

TOWN OF MONKTON, VERMONT
FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT
DECEMBER 31, 2014

TOWN OF MONKTON, VERMONT

DECEMBER 31, 2014

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Select Board
Town of Monkton, Vermont

We have reviewed the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Monkton, Vermont, as of and for the year ended December 31, 2014, which collectively comprise the Town's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of the Town of Monkton, Vermont. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of the Town of Monkton, Vermont is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting described in Note 1.

Our review was conducted for the purpose of providing limited assurance on the financial statements that collectively comprise the Town of Monkton, Vermont's basic financial statements. The schedule of budgetary comparison information and the schedules of non-major governmental funds on pages 17 to 21 and pages 22 to 23, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of budgetary comparison information and the schedules of non-major governmental funds 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 review procedures applied in the review of the basic financial statements. Based on our review, we are not aware of any material modifications that should be made to the schedule of budgetary comparison information and the schedules of non-major government funds in order for them to be in conformity with the modified cash basis of accounting described in Note 1.

Pace & Hawley, LLC

Montpelier, VT
September 14, 2015

TOWN OF MONKTON, VERMONT
Statement of Net Position - Modified Cash Basis
December 31, 2014

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash	\$ 3,071,635
Due from fiduciary activities	<u>2,025</u>
Total current assets	3,073,660
Noncurrent assets:	
Capital Assets	1,794,275
(Accumulated depreciation)	<u>(788,522)</u>
Total noncurrent assets	<u>1,005,753</u>
Total assets	<u>4,079,413</u>
Liabilities	
Current liabilities:	
Property taxes due to school district	2,718,276
Property taxes due to taxpayers	17,088
Notes and bonds payable, current portion	<u>61,420</u>
Total current liabilities	<u>2,796,784</u>
Noncurrent liabilities:	
Notes and bonds payable, less current portion	<u>97,842</u>
Total noncurrent liabilities	<u>97,842</u>
Total liabilities	<u>2,894,626</u>
Net position	
Net investment in capital assets	846,491
Restricted	122,489
Unrestricted	<u>215,807</u>
Total net position	\$ <u>1,184,787</u>

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
General government	\$ 310,237	\$ 39,854	\$ 113,762	\$ (156,621)
Highways	881,155	715	251,578	(628,862)
Recreation	9,688	7,460	-	(2,228)
Library	23,784	-	200	(23,584)
Appropriations	75,274	-	-	(75,274)
Interest on long-term debt	5,369	-	-	(5,369)
Total governmental activities	\$ <u>1,305,507</u>	\$ <u>48,029</u>	\$ <u>365,540</u>	<u>(891,938)</u>
 General revenues				
				973,380
				22,985
				107
				<u>19,257</u>
				<u>1,015,729</u>
				123,791
				<u>1,060,996</u>
				\$ <u>1,184,787</u>

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Balance Sheet - Modified Cash Basis - Governmental Funds
December 31, 2014

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 3,043,756	\$ -	\$ 27,879	\$ 3,071,635
Due from other funds	<u>-</u>	<u>13,318</u>	<u>378,179</u>	<u>391,497</u>
Total assets	<u>\$ 3,043,756</u>	<u>\$ 13,318</u>	<u>\$ 406,058</u>	<u>\$ 3,463,132</u>
Liabilities and fund balances				
Liabilities:				
Property taxes due to school district	\$ 2,718,276	\$ -	\$ -	\$ 2,718,276
Property taxes due to taxpayers	17,088	-	-	17,088
Due to other funds	<u>389,472</u>	<u>-</u>	<u>-</u>	<u>389,472</u>
Total liabilities	<u>3,124,836</u>	<u>-</u>	<u>-</u>	<u>3,124,836</u>
Fund balances:				
Restricted	-	13,318	109,171	122,489
Committed	15,551	-	296,887	312,438
Unassigned	<u>(96,631)</u>	<u>-</u>	<u>-</u>	<u>(96,631)</u>
Total fund balances	<u>(81,080)</u>	<u>13,318</u>	<u>406,058</u>	<u>338,296</u>
Total liabilities and fund balances	<u>\$ 3,043,756</u>	<u>\$ 13,318</u>	<u>\$ 406,058</u>	<u>\$ 3,463,132</u>

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Reconciliation of the Balance Sheet - Modified Cash Basis - Governmental Funds
to the Statement of Net Position - Modified Cash Basis
December 31, 2014

Total fund balances - governmental funds \$ 338,296

Amounts reported for governmental activities in the government-wide statement of net position are different because:

Capital assets used in governmental funds are not current financial resources and therefore are not reported in the government funds balance sheet

Capital assets	1,794,275
Accumulated depreciation	(788,522)

Long-term liabilities, including notes and bonds payable, are not due and payable in the current year and therefore are not reported in the governmental funds balance sheet

(159,262)

Net position - governmental activities \$ 1,184,787

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis - Governmental Funds
For the Year Ended December 31, 2014

	General Fund	Highway Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 289,988	\$ 594,957	\$ 88,435	\$ 973,380
Penalties and interest on delinquent taxes	22,985	-	-	22,985
Intergovernmental	105,414	251,578	8,548	365,540
Licenses, permits and fines	980	715	-	1,695
Charges for services	38,874	-	7,460	46,334
Investment income	53	-	54	107
Miscellaneous	9,347	6,827	3,083	19,257
Total revenues	<u>467,641</u>	<u>854,077</u>	<u>107,580</u>	<u>1,429,298</u>
Expenditures				
General government	295,632	-	8,605	304,237
Highways, streets and bridges	-	821,105	-	821,105
Library	-	-	23,247	23,247
Recreation	-	-	9,688	9,688
Appropriations	75,274	-	-	75,274
Capital outlay	-	58,844	30,000	88,844
Debt service - principal	20,000	32,006	-	52,006
Debt service - interest	3,496	1,873	-	5,369
Total expenditures	<u>394,402</u>	<u>913,828</u>	<u>71,540</u>	<u>1,379,770</u>
Excess of revenues or (expenditures)	<u>73,239</u>	<u>(59,751)</u>	<u>36,040</u>	<u>49,528</u>
Other financing sources (uses)				
Proceeds from note payable	-	58,844	-	58,844
Total other financing sources (uses)	<u>-</u>	<u>58,844</u>	<u>-</u>	<u>58,844</u>
Net change in fund balances	73,239	(907)	36,040	108,372
Fund balances, beginning of year	<u>(154,319)</u>	<u>14,225</u>	<u>370,018</u>	<u>229,924</u>
Fund balances, end of year	\$ <u><u>(81,080)</u></u>	\$ <u><u>13,318</u></u>	\$ <u><u>406,058</u></u>	\$ <u><u>338,296</u></u>

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances - Modified Cash Basis Governmental Funds
to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2014

Net change in fund balances - governmental funds \$ 108,372

Amounts reported for governmental activities in the government-wide statement of activities are different because:

Governmental funds report capital outlays as expenditures however, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.

Capital outlay	88,844
Current year depreciation	(66,587)

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

Proceeds from note payable	(58,844)
Repayment of bond and note principal	<u>52,006</u>

Change in net position - governmental activities \$ 123,791

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Statement of Fiduciary Net Position
Modified Cash Basis - Fiduciary Funds
December 31, 2014

	<u>Tax Sale Fund</u>	<u>Agency Fund</u>
Assets		
Cash	\$	<u>5,270</u>
Liabilities		
Due to other funds		2,025
Due to third party		<u>3,245</u>
Total liabilities		<u>5,270</u>
Net position	\$	<u><u>-</u></u>

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2014

1. Summary of significant accounting policies

The Town of Monkton, Vermont (herein the "Town") operates under a Select Board form of government and provides the following services: highways and streets, health and social services, community/economic development, recreation, public improvements, planning and zoning and administrative services.

As discussed further in Note 1.C., these financial statements are presented on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

- A. Financial reporting entity - The Town is a primary unit of government under reporting criteria established by the GASB. Those criteria include separate legal standing, separate elected governing body, and fiscal independence from other governmental entities. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units and evaluated them against the criteria established by the GASB. Based on these criteria, there are no other entities that are considered to be component units of the Town that should be included in these financial statements.
- B. Basis of presentation - Fund accounting: The accounts of the Town are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Government-wide statements: The Statement of Net Position and the Statement of Activities present financial information about the Town's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. The effect of interfund activity has been removed from these statements.

Fund financial statements: Fund financial statements are presented according to each fund category; governmental and fiduciary. Separate financial statements are provided for each of these categories. Major governmental funds are reported as separate columns in the fund financial statements. Non-major governmental funds are reported aggregate as a single column in the fund financial statements.

The Town reports the following major governmental funds:

General Fund - The General Fund is used to account for the primary activity of the Town. Revenues and other sources of revenue used to finance the fundamental operations of the Town are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Highway Fund - The Highway Fund is used to account for activities related to the highway department.

The Town also reports fiduciary activities for the Tax Sale Agency Fund.

- C. Measurement focus and basis of accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Measurement focus refers to what items are reported on the financial statements. Basis of accounting refers to when cash receipts and cash disbursements are recognized in the accounts and reported in the financial statements.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2014

1. Summary of significant accounting policies (continued)

Measurement focus: The government-wide financial statements and fiduciary fund financial statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of changes in net position and net financial position. All assets, deferred outflows, liabilities, deferred inflows associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources for a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

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

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, amounts due to the State of Vermont, local school district, payroll withholdings, property taxes paid in advance and amounts outstanding on its lines of credit, interfund receivables and payables.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues and certain liabilities and their related expense or expenditures are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Town utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

D. Governmental fund equity - In the fund financial statements, governmental fund balance is presented in five possible categories:

Nonspendable – Resources which cannot be spent because they are either a) not in spendable form; or b) legally or contractually required to be maintained intact.

Restricted – Resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – Resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner. For the purposes of defining the committed fund balance category, the Town considers the taxpayers, through voted Town Articles, its highest level of decision making authority.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2014

1. Summary of significant accounting policies (continued)

Assigned – Resources neither restricted nor committed for which a government has a stated intended use as established by the Select Board or a body or official to which the Select Board has delegated the authority to assign amounts for specific purposes.

Unassigned – Resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include any negative residual balance resulting from expenditures exceeded amounts restricted, committed or assigned for a specific purpose.

For the classification of governmental fund balances, the Town does not have a formal policy regarding which classification should be reduced first when more than one classification is available. However, the Town has generally considered an expenditure to be made from the most restrictive first when more than one classification is available.

- E. Budgetary accounting - The Town uses the following procedure in establishing the General Fund budget presented in the financial statements:

Budgets are approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget amendments during the year.

- F. Estimates - The preparation of the financial statements require 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, expenditures, or expenses, during the reported period. Actual results could differ from those estimates.

- G. Cash and cash equivalents - Cash and cash equivalents consists of cash and short-term investments with an original maturity of three months or less.

- H. Capital assets - Capital assets, which include land, buildings, furniture and equipment, are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are reported in the government-wide financial statements and depreciated in order for their costs to be charged as expenses over their estimated useful lives. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. 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 of the Town are depreciated using the straight line method over the following useful lives:

Infrastructure	50 years
Buildings and improvements	50 years
Equipment	15 years.

- I. Interfund balances and transfers - Interfund receivables and payables represent transactions incurred within the fund for other funds. These transactions are in the form of receipts of revenues, payments of expenses, and operating transfers to and from other funds. These accounts are expected to be eliminated in the normal course of operations.

- J. Education property taxes - The Town serves as an agent for the State of Vermont. As required by State statute, the Town bills, collects and remits education property taxes. Amounts received for such purposes are considered an agency function and are not recorded as Town revenues.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2014

2. Cash and cash equivalents

As of December 31, 2014, the Town reported cash of \$3,076,905 including \$5,270 held as an escrow agent and reported in fiduciary activities.

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposits might not be recovered. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2014, the Town’s bank balance was \$3,073,660. Of this amount, \$277,880 was insured by the FDIC. The remaining amount of \$2,795,780 was uninsured and collateralized with securities held by the pledging bank’s trust department but not in the Town’s name.

3. Reserve funds

Through various taxpayer approved Articles, voters have established Reserve Funds in order to set aside money for specific purposes. The Town has pooled this money into its general operating account for the purposes of coordinating cash flow needs. The Town has not established a formal borrowing agreement or terms for repayment.

4. Capital assets

Changes in capital assets consisted of the following:

	Balance January 1, <u>2014</u>	Increase	Decrease	Balance December 31, <u>2014</u>
Governmental activities -				
Capital assets, not depreciated:				
Land	\$ 185,000	\$ -	\$ -	\$ 185,000
Construction in process	<u>7,612</u>	<u>-</u>	<u>-</u>	<u>7,612</u>
	<u>192,612</u>	<u>-</u>	<u>-</u>	<u>192,612</u>
Capital assets, depreciated:				
Infrastructure	121,817	-	-	121,817
Buildings & improvements	550,477	-	-	550,477
Equipment, machinery and vehicles	<u>880,525</u>	<u>88,844</u>	<u>40,000</u>	<u>929,369</u>
	<u>1,552,819</u>	<u>88,844</u>	<u>40,000</u>	<u>1,601,663</u>
Less accumulated depreciation for:				
Infrastructure	4,873	2,436	-	7,309
Buildings & improvements	257,193	10,087	-	267,280
Equipment, machinery and vehicles	<u>499,869</u>	<u>54,064</u>	<u>40,000</u>	<u>513,933</u>
	<u>761,935</u>	<u>66,587</u>	<u>40,000</u>	<u>788,522</u>
Total capital assets depreciated, net	<u>790,884</u>	<u>22,257</u>	<u>-</u>	<u>813,141</u>
Capital assets, net, governmental activities	\$ <u>983,496</u>	\$ <u>22,257</u>	\$ <u>-</u>	\$ <u>1,005,753</u>

Depreciation expense in the governmental activities totaling \$66,587 was allocated to the following functions: general government \$6,000, highway \$60,050 and library \$537.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2014

5. Interfund balances

Interfund receivable and payables balances at December 31, 2014 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental activities:		
General Fund	\$ -	\$ 389,472
Highway Fund	13,318	-
Other Governmental Funds	<u>378,179</u>	<u>-</u>
	<u>391,497</u>	<u>389,472</u>
Fiduciary activities:		
Agency Fund	<u>-</u>	<u>2,025</u>
	\$ <u>391,497</u>	\$ <u>391,497</u>

The interfund payables and receivables are due to pooling cash in common bank accounts. These balances are not expected to be repaid within one year.

6. Property taxes

Property taxes become an enforceable lien upon Town of Monkton property holders as of April 1st of each year. Property taxes were payable in one installment due November 17th, 2014. Taxes not paid by November 17th, were listed as delinquent taxes and were assessed related penalties and interest. For the year ending December 31, 2014, the assessed property tax rates were as follows:

	<u>Nonresidential</u>	<u>Residential</u>
Education	1.7895	1.9031
Municipal	<u>0.4991</u>	<u>0.4991</u>
Total tax rate per \$100 of assessed valuation	<u>2.2886</u>	<u>2.4022</u>

The Town serves as agent for the State of Vermont for the purpose of collecting and distributing education property taxes for those taxpayers residing in the Town of Monkton. As instructed by the State of Vermont, the Town collected \$2,718,276 of education property taxes during the year ending December 31, 2014 for the state's 14/15 fiscal year. This amount was recorded as a liability as of December 31, 2014 and subsequently paid to the school district.

7. Short-term debt

Short-term – Because the Town bills and collects its property tax revenues towards the very end (mid-November) of each fiscal year (same as calendar year), cash flow management can be challenging. For the first ten and half months of each year, the Town pays employees and vendors from monies collected from the prior year. On August 29, 2014, the Town secured a tax anticipation note for \$395,000 from the National Bank of Middlebury. Total interest associated with this notice is \$1,126 and is included with the General Fund expenditures for the year ending December 31, 2014.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2014

8. Long-term liabilities

The Town issues general obligation bonds 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 20-year serial bonds with equal amounts of principal maturing each year. The town's debt obligations for less costly projects (e.g. road equipment) are notes payable from local institutions.

The following is a summary of general obligation bonds & notes at December 31, 2014:

Vermont Municipal Bond Bank, Fire Station bond payable, interest at variable rate (net interest cost 2.965%) paid semi-annually, principal of \$20,000 due December 1st of each year until 2015, then \$15,000 due on December 1 st of 2016. Originally borrowed \$275,000 on July 2, 2002, bond refinanced July 2011.	\$ 35,000
Merchants Bank, 2013 Mack dump truck note payable, interest at 1.69% payable June 14, 2013. This will be renewed annually for 5 years , with a principal reduction payment annually of \$21,806, until June 13, 2017. Truck purchased June 28, 2012 for \$189,030 Total borrowed was \$109,030.	65,418
Merchants Bank, 2013 John Deere 524K bucket loader note payable interest at 1.80% payable June 9, 2015. This will be renewed annually for 3 years , with a principal reduction payment annually of \$19,615, until June 9, 2017. Loader purchased April 25, 2014 for \$88,844. Total borrowed was \$58,844	<u>58,844</u>
	<u>\$ 159,262</u>

Changes in long-term liabilities for the year ended December 31, 2014 were as follows:

	Balance January 1, <u>2014</u>	Additions	Retirements	Balance December 31, <u>2014</u>	Due Within One Year
Governmental activities:					
Note payable, '13 John Deere loader	\$ -	\$ 58,844	\$ -	\$ 58,844	\$ 19,615
Note payable, '13 Mack dump truck	87,224	-	21,806	65,418	21,805
Note payable, John Deere grader	10,200	-	10,200	-	-
Bond payable, Fire Station	<u>55,000</u>	<u>-</u>	<u>20,000</u>	<u>35,000</u>	<u>20,000</u>
	<u>\$ 152,424</u>	<u>\$ 58,844</u>	<u>\$ 52,006</u>	<u>\$ 159,262</u>	<u>\$ 61,420</u>

Annual maturities of long-term debt at December 31, 2014 were as follows

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending December 31,		
2015	\$ 61,420	\$ 5,898
2016	56,421	3,708
2017	<u>41,421</u>	<u>2,642</u>
	<u>\$ 159,262</u>	<u>\$ 12,248</u>

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2014

9. Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, and injuries to employees. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town.

10. Retirement plan

Vermont Municipal Employees Retirement System - The Town contributes to the Vermont Municipal Retirement System (VMERS) a cost-sharing multiple-employer public employee retirement system with defined benefit and defined contributions plans, administered by the State of Vermont. VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The State statutory provisions, found in Title 24, V.S.A., Chapter 125, govern eligibility for benefits, service requirements and benefit provisions. The general administration and responsibility for the operation of VMERS is vested in the Board of Trustees. VMERS issues annual financial information which is available at the VMERS' office, 133 State Street, Montpelier, Vermont 05602.

Employees meeting certain eligibility requirements are covered under the VMERS defined benefit plan. Town employees participating in this plan (Group B) are required to contribute 4.625% (4.750% after 7/1/2014) of gross wages and the Town contributes 5.125% (5.375% after 7/1/2014) of the employees' gross wages to the plan. Total payroll for the year ending December 31, 2014 was \$324,916, while covered payroll was \$181,171. The Town's contributions to VMERS for the years ended December 31, 2014, 2013 and 2012 were \$9,908, \$10,216 and \$10,367, respectively.

11. Addison County Solid Waste Management District

The Town is a participating member in the Addison County Solid Waste Management District (the District); which is a union municipal district that exists to cooperatively and comprehensively address the solid waste management interest of its 19 member towns. The District is governed by a Board of Supervisors composed of one representative from each of the participating municipalities. The District has primary liability for its future obligations, including operating costs and debt service. Municipalities have contingent liability through membership in the District.

12. Contingencies

The Town receives significant financial assistance from the State of Vermont through grants and other forms of state aid. Entitlement to these resources is generally based on compliance with terms and conditions of grant agreements and applicable state regulations, including the expenditure of the resources for eligible purposes. These funds are subject to audit by the granting authority in order to ensure compliance. Any disallowance as a result of these audits becomes a liability of the Town. Management believes that there are no significant contingent liabilities relating to compliance with grant agreements and applicable state regulations.

13. Excess of expenditures over budget

For the year ended December 31, 2014, Highway Fund expenditures exceeded appropriations by \$169,371. This was primarily due to unbudgeted expenditures for capital outlays and highway repairs. These expenditures were substantially offset by grant revenues and note proceeds.

TOWN OF MONKTON, VERMONT
Notes to Financial Statements
December 31, 2014

14. Governmental fund equity

As of December 31, 2014 governmental fund balances consisted of the following:

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances:				
Restricted for:				
Highway	\$ -	\$ 13,318	\$ -	\$ 13,318
Reappraisal	-	-	108,511	108,511
PVR Education	-	-	660	660
	<u>-</u>	<u>13,318</u>	<u>109,171</u>	<u>122,489</u>
Committed for:				
Stabilization	15,551	-	-	15,551
Community Center	-	-	17,865	17,865
Land conservation	-	-	187,718	187,718
Library	-	-	34,070	34,070
Capital projects	-	-	40,100	40,100
Recreation	-	-	17,134	17,134
	<u>15,551</u>	<u>-</u>	<u>296,887</u>	<u>312,438</u>
Unassigned	<u>(96,631)</u>	<u>-</u>	<u>-</u>	<u>(96,631)</u>
Total fund balances	\$ <u>(81,080)</u>	\$ <u>13,318</u>	\$ <u>406,058</u>	\$ <u>338,296</u>

The \$15,551 reported as stabilization in the General Fund is the remainder of the amount authorized by voters at the March 2000 Town Meeting for the purpose of setting aside \$125,000 of Town money as a reserve fund to be kept in a non-risk interest bearing account.

15. Fund balance deficit

For the year ended December 31, 2014, the General Fund had an unassigned deficit balance of \$96,631. This deficit is anticipated to be eliminated through revenues exceeding expenditures in future years.

16. Subsequent events

On May 2, 2015, the Town entered into a financial contract to purchase a new excavator for \$89,000. Annual principal and interest payments of \$13,894 are due at an interest rate of 3.0% through April 2021

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - General Fund
For the Year Ended December 31, 2014
(Page 1 of 3)

Schedule 1

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Property taxes	\$ 277,897	\$ 277,897	\$ 289,988	\$ 12,091
Penalties and interest on delinquent taxes	12,600	12,600	22,985	10,385
Intergovernmental	89,052	89,052	105,414	16,362
Licenses, permits and fines	2,120	2,120	980	(1,140)
Charges for services	41,700	41,700	38,874	(2,826)
Investment income	30	30	53	23
Miscellaneous	9,300	9,300	9,347	47
Total revenues	<u>432,699</u>	<u>432,699</u>	<u>467,641</u>	<u>34,942</u>
Expenditures				
General government payroll:				
Town Clerk fees	28,000	28,000	20,710	7,290
Town Clerk salary	10,500	10,500	10,500	-
Assistant Town Clerk	11,000	11,000	11,492	(492)
Treasurer	32,500	32,500	32,500	-
Delinquent Tax Collector	3,500	3,500	3,500	-
Webmaster	300	300	300	-
Select Board	7,080	7,080	5,035	2,045
Select Board administrative	1,500	1,500	1,163	337
Auditors	6,650	6,650	7,319	(669)
BCA - Election Officials	2,200	2,200	2,185	15
Custodian	1,000	1,000	913	87
Constable	250	250	250	-
Fire Warden	250	250	250	-
Health Officer	600	600	250	350
Animal Control Officer	1,000	1,000	750	250
FICA	11,400	11,400	9,488	1,912
VMERS retirement contribution	1,368	1,368	-	1,368
Appraisal	15,000	15,000	9,064	5,936
Zoning Administrator	16,000	16,000	14,560	1,440
DRB - board members	2,000	2,000	760	1,240
DRB - clerical	1,800	1,800	363	1,437
DRB - recording secretary	2,000	2,000	1,020	980
Planning Commission - board members	1,680	1,680	810	870
Planning Commission - clerical	200	200	81	119
Total general government payroll	<u>157,778</u>	<u>157,778</u>	<u>133,263</u>	<u>24,515</u>
Town office:				
Copier rental	3,000	3,000	5,227	(2,227)
Office and general supplies	5,000	5,000	3,882	1,118
Postage	2,650	2,650	2,168	482
Equipment and furniture	750	750	-	750
Computer equipment and software	3,000	3,000	5,865	(2,865)
Computer contract service	2,500	2,500	2,399	101
Conferences and training	1,500	1,500	468	1,032
Mileage reimbursement	1,000	1,000	705	295

continued

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - General Fund
For the Year Ended December 31, 2014
(Page 2 of 3)

Schedule 1

	Original Budget	Amended Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<i>continued</i>				
Telephone	2,200	2,200	2,185	15
Heat	3,200	3,200	4,151	(951)
Electricity	1,600	1,600	1,550	50
Total Town office	<u>26,400</u>	<u>26,400</u>	<u>28,600</u>	<u>(2,200)</u>
General expenditures:				
Sheriff department	30,000	30,000	29,006	994
Insurance - workmen's compensation	15,324	15,324	17,643	(2,319)
Insurance - property and liability	16,209	16,209	14,541	1,668
Appraisal	1,000	1,000	1,134	(134)
PVR education	600	600	745	(145)
Printing and advertising	7,000	7,000	5,496	1,504
Property maintenance and upgrade	3,000	3,000	(2,638)	5,638
Consultant fees	5,000	5,000	1,718	3,282
Association dues and fees	2,900	2,900	3,084	(184)
Legal fees	25,000	25,000	31,466	(6,466)
BCA - election	3,600	3,600	3,780	(180)
Property tax appeal settled	1,000	1,000	-	1,000
Recycling	8,000	8,000	5,926	2,074
Animal expense	1,500	1,500	1,191	309
Restoration of records	2,000	2,000	213	1,787
Town Hall Committee	500	500	-	500
Cemetery maintenance	4,000	4,000	4,200	(200)
County taxes	9,200	9,200	9,771	(571)
Tax maps	1,400	1,400	-	1,400
Debt payments - interest	6,000	6,000	3,496	2,504
Debt payments - principal	20,000	20,000	20,000	-
Miscellaneous	100	100	10	90
Total general expenditures	<u>163,333</u>	<u>163,333</u>	<u>150,782</u>	<u>12,551</u>
Development Review Board:				
Supplies and postage	300	300	49	251
Printing	100	100	-	100
Advertising	300	300	572	(272)
Conferences and training	200	200	-	200
Mileage reimbursement	100	100	-	100
Legal fees	5,000	5,000	-	5,000
Miscellaneous	-	-	697	(697)
Total Development Review Board	<u>6,000</u>	<u>6,000</u>	<u>1,318</u>	<u>4,682</u>
Planning Commission:				
Supplies and postage	900	900	-	900
Printing	500	500	-	500
Advertising	500	500	344	156
Mileage reimbursement	600	600	52	548
Consultants	1,650	1,650	1,115	535
Legal fees	500	500	-	500

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See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - General Fund
For the Year Ended December 31, 2014
(Page 3 of 3)

Schedule 1

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<i>continued</i>				
Addison County Regional Planning Commission	2,264	2,264	2,317	(53)
Total Planning Commission	<u>6,914</u>	<u>6,914</u>	<u>3,828</u>	<u>3,086</u>
Conservation Commission: Consultant	<u>-</u>	<u>-</u>	<u>1,337</u>	<u>(1,337)</u>
Energy Committee:				
Supplies and postage	200	200	-	200
Mileage reimbursement	200	200	-	200
Miscellaneous	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
Total Energy Committee	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Appropriations:				
Addison Cty Community Action	1,250	1,250	1,250	-
Addison Cty Counseling Services, Inc.	1,500	1,500	1,500	-
Addison Cty Home Health & Hospice	1,946	1,946	1,946	-
Addison Cty Parent / Child	1,600	1,600	1,600	-
Bristol Recreation Department	1,500	1,500	1,500	-
Bristol Rescue Squad	3,700	3,700	3,700	-
Central Vermont Agency on Aging	1,100	1,100	1,100	-
Elderly Services	800	800	800	-
Hospice Volunteer Service	300	300	300	-
Lewis Creek Association	550	550	550	-
Open Door Clinic	500	500	500	-
Otter Creek Natural Resources CD	198	198	198	-
Retired & Senior Volunteer Program	285	285	285	-
Vergennes Rescue Squad	600	600	600	-
Vermont Adult Learning	700	700	700	-
Women Safe	1,000	1,000	1,000	-
Vermont Center for Independent Living	195	195	195	-
Addison Cty Transit Resources	850	850	850	-
Bristol Family Center	250	250	250	-
Green Up Vermont	150	150	150	-
John W Graham Emergency Shelter	1,000	1,000	1,000	-
Addison Cty Humane Society	250	250	250	-
Addison Cty Court Diversion	550	550	550	-
Addison Cty Readers, Inc.	450	450	450	-
Monkton Volunteer Fire Department, Inc.	33,000	33,000	33,000	-
Russell Memorial Library	20,150	20,150	20,150	-
Monkton Museum Historical Society	<u>900</u>	<u>900</u>	<u>900</u>	<u>-</u>
Total appropriations	<u>75,274</u>	<u>75,274</u>	<u>75,274</u>	<u>-</u>
Total expenditures	<u>436,199</u>	<u>436,199</u>	<u>394,402</u>	<u>41,797</u>
Excess (deficiency) of revenues over expenditures	<u>(3,500)</u>	<u>(3,500)</u>	<u>73,239</u>	<u>76,739</u>
Net change in fund balances	<u>\$ (3,500)</u>	<u>\$ (3,500)</u>	<u>\$ 73,239</u>	<u>\$ 76,739</u>

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - Highway Fund
For the Year Ended December 31, 2014
(Page 1 of 2)

Schedule 2

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Property taxes	\$ 594,957	\$ 594,957	\$ 594,957	\$ -
Intergovernmental	146,730	146,730	251,578	104,848
Licenses, permits and fines	700	700	715	15
Miscellaneous	2,070	2,070	6,827	4,757
Total revenues	<u>744,457</u>	<u>744,457</u>	<u>854,077</u>	<u>109,620</u>
Expenditures				
Highway payroll:				
Regular employees	188,880	188,880	188,170	710
Part-time employees	600	600	-	600
FICA	14,506	14,506	14,395	111
VMERS retirement contribution	9,444	9,444	9,908	(464)
Health insurance	60,557	60,557	61,613	(1,056)
Dental insurance	3,100	3,100	3,286	(186)
Short-term disability insurance	500	500	445	55
Unemployment insurance	1,700	1,700	634	1,066
Total highway payroll	<u>279,287</u>	<u>279,287</u>	<u>278,451</u>	<u>836</u>
Highway garage:				
Equipment, tools and supplies	5,500	5,500	4,506	994
Conferences and training	300	300	60	240
Telephone	1,700	1,700	1,931	(231)
Heat	5,500	5,500	5,648	(148)
Electricity	1,800	1,800	1,621	179
Trash removal	1,700	1,700	1,660	40
Property maintenance and upgrade	4,000	4,000	2,082	1,918
Total highway garage	<u>20,500</u>	<u>20,500</u>	<u>17,508</u>	<u>2,992</u>
Highway general:				
Insurance - property and liability	13,514	13,514	13,178	336
Grease and oil	2,400	2,400	2,416	(16)
Equipment fuel	50,000	50,000	54,700	(4,700)
Repairs, parts and blades	30,000	30,000	30,295	(295)
Oxygen and acetylene	400	400	102	298
Debt service - interest	3,340	3,340	1,873	1,467
Debt service - principal	43,366	43,366	32,006	11,360
Miscellaneous	600	600	1,039	(439)
Total highway general	<u>143,620</u>	<u>143,620</u>	<u>135,609</u>	<u>8,011</u>

continued

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Schedule of Revenues, Expenditures - Modified Cash Basis
Budget and Actual - Highway Fund
For the Year Ended December 31, 2014
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Schedule 2

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<i>continued</i>				
Highway road maintenance:				
Rental equipment	15,500	15,500	13,922	1,578
Gravel	77,000	77,000	84,301	(7,301)
Salt	32,000	32,000	47,444	(15,444)
Winter sand	22,800	22,800	28,107	(5,307)
Chloride	24,000	24,000	24,396	(396)
Hot mix	101,000	101,000	212,659	(111,659)
Cold patch	-	-	358	(358)
Culverts	6,000	6,000	11,151	(5,151)
Signs, painting	3,300	3,300	2,231	1,069
911 signs	150	150	149	1
Winter solution chloride	3,300	3,300	(1,302)	4,602
Highway upgrade and paving	<u>16,000</u>	<u>16,000</u>	<u>-</u>	<u>16,000</u>
Total highway road maintenance	<u>301,050</u>	<u>301,050</u>	<u>423,416</u>	<u>(122,366)</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>58,844</u>	<u>(58,844)</u>
Total expenditures	<u>744,457</u>	<u>744,457</u>	<u>913,828</u>	<u>(169,371)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(59,751)</u>	<u>(59,751)</u>
Other financing sources (uses)				
Proceeds from note payable	<u>-</u>	<u>-</u>	<u>58,844</u>	<u>58,844</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>58,844</u>	<u>58,844</u>
Net change in fund balances	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(907)</u>	\$ <u>(907)</u>

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Combining Balance Sheet - Modified Cash Basis - Other Governmental Funds
December 31, 2014

Schedule 3

	Capital Equipment Fund	Agricultural and Natural Area Conservation Fund	Reappraisal Fund	Community Center Building Fund	Legal Defense Fund	Library Fund	PVR Education Fund	Recreation Fund	Total
Assets									
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,879	\$ -	\$ -	\$ 27,879
Due from other funds	<u>40,100</u>	<u>187,718</u>	<u>108,511</u>	<u>17,865</u>	<u>-</u>	<u>6,191</u>	<u>660</u>	<u>17,134</u>	<u>378,179</u>
Total assets	<u>\$ 40,100</u>	<u>\$ 187,718</u>	<u>\$ 108,511</u>	<u>\$ 17,865</u>	<u>\$ -</u>	<u>\$ 34,070</u>	<u>\$ 660</u>	<u>\$ 17,134</u>	<u>\$ 406,058</u>
Liabilities and fund balances									
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:									
Restricted	-	-	108,511	-	-	-	660	-	109,171
Committed	<u>40,100</u>	<u>187,718</u>	<u>-</u>	<u>17,865</u>	<u>-</u>	<u>34,070</u>	<u>-</u>	<u>17,134</u>	<u>296,887</u>
Total fund balances	<u>40,100</u>	<u>187,718</u>	<u>108,511</u>	<u>17,865</u>	<u>-</u>	<u>34,070</u>	<u>660</u>	<u>17,134</u>	<u>406,058</u>
Total liabilities and fund balances	<u>\$ 40,100</u>	<u>\$ 187,718</u>	<u>\$ 108,511</u>	<u>\$ 17,865</u>	<u>\$ -</u>	<u>\$ 34,070</u>	<u>\$ 660</u>	<u>\$ 17,134</u>	<u>\$ 406,058</u>

See independent accountant's review report.

TOWN OF MONKTON, VERMONT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis - Other Governmental Funds
For the Year Ended December 31, 2014

Schedule 4

	Capital Equipment Fund	Agricultural and Natural Area Conservation Fund	Reappraisal Fund	Community Center Building Fund	Legal Defense Fund	Library Fund	PVR Education Fund	Recreation Fund	Total
Revenues									
Property taxes	\$ 20,000	\$ 10,000	\$ -	\$ -	\$ 33,785	\$ 20,150	\$ -	\$ 4,500	\$ 88,435
Intergovernmental	-	-	7,956	-	-	200	392	-	8,548
Charges for services	-	-	-	-	-	-	-	7,460	7,460
Investment interest	-	18	-	2	-	32	-	2	54
Miscellaneous	-	-	-	-	-	3,018	-	65	3,083
Total revenues	<u>20,000</u>	<u>10,018</u>	<u>7,956</u>	<u>2</u>	<u>33,785</u>	<u>23,400</u>	<u>392</u>	<u>12,027</u>	<u>107,580</u>
Expenditures									
General government	-	518	1,337	-	6,750	-	-	-	8,605
Library	-	-	-	-	-	23,247	-	-	23,247
Recreation	-	-	-	-	-	-	-	9,688	9,688
Capital outlay	30,000	-	-	-	-	-	-	-	30,000
Total expenditures	<u>30,000</u>	<u>518</u>	<u>1,337</u>	<u>-</u>	<u>6,750</u>	<u>23,247</u>	<u>-</u>	<u>9,688</u>	<u>71,540</u>
Excess (deficiency) of revenues over expenditures	<u>(10,000)</u>	<u>9,500</u>	<u>6,619</u>	<u>2</u>	<u>27,035</u>	<u>153</u>	<u>392</u>	<u>2,339</u>	<u>36,040</u>
Net change in fund balances	(10,000)	9,500	6,619	2	27,035	153	392	2,339	36,040
Fund balances, Beginning of year	<u>50,100</u>	<u>178,218</u>	<u>101,892</u>	<u>17,863</u>	<u>(27,035)</u>	<u>33,917</u>	<u>268</u>	<u>14,795</u>	<u>370,018</u>
Fund balances, End of year	\$ <u>40,100</u>	\$ <u>187,718</u>	\$ <u>108,511</u>	\$ <u>17,865</u>	\$ <u>-</u>	\$ <u>34,070</u>	\$ <u>660</u>	\$ <u>17,134</u>	\$ <u>406,058</u>

See independent accountant's review report.