</u>	<u>0</u>	<u>4,595</u>	<u>307,870</u>
<b>Total Water Department</b>	<b><u>\$ 776,775</u></b>	<b><u>\$ 0</u></b>	<b><u>\$14,246</u></b>	<b><u>\$ 762,529</u></b>
Total Bonds and Notes	<u>\$1,217,775</u>	<u>\$ 0</u>	<u>\$61,246</u>	<u>\$1,156,529</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, 2016	\$ 47,000	\$11,191	\$ 58,191
2017	47,000	10,201	57,201
2018	25,000	9,192	34,192



Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

**NOTE 7 - LONG-TERM OBLIGATIONS (CONTINUED)**

	Principal	Interest	Total
During the year ended Dec. 31, 2019	\$ 25,000	\$ 8,579	\$ 33,579
2020	25,000	7,938	32,938
2021-2025	125,000	28,702	153,702
2026-2030	<u>100,000</u>	<u>10,278</u>	<u>110,278</u>
Totals	<u>\$394,000</u>	<u>\$86,081</u>	<u>\$480,081</u>

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, 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	17,439	28,762	46,201
2021-2025	98,695	132,315	231,010
2026-2030	121,038	109,972	231,010
2031-2035	148,518	82,492	231,010
2036-2040	175,663	48,679	224,342
2041-2045	105,891	15,691	121,582
2046-2050	<u>32,304</u>	<u>1,509</u>	<u>33,813</u>
Totals	<u>\$762,529</u>	<u>\$541,147</u>	<u>\$1,303,676</u>

The following is a summary of other long term obligations:

	Balance Jan. 1, 2015	Increases	Retirements	Balance Dec. 31, 2015
<b>OTHER LONG-TERM OBLIGATIONS:</b>				
Net Pension Liability	<u>\$ 0</u>	<u>\$ 4,849</u>	<u>\$ 0</u>	<u>\$ 4,849</u>
Current Portion \$0				
Obligations Under Capital Lease	<u>\$68,858</u>	<u>\$ 0</u>	<u>\$16,117</u>	<u>\$52,741</u>

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

**NOTE 8 - CAPITAL LEASES**

On April 24, 2013, 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:

During the year ending December 31, 2016	\$18,403
2017	18,404
2018	<u>18,405</u>
Total minimum lease payments	55,212
Less amount representing interest	<u>2,471</u>
Present value of minimum lease payments	<u>\$52,741</u>

Interest rate on the capitalized lease is approximately 2.3 percent.

**NOTE 9 – 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 Balance Restrictions and Committed Components:

Committed for Recreation	\$ 5,913
Committed for Rescue Reserve	46,324
Committed for Library	13,940
Committed for Reappraisal	4,410
Committed for Cemetery	86,940
Committed for Bridge Reserve	19,210
Committed for Capital Improvement Reserve	14,011
Committed for Machinery Replacement Reserve	52,912
Committed for Fire Department Reserve	16,683

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

**NOTE 9 – RESTRICTED, COMMITTED AND ASSIGNED FUND BALANCES (Fund Financial Statements) (CONTINUED)**

Special Revenue Fund Balance Restrictions and Committed Components (continued):

Restricted for Restoration of Records	\$ 25,311
Restricted for Police Assistant Grant	2,798
Restricted for Community Garden	1,079
Committed for Management Support	6,340
Committed for Conservation commission	<u>4,080</u>
Total	<u>\$299,951</u>

**NOTE 10 – 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	\$ 5,913
Rescue Reserve	46,324
Library	13,940
Reappraisal	4,410
Cemetery	86,940
Bridge Reserve	19,210
Capital Improvement Reserve	14,011
Machinery Replacement Reserve	52,912
Fire Department Reserve	16,683
Restoration of Records	25,311
Police Assistant Grant	2,798
Community Garden	1,079
Management Support	6,340
Conservation commission	<u>4,080</u>
Total	<u>\$299,951</u>

**NOTE 11 – 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.

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

**NOTE 11 – TRANSFERS IN THE FUND BASED FINANCIAL STATEMENTS  
(CONTINUED)**

Funds of \$7,000 were transferred from the Water Department to the General Fund as part of its annual stipend.

Funds of \$162,505 were transferred from the General Fund to the following Special Revenue Fund per articles passed by the voters to support the following activities:

Fire Department Reserve	\$28,000
Rescue Reserve	26,500
Recreation	18,000
Library Operations	18,917
Management Support	6,340
Hecterville Bridge	11,261
Bridge Reserve	10,000
Capital Improvement Reserve	15,000
Machinery Replacement Reserve	10,000
Water Department Debt	13,737
Reappraisal	4,000
Conservation Commission	750

**NOTE 12 – 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 13 - PENSIONS**

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

Employees of the District are provided with pensions through the Vermont Municipal Employees' Retirement System (VMERS) – a cost-sharing multiple employer defined benefit pension plan administered by a board of five trustees, known as the Retirement Board. Vermont Statutes Annotated title 24 Section 5062 grants the responsibility for the proper operation and effective provision of the Retirement System to the Retirement Board. VMERS issues a

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

**NOTE 13 – PENSIONS (CONTINUED)**

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

publicly available financial report that can be obtained at [www.vermonttreasurer.gov/retirement/muni-financial-reports](http://www.vermonttreasurer.gov/retirement/muni-financial-reports).

*Benefits provided.* VMERS provides retirement, disability and death benefits. Details of benefits can be obtained at [www.vermonttreasurer.gov/retirement/muni-group-plans](http://www.vermonttreasurer.gov/retirement/muni-group-plans) and [www.vermonttreasurer.gov/retirement/muni-group-comparisons](http://www.vermonttreasurer.gov/retirement/muni-group-comparisons).

*Contributions.* Per Title 24 Chapter 125 of the Vermont Statutes, contribution requirements of the active employees and the participating Town are established and may be amended by the Retirement Board. Employees and the Town contributions vary based on group classification (Group A, B, C, or D)

	Group A	Group B	Group C	Group D
Employees' Contributions (% of gross wages)	2.5%	4.875%	9.875%	11.35%
The Town's contributions (% of gross wages)	4.0%	5.5%	7.125%	9.85%

Further information on contributions can be obtained at [www.vermonttreasurer.gov/retirement/muni-group-comparisons](http://www.vermonttreasurer.gov/retirement/muni-group-comparisons).

The Town contractually required contribution rate for the year ended December 31, 2015 was the percentage of annual payroll from the above table, which is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$7,785 for the year ended December 31, 2015.

*Pension Liability, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions.*

At December 31, 2015 the Town reported a liability of \$4,849 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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 Towns, actuarially determined. At June 30, 2014,

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

**NOTE 13 – PENSIONS (CONTINUED)**

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

the Town's proportion was 0.0531 percent, which was an increase of 0.0012 from its proportion measured as of June 30, 2013.

For the year ended December 31, 2015, the Town, recognized pension expense of \$7,401. At December 31, 2015 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ 0	\$(14,952)
Changes in assumptions	0	0
Net difference between projected and actual		
Earnings on pension plan investments	0	0
Changes in proportion and differences between		
Town contributions and		
Proportionate share of contributions	<u>358</u>	<u>0</u>
Total	<u>\$358</u>	<u>\$(14,952)</u>

\$(10,686) reported as deferred outflows/inflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction/increase of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expenses as follows:

Year ended June 30:	
2016	\$(3,562)
2017	(3,562)
2018	(3,562)
2019	
2020	
Thereafter	

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3-3.25 percent
Salary increases	5 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, Including inflation

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

**NOTE 13 – PENSIONS (CONTINUED)**

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

Mortality rates were based on the 12995 Buck Mortality Tables for Males or Females, as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2010. Expectations of life after disability were based on RP 2000 Disabled Life Tables.

The long-term expected rate of return on System investments was determined using best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. These best estimate ranges were combined to produce forecast of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.6.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	33.0%	2.94%
Equity	31.5	6.70
Alternative	15.5	6.26
Multi-Strategy	20.0	5.98

*Discount rate.* The discount rate used to measure the total pension liability was 8.23 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from Towns

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

**NOTE 13 – PENSIONS (CONTINUED)**

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

will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

*Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.23 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage -point lower (7.23 percentage) or 1-percentage -point higher (9.23 percentage) than the current rate:

	1% Decrease <u>(7.23%)</u>	Discount Rate <u>(8.23%)</u>	1% Increase <u>(9.23%)</u>
Town's proportionate share of The net pension liability	\$40,850	\$4,849	\$(25,355)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued VMERS financial report.

Schedule of the Town's proportionate share of the net pension liability (Dollar amounts in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Town's proportion of the net pension liability (assets)	%	.05%	.05%	.05%	.05%	.05%	.05%	.05%	.05%	.05%
Town's proportionate share of the net pension liability (assets)	\$	\$5	\$19	\$	\$	\$	\$	\$	\$	\$
Town's covered-employee payroll	\$	\$143	\$129	\$	\$	\$	\$	\$	\$	\$
Town's proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	%	3%	15%	%	%	%	%	%	%	%
Plan fiduciary net position as a percentage of the total pension liability	87%	98%	%	%	%	%	%	%	%	%



Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

**NOTE 13 – PENSIONS (CONTINUED)**

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

Schedule of District contributions (Dollar amounts in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$	\$ 8	\$ 7	\$	\$	\$	\$	\$	\$	\$
Contributions in relation to the contractually Required contribution		<u>8</u>	<u>7</u>							
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's covered-employee payroll	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Contributions as a percentage of Covered-employee payroll	%	5.4%	5.2%	%	%	%	%	%	%	%

**NOTE 14 - 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.

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

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

**NOTE 14 - RISK MANAGEMENT (CONTINUED)**

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 15 - 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, 2016	\$1,355
2017	1,356
Thereafter	<u>0</u>
Total	<u>\$2,711</u>

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

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

**NOTE 16 - 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, 2016	\$11,900
2017	11,900
Thereafter	<u>0</u>
Total	<u>\$23,800</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, 2016	\$1,100
Thereafter	<u>0</u>
Total	<u>\$1,100</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 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, 2016	\$1,080
Thereafter	<u>0</u>
Total	<u>\$1,080</u>

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

Town of Montgomery, Vermont  
Notes to Financial Statements (continued)  
For The Year Ended December 31, 2015

**NOTE 17 - SUBSEQUENT EVENTS**

On May 26, 2016 the Town borrowed \$130,000 from the Merchants Bank in a Highway Equipment note at 1.77% interest per annum to be paid over five years. Principal payments of \$26,000 and interest are due on May 25<sup>th</sup> of each year until May 25, 2021.

**NOTE 18 - 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, 2015 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, 2015, 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, 2015

Schedule 1

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES:</b>				
<b>Taxes:</b>				
Current Taxes	\$ 655,184	\$ 655,184	\$ 2,327,693	\$ 1,672,509
Municipal Tax Credit	-	-	12,810	12,810
Education Tax	-	-	39,395	39,395
Delinquent Taxes	67,900	67,900	204,217	136,317
Penalties & Interest	21,000	21,000	25,458	4,458
State Land Tax	16,000	16,000	16,847	847
PILOT	1,000	1,000	1,348	348
Land Use & Current Use	35,000	35,000	56,141	21,141
Subtotal Taxes	<u>796,084</u>	<u>796,084</u>	<u>2,683,909</u>	<u>1,887,825</u>
<b>Permits and Licenses:</b>				
Zoning Permits	2,000	2,000	1,530	(470)
Dog Licenses	2,300	2,300	2,203	(97)
Hunting/Fishing Licenses	2,300	2,300	2,483	183
Liquor Licenses	1,000	1,000	830	(170)
Marriage Licenses	800	800	720	(80)
DMV/Fleet Permit Fees	-	-	445	445
Subtotal Permits and Licenses	<u>8,400</u>	<u>8,400</u>	<u>8,211</u>	<u>(189)</u>
<b>Clerk Fees:</b>				
Recording Fees	7,000	7,000	7,249	249
Office Fees	2,000	2,000	1,673	(327)
Copier/Fax	400	400	362	(38)
Vital Records	1,100	1,100	955	(145)
Subtotal Clerk Fees	<u>10,500</u>	<u>10,500</u>	<u>10,239</u>	<u>(261)</u>
<b>Rental Income:</b>				
Town Hall	1,500	1,500	500	(1,000)
Post Office Rents	11,900	11,900	11,955	55
ATM	1,100	1,100	1,100	-
Leased Land	1,080	1,080	1,080	-
Subtotal Rental Income	<u>15,580</u>	<u>15,580</u>	<u>14,635</u>	<u>(945)</u>
<b>Grants:</b>				
FEMA	2,750	2,750	107,689	104,939
Other Grants	-	-	5,124	5,124
Judicial Fines	-	-	90	90
Subtotal Grants	<u>2,750</u>	<u>2,750</u>	<u>112,903</u>	<u>110,153</u>
<b>Miscellaneous:</b>				
Investment Income	100	100	114	14
Miscellaneous	7,400	7,400	7,320	(80)
Subtotal Miscellaneous	<u>7,500</u>	<u>7,500</u>	<u>7,434</u>	<u>(66)</u>
<b>Highway Revenue:</b>				
State Aid To Highways	80,000	80,000	80,214	214
Plowing	1,000	1,000	1,000	-

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  
For The Year Ended December 31, 2015

Schedule 1

	Original Budget	Final Budget	Actual	Variance
Miscellaneous	\$ -	\$ -	\$ 12,024	\$ 12,024
Subtotal Highway Fund	<u>81,000</u>	<u>81,000</u>	<u>93,238</u>	<u>12,238</u>
 TOTAL REVENUE	 <u>921,814</u>	 <u>921,814</u>	 <u>2,930,569</u>	 <u>2,008,755</u>
 EXPENDITURES:				
Payroll:				
Town Clerk	16,000	16,000	15,999	(1)
Town Treasurer	13,000	13,000	13,000	-
Assistant Clerks	17,075	17,075	18,515	1,440
Selectmen	5,000	5,000	5,000	-
Auditors	325	325	313	(12)
Selectboard Assistant	-	-	738	738
Dog Officers	250	250	203	(47)
Board of Civil Authority	200	200	109	(91)
Health Officer	150	150	150	-
Delinquent Tax Collector	5,000	5,000	8,153	3,153
Social Security	4,700	4,700	5,268	568
Retirement	1,550	1,550	1,583	33
Health Insurance	7,125	7,125	7,144	19
Vision Admin Fee	-	-	100	100
Subtotal	<u>70,375</u>	<u>70,375</u>	<u>76,275</u>	<u>5,900</u>
Town Office:				
Office Supplies	3,000	3,000	1,921	(1,079)
Postage	2,500	2,500	2,444	(56)
Office Equipment	4,000	4,000	334	(3,666)
Telephone	1,500	1,500	1,773	273
Contracted Services	2,000	2,000	2,031	31
Equipment Rental	2,000	2,000	2,035	35
Miscellaneous	-	-	525	525
Subtotal	<u>15,000</u>	<u>15,000</u>	<u>11,063</u>	<u>(3,937)</u>
Lister's Office:				
Salaries	10,000	10,000	8,179	(1,821)
Social Security	765	765	626	(139)
Supplies	500	500	501	1
Mileage Reimbursement	350	350	196	(154)
Dues and Fees	200	200	504	304
Training and Conferences	1,000	1,000	430	(570)
Miscellaneous	1,185	1,185	3,315	2,130
Subtotal	<u>14,000</u>	<u>14,000</u>	<u>13,751</u>	<u>(249)</u>
Zoning:				
Administrator	2,200	2,200	2,314	114
Social Security	170	170	177	7
Supplies	100	100	68	(32)

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

	Original Budget	Final Budget	Actual	Variance
Telephone	\$ 75	\$ 75	\$ 73	\$ (2)
Legal Advertisements	300	300	71	(229)
Training and Conferences	105	105	197	92
Miscellaneous	<u>50</u>	<u>50</u>	<u>3,658</u>	<u>3,608</u>
Subtotal	<u>3,000</u>	<u>3,000</u>	<u>6,558</u>	<u>3,558</u>
General Government Expenses:				
Town Reports and Postage	1,500	1,500	1,266	(234)
Legal Services	1,500	1,500	6,255	4,755
Legal Advertisements	500	500	2,294	1,794
Audit Services	6,000	6,000	5,900	(100)
Website Costs	-	-	2,930	2,930
Insurance and Bonds	20,824	20,824	20,776	(48)
Unemployment Compensation	3,493	3,493	3,594	101
Workers Compensation	10,764	10,764	9,103	(1,661)
Delinquent Taxes	97,064	97,064	-	(97,064)
Miscellaneous	1,000	1,000	1,882	882
Dog Impound Expenses	1,000	1,000	600	(400)
Education	<u>1,000</u>	<u>1,000</u>	<u>831</u>	<u>(169)</u>
Subtotal	<u>144,645</u>	<u>144,645</u>	<u>55,431</u>	<u>(89,214)</u>
Licenses & Vital Records:				
VT Fish/Wildlife Fees	2,000	2,000	2,402	402
Dog License Fees	1,000	1,000	962	(38)
Civil Marriage Fees	<u>500</u>	<u>500</u>	<u>770</u>	<u>270</u>
Subtotal	<u>3,500</u>	<u>3,500</u>	<u>4,134</u>	<u>634</u>
Debt Services:				
PWB Bond Payment	37,064	37,064	36,486	(578)
Highway Truck 2009	18,403	18,403	18,403	-
Fire Pumper Truck	<u>23,760</u>	<u>23,760</u>	<u>23,320</u>	<u>(440)</u>
Subtotal	<u>79,227</u>	<u>79,227</u>	<u>78,209</u>	<u>(1,018)</u>
Payroll and Benefits:				
Road Labor	105,700	105,700	96,537	(9,163)
Machinery Repairs Labor	15,000	15,000	14,028	(972)
Vacation Pay	3,000	3,000	2,125	(875)
Sick/Personal Leave	2,000	2,000	1,147	(853)
Holiday Pay	2,900	2,900	2,621	(279)
Social Security	9,000	9,000	8,783	(217)
Retirement	6,000	6,000	6,003	3
Health Insurance	37,000	37,000	44,250	7,250
Uniforms	<u>2,376</u>	<u>2,376</u>	<u>3,805</u>	<u>1,429</u>
Subtotal	<u>182,976</u>	<u>182,976</u>	<u>179,299</u>	<u>(3,677)</u>
Road Maintenance:				
Contracted Services	5,000	5,000	3,537	(1,463)
Equipment Rental	8,000	8,000	2,510	(5,490)

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
Statement of Revenues, Expenditures and  
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For The Year Ended December 31, 2015

Schedule 1

	Original Budget	Final Budget	Actual	Variance
Miscellaneous	\$ -	\$ -	\$ 72	\$ 72
Subtotal	<u>13,000</u>	<u>13,000</u>	<u>6,119</u>	<u>(6,881)</u>
Materials:				
Salt	10,000	10,000	6,003	(3,997)
Gravel	21,500	21,500	25,642	4,142
Sand	18,000	18,000	14,616	(3,384)
Calcium Chloride	13,925	13,925	-	(13,925)
Cold Patch	325	325	325	-
Culverts	-	-	1,851	1,851
Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>14,491</u>	<u>(509)</u>
Subtotal	<u>78,750</u>	<u>78,750</u>	<u>62,928</u>	<u>(15,822)</u>
Machinery Repair:				
Vehicle Maintenance	<u>40,000</u>	<u>40,000</u>	<u>41,248</u>	<u>1,248</u>
Subtotal	<u>40,000</u>	<u>40,000</u>	<u>41,248</u>	<u>1,248</u>
Projects and Events:				
Contracted Services	2,500	2,500	-	(2,500)
Equipment Rental	2,500	2,500	-	(2,500)
Materials	2,500	2,500	-	(2,500)
Disaster	3,000	3,000	1,362	(1,638)
Flood	<u>3,000</u>	<u>3,000</u>	<u>8,700</u>	<u>5,700</u>
Subtotal	<u>13,500</u>	<u>13,500</u>	<u>10,062</u>	<u>(3,438)</u>
Machinery Fuel:				
Diesel Fuel	50,000	50,000	28,766	(21,234)
Gasoline	<u>-</u>	<u>-</u>	<u>23</u>	<u>23</u>
Subtotal	<u>50,000</u>	<u>50,000</u>	<u>28,789</u>	<u>(21,211)</u>
Payroll and Benefits:				
Payroll	10,400	10,400	5,280	(5,120)
Social Security	800	800	171	(629)
Retirement	632	632	-	(632)
Health Insurance	3,999	3,999	2,739	(1,260)
Uniforms	<u>133</u>	<u>133</u>	<u>88</u>	<u>(45)</u>
Subtotal	<u>15,964</u>	<u>15,964</u>	<u>8,278</u>	<u>(7,686)</u>
Public Works Building:				
Office Supplies/Equipment	500	500	585	85
Telephone	1,500	1,500	1,987	487
Electricity	2,000	2,000	1,906	(94)
Propane	5,000	5,000	5,627	627
Water	340	340	340	-
Contracted Services	-	-	170	170
Building Maintenance	2,500	2,500	3,143	643
Tools	-	-	49	49
Miscellaneous	<u>2,160</u>	<u>2,160</u>	<u>4,367</u>	<u>2,207</u>
Subtotal	<u>14,000</u>	<u>14,000</u>	<u>18,174</u>	<u>4,174</u>

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  
For The Year Ended December 31, 2015

Schedule 1

	Original Budget	Final Budget	Actual	Variance
Office Building Expense:				
Janitor Wages	\$ 1,600	\$ 1,600	\$ 490	\$ (1,110)
Social Security	125	125	38	(87)
Electricity	-	-	2,000	2,000
Heating Oil	3,000	3,000	1,576	(1,424)
Water	400	400	340	(60)
Contracted Services	1,500	1,500	2,791	1,291
Building Maintenance	3,000	3,000	436	(2,564)
Grounds Maintenance	275	275	387	112
Miscellaneous	-	-	18	18
Subtotal	<u>9,900</u>	<u>9,900</u>	<u>8,076</u>	<u>(1,824)</u>
Town Hall:				
Janitor Wages	500	500	270	(230)
Social Security	40	40	21	(19)
Telephone	400	400	486	86
Electricity	3,100	3,100	804	(2,296)
Heat	5,000	5,000	2,942	(2,058)
Water	500	500	380	(120)
Contracted Services	60	60	197	137
Building Maintenance	2,300	2,300	1,955	(345)
Miscellaneous	<u>200</u>	<u>200</u>	<u>520</u>	<u>320</u>
Subtotal	<u>12,100</u>	<u>12,100</u>	<u>7,575</u>	<u>(4,525)</u>
Public Safety Building:				
Janitor Wages	760	760	-	(760)
Social Security	60	60	-	(60)
Electricity	3,000	3,000	2,530	(470)
Heat	8,000	8,000	5,720	(2,280)
Water	350	350	340	(10)
Contracted Services	-	-	410	410
Building Maintenance	1,630	1,630	1,650	20
Miscellaneous	<u>200</u>	<u>200</u>	<u>147</u>	<u>(53)</u>
Subtotal	<u>14,000</u>	<u>14,000</u>	<u>10,797</u>	<u>(3,203)</u>
Public Works Miscellaneous:				
Electricity	12,000	12,000	12,257	257
Mowing	4,500	4,500	4,755	255
Miscellaneous	-	-	150	150
Subtotal	<u>16,500</u>	<u>16,500</u>	<u>17,162</u>	<u>662</u>
Assessments:				
NW Solid Waste Management	1,196	1,196	1,196	-
VT League of Cities and Towns	2,260	2,260	2,260	-
NW Regional Planning Commission	1,185	1,185	1,185	-
County Tax	13,829	13,829	13,688	(141)
Montgomery School District	-	-	1,942,120	1,942,120
Hazens Notch Association	1,000	1,000	1,000	-

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  
For The Year Ended December 31, 2015

Schedule 1

	Original Budget	Final Budget	Actual	Variance
Champlain Valley Agency on Aging	\$ 1,800	\$ 1,800	\$ 1,800	\$ -
Hectorville Bridge	375	375	375	-
Franklin County Industrial	500	500	500	-
Franklin County Home Health	2,402	2,402	2,402	-
Green Up VT	100	100	100	-
Missisquoi River Basin	500	500	500	-
Green Mountain Transit	568	568	568	-
Subtotal	<u>25,715</u>	<u>25,715</u>	<u>1,967,694</u>	<u>1,941,979</u>
 TOTAL EXPENDITURES	 <u>816,152</u>	 <u>816,152</u>	 <u>2,611,622</u>	 <u>(1,795,470)</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 105,662	 105,662	 318,947	 213,285
 OTHER FINANCING SOURCES (USES):				
Transfer From Water Department	7,000	7,000	7,000	-
Transfer to Water Department	(13,737)	(13,737)	(13,737)	-
Transfer to Special Revenue Funds	<u>(148,768)</u>	<u>(148,768)</u>	<u>(148,768)</u>	<u>-</u>
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 (49,843)	 (49,843)	 163,442	 (213,285)
 FUND BALANCES, JANUARY 1, 2015	 <u>49,843</u>	 <u>49,843</u>	 <u>49,843</u>	 <u>-</u>
 FUND BALANCES, DECEMBER 31, 2015	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 213,285</u>	 <u>\$ 213,285</u>

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
Balance Sheet Components  
Special Revenue Fund  
December 31, 2015

Schedule 2  
(page 1 of 2)

	Fire Department Reserve	Rescue Reserve	Recreation	Library	Cemetery	Bridge Reserve	Capital Improvement Reserve	Machinery Replacement	Subtotals
<b>ASSETS:</b>									
<b>Current Assets:</b>									
Cash				\$ 174	\$ 86,940				\$ 87,114
Due From Other Funds	\$ 16,683	\$ 46,324	\$ 5,913	13,766	-	\$ 19,210	\$ 14,011	\$ 52,912	168,819
Total Current Assets	<u>16,683</u>	<u>46,324</u>	<u>5,913</u>	<u>13,940</u>	<u>86,940</u>	<u>19,210</u>	<u>14,011</u>	<u>52,912</u>	<u>255,933</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 16,683</u></b>	<b><u>\$ 46,324</u></b>	<b><u>\$ 5,913</u></b>	<b><u>\$ 13,940</u></b>	<b><u>\$ 86,940</u></b>	<b><u>\$ 19,210</u></b>	<b><u>\$ 14,011</u></b>	<b><u>\$ 52,912</u></b>	<b><u>\$ 255,933</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>									
Restricted	16,683	46,324	5,913	13,940	86,940	19,210			189,010
Committed							14,011	52,912	66,923
Unassigned	-	-	-	-	-	-	-	-	-
Total Fund Balances	<u>16,683</u>	<u>46,324</u>	<u>5,913</u>	<u>13,940</u>	<u>86,940</u>	<u>19,210</u>	<u>14,011</u>	<u>52,912</u>	<u>255,933</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b><u>\$ 16,683</u></b>	<b><u>\$ 46,324</u></b>	<b><u>\$ 5,913</u></b>	<b><u>\$ 13,940</u></b>	<b><u>\$ 86,940</u></b>	<b><u>\$ 19,210</u></b>	<b><u>\$ 14,011</u></b>	<b><u>\$ 52,912</u></b>	<b><u>\$ 255,933</u></b>

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
Balance Sheet Components  
Special Revenue Fund  
December 31, 2015

Schedule 2  
(page 2 of 2)

	Reappraisal	Restoration of Records	Police Assistant Grant	Community Garden	Conservation Commission	Hectorville Bridge	Management Support	Subtotals	Totals
<b>ASSETS:</b>									
<b>Current Assets:</b>									
Cash								\$ -	\$ 87,114
Due From Other Funds	\$ 4,410	\$ 25,311	\$ 2,798	\$ 1,079	\$ 4,080	\$ (477)	\$ 6,340	43,541	212,360
Total Current Assets	<u>4,410</u>	<u>25,311</u>	<u>2,798</u>	<u>1,079</u>	<u>4,080</u>	<u>(477)</u>	<u>6,340</u>	<u>43,541</u>	<u>299,474</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,410</u></b>	<b><u>\$ 25,311</u></b>	<b><u>\$ 2,798</u></b>	<b><u>\$ 1,079</u></b>	<b><u>\$ 4,080</u></b>	<b><u>\$ (477)</u></b>	<b><u>\$ 6,340</u></b>	<b><u>\$ 43,541</u></b>	<b><u>\$ 299,474</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>									
Restricted	4,410	25,311	2,798	1,079			6,340	39,938	228,948
Committed					4,080			4,080	71,003
Unassigned	-	-	-	-	-	(477)	-	(477)	(477)
Total Fund Balances	<u>4,410</u>	<u>25,311</u>	<u>2,798</u>	<u>1,079</u>	<u>4,080</u>	<u>(477)</u>	<u>6,340</u>	<u>43,541</u>	<u>299,474</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b><u>\$ 4,410</u></b>	<b><u>\$ 25,311</u></b>	<b><u>\$ 2,798</u></b>	<b><u>\$ 1,079</u></b>	<b><u>\$ 4,080</u></b>	<b><u>\$ (477)</u></b>	<b><u>\$ 6,340</u></b>	<b><u>\$ 43,541</u></b>	<b><u>\$ 299,474</u></b>

The accompanying notes are an integral part of these financial statements

Town of Montgomery, Vermont  
Statement of Revenues, Expenditures  
and Changes in Fund Balance Components  
Special Revenue Fund  
For The Year Ended December 31, 2015

Schedule 3  
(page 1 of 2)

	Fire Department Reserve	Rescue Reserve	Recreation	Library	Teen Center	Cemetery	Bridge Reserve	Capital Improvement Reserve	Subtotals
<b>REVENUES:</b>									
Investment Income						\$ 1,622			\$ 1,622
Fees		\$ 17,135	\$ 12,054	\$ 529					29,718
Sales			12,507	7,824		525			20,856
Rent									-
Donations	\$ 7,721		8,093	5,516		935			22,265
Sale of Fixed Assets	2,500								2,500
Miscellaneous			300	4					304
Private/Local	6,000			1,590					7,590
State	-	-	15,000	-	-	-	-	-	15,000
<b>TOTAL REVENUES</b>	<b>16,221</b>	<b>17,135</b>	<b>47,954</b>	<b>15,463</b>	<b>\$ -</b>	<b>3,082</b>	<b>\$ -</b>	<b>\$ -</b>	<b>99,855</b>
<b>EXPENDITURES:</b>									
General Government								20,636	20,636
Public Safety	35,202	33,556							68,758
Public Works							2,985		2,985
Recreation			76,975		6,969				83,944
Other Services	-	-	-	32,903	-	5,347	-	-	38,250
<b>TOTAL EXPENDITURES</b>	<b>35,202</b>	<b>33,556</b>	<b>76,975</b>	<b>32,903</b>	<b>6,969</b>	<b>5,347</b>	<b>2,985</b>	<b>20,636</b>	<b>214,573</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(18,981)</b>	<b>(16,421)</b>	<b>(29,021)</b>	<b>(17,440)</b>	<b>(6,969)</b>	<b>(2,265)</b>	<b>(2,985)</b>	<b>(20,636)</b>	<b>(114,718)</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Transfers In	28,000	26,500	18,000	18,917	-	-	10,000	15,000	116,417
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>9,019</b>	<b>10,079</b>	<b>(11,021)</b>	<b>1,477</b>	<b>(6,969)</b>	<b>(2,265)</b>	<b>7,015</b>	<b>(5,636)</b>	<b>1,699</b>
<b>FUND BALANCES, JANUARY 1, 2015</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>
<b>FUND BALANCES, DECEMBER 31, 2015</b>	<b>\$ 16,683</b>	<b>\$ 46,324</b>	<b>\$ 5,913</b>	<b>\$ 13,940</b>	<b>\$ -</b>	<b>\$ 86,940</b>	<b>\$ 19,210</b>	<b>\$ 14,011</b>	<b>\$ 203,021</b>

The accompanying notes are an integral part of these financial statements  
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Town of Montgomery, Vermont  
Statement of Revenues, Expenditures  
and Changes in Fund Balance Components  
Special Revenue Fund  
For The Year Ended December 31, 2015

Schedule 3  
(page 2 of 2)

	Machinery Replacement	Reappraisal	Restoration of Records	Police Assistant Grant	Community Garden	Conservation Commission	Hectorville Bridge	Management Support	Subtotals	Totals
REVENUES:										
Investment Income									\$ -	\$ 1,622
Fees			\$ 3,066						3,066	32,784
Sales									-	20,856
Rent					\$ 325				325	325
Donations					30	\$ 2,255	\$ 1,508		3,793	26,058
Sale of Fixed Assets									-	2,500
Miscellaneous						36			36	340
Private/Local					1,000				1,000	8,590
State	-	\$ 9,225	-	-	-	-	-	-	9,225	24,225
<b>TOTAL REVENUES</b>	<b>\$ -</b>	<b>9,225</b>	<b>3,066</b>	<b>\$ -</b>	<b>1,355</b>	<b>2,291</b>	<b>1,508</b>	<b>\$ -</b>	<b>17,445</b>	<b>117,300</b>
EXPENDITURES:										
General Government			1,000			1,013			2,013	22,649
Public Safety				1,773					1,773	70,531
Public Works							14,092		14,092	17,077
Recreation									-	83,944
Other Services	-	-	-	-	731	-	-	-	731	38,981
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>1,773</b>	<b>731</b>	<b>1,013</b>	<b>14,092</b>	<b>-</b>	<b>18,609</b>	<b>233,182</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	9,225	2,066	(1,773)	624	1,278	(12,584)	-	(1,164)	(115,882)
OTHER FINANCING SOURCES (USES):										
Transfers In	10,000	4,000	-	-	-	750	11,261	6,340	32,351	148,768
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	10,000	13,225	2,066	(1,773)	624	2,028	(1,323)	6,340	31,187	32,886
FUND BALANCES, JANUARY 1, 2015	42,912	(8,815)	23,245	4,571	455	2,052	846	-	65,266	266,588
<b>FUND BALANCES, DECEMBER 31, 2015</b>	<b>\$ 52,912</b>	<b>\$ 4,410</b>	<b>\$ 25,311</b>	<b>\$ 2,798</b>	<b>\$ 1,079</b>	<b>\$ 4,080</b>	<b>\$ (477)</b>	<b>\$ 6,340</b>	<b>\$ 96,453</b>	<b>\$ 299,474</b>

The accompanying notes are an integral part of these financial statements



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October 14, 2016

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, 2015. 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 October 4, 2016. 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, 2015. 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 9 and 10 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