



781 Blakely Road • Colchester, Vermont • 05446 • 802.264.5500

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March 14, 2019

Chief Steve Bourgeois
Malletts Bay Fire Department/CFD#2
884 Church Road / P.O. Box 4
Colchester, VT 05446

Dear Chief Bourgeois,

This letter is to notify you that the Town of Colchester intends to modify the terms of the interlocal agreement between the Town and CFD#2 that was signed on August 15, 2016 and will expire on June 30, 2019.

We will be in contact soon with more information and a proposal for a contract for next year.

Sincerely,

Aaron Frank, Town Manager

cc: Nadine Scibek, Selectboard Chair



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Hand Delivery

March 21, 2019

Michael Whalen, Prudential Committee Chair
Colchester Fire District #2
P.O. Box 4
844 Church Road
Colchester, VT 05446

RE: Conclusion of Colchester Interlocal Agreement for Fire Safety & Related Services

Dear Mike:

The interlocal agreement between the Fire District and the Town expires on June 30 of this year. Please accept this letter as our notice to you that the contract will retire at that time and not automatically renew. The Town will not automatically renew the agreement for the reasons put forth below. The Selectboard believes the current model for paying for fire protection in town does not work and drastic changes are necessary. We will send you a revised proposed agreement well in advance of the June 30 deadline.

The Selectboard appreciates the need for daytime firefighting coverage in both Districts and recognizes that this will cost approximately \$250,000 per year. However, the Selectboard feels it would not be prudent for the Town to pay for employees who are managed and controlled by another municipality. The Selectboard sees Colchester Rescue as the business model for fire protection in the future: a combination of paid employees and volunteers under the control of a single government. The Town wishes to gain efficiencies through centralization. This will result in better service to the Colchester community at a lower cost than with multiple agencies. Some of our goals are listed below.

Central apparatus planning, purchasing and funding: This will avoid redundancy in fire engines and aerial devices beyond what is necessary for a robust response; not just among the Colchester fire stations but with our neighboring towns, resulting in reduced capital costs, reduced maintenance costs, and enabling all firefighters in Town to know how to use all equipment.

Centralized equipment purchasing and maintenance: For instance, combining equipment purchasing into a single bid will avoid differences in brands of SCBA which improves interchangeability when on scene; there are also two different response software systems for calling in volunteers which must be used by Colchester dispatch which increases the likelihood of failure in an emergency. Centralization and standardization improves response time and coordination.

Central building management for capital and operating expenses: The Town has resources dedicated to facilities management that can absorb station management. This move saves money, relieves chiefs/department heads of this time consuming task, allows the building maintenance and capital repair to be planned, funded and executed in a coordinated fashion over multiple years to minimize impact on tax rates.

Emergency and contingency funds: Both fire departments maintain separate capital fund savings accounts for emergency purchases and repairs. The source of all these funds is the Town of Colchester taxpayers. It does not make sense to have three different accounts for emergency funding and capital savings. This should be centrally planned and maintained to do the most good with the funding available and not duplicate such reserves.

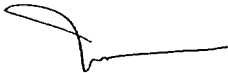
Common command and training: When on the fire scene or in a major emergency there should be a single command structure and common understanding of who is in charge among our firefighters. This would also eliminate command duplication, freeing up more staff in the field on the fire scene. At present for major emergencies, we have two separate but equal fire departments represented in emergency management.

Central decisions on staffing: This is an evolving issue and with our without the SAFER grant, paid firefighters are likely in the future, at least for weekday daytime. In a way similar to duplication in apparatus, there could easily be too much paid staffing on a community wide basis with two separate departments. Centralized staffing would benefit the town as a whole by avoiding overstaffing caused by each department separately staffing up without central management, just in the same way we have more firefighting equipment than much larger communities.

We will provide a one year contract at the FY 19 funding level and will be funding Saint Michaels Fire directly. By June 30, 2020, we will stop funding of separate fire departments. After June 30, 2020, we will be willing to fund a single fire department (merged from the current two or one of the two) operating under the Town of Colchester.

The Selectboard is taking this action in the best interest of our citizens and taxpayers. We look forward to your continued dedication to and collaboration with the Town. With your request for paid fire personnel, now is the time for change. Thank you for everything you do for our Town. We will be in touch with you soon to discuss this further.

Sincerely,



Nadine Scibek, Selectboard Chair

cc: Steve Bourgeois, Chief of MBFD
Aaron Frank, Town Manager



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March 14, 2019

Jay Reidinger
Colchester Fire District #3
Prudential Committee
428 Main Street / P.O. Box 2091
Colchester, VT 05446

Dear Jay,

This letter is to notify you that the Town of Colchester intends to modify the terms of our interlocal agreement between the Town and CFD#3 that was signed on November 4, 2016 and will expire on June 30, 2019.

We will be in contact soon with more information and a proposal for a contract for next year.

Sincerely,

Aaron Frank, Town Manger

cc: Nadine Scibek, Selectboard Chair



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Hand Delivery

March 26, 2019

Jay Riedinger, Prudential Committee Chair
Colchester Fire District #3
PO Box 2091/428 Main St.
Colchester, Vermont 05446

RE: Conclusion of Colchester Interlocal Agreement for Fire Safety & Related Services

Dear Jay:

The interlocal agreement between the Fire District and the Town expires on June 30 of this year. Please accept this letter as our notice to you that the contract will retire at that time and not automatically renew. The Town will not automatically renew the agreement for the reasons put forth below. The Selectboard believes the current model for paying for fire protection in town does not work and drastic changes are necessary. We will send you a revised proposed agreement well in advance of the June 30 deadline.

The Selectboard appreciates the need for daytime firefighting coverage in both Districts and recognizes that this will cost approximately \$250,000 per year. However, the Selectboard feels it would not be prudent for the Town to pay for employees who are managed and controlled by another municipality. The Selectboard sees Colchester Rescue as the business model for fire protection in the future: a combination of paid employees and volunteers under the control of a single government. The Town wishes to gain efficiencies through centralization. This will result in better service to the Colchester community at a lower cost than with multiple agencies. Some of our goals are listed below.

Central apparatus planning, purchasing and funding: This will avoid redundancy in fire engines and aerial devices beyond what is necessary for a robust response; not just among the Colchester fire stations but with our neighboring towns, resulting in reduced capital costs, reduced maintenance costs, and enabling all firefighters in Town to know how to use all equipment.

Centralized equipment purchasing and maintenance: For instance, combining equipment purchasing into a single bid will avoid differences in brands of SCBA which improves interchangeability when on scene; there are also two different response software systems for calling in volunteers which must be used by Colchester dispatch which increases the likelihood of failure in an emergency. Centralization and standardization improves response time and coordination.

Central building management for capital and operating expenses: The Town has resources dedicated to facilities management that can absorb station management. This move saves money, relieves chiefs/departments heads of this time consuming task, allows the building maintenance and capital repair to be planned, funded and executed in a coordinated fashion over multiple years to minimize impact on tax rates.

Emergency and contingency funds: Both fire departments maintain separate capital fund savings accounts for emergency purchases and repairs. The source of all these funds is the Town of Colchester taxpayers. It does not make sense to have three different accounts for emergency funding and capital savings. This should be centrally planned and maintained to do the most good with the funding available and not duplicate such reserves.

Common command and training: When on the fire scene or in a major emergency there should be a single command structure and common understanding of who is in charge among our firefighters. This would also eliminate command duplication, freeing up more staff in the field on the fire scene. At present for major emergencies, we have two separate but equal fire departments represented in emergency management.

Central decisions on staffing: This is an evolving issue and with or without the SAFER grant, paid firefighters are likely in the future, at least for weekday daytime. In a way similar to duplication in apparatus, there could easily be too much paid staffing on a community wide basis with two separate departments. Centralized staffing would benefit the town as a whole by avoiding overstaffing caused by each department separately staffing up without central management, just in the same way we have more firefighting equipment than much larger communities.

We will provide a one year contract at the FY 19 funding level and will be funding Saint Michaels Fire directly. By June 30, 2020, we will stop funding of separate fire departments. After June 30, 2020, we will be willing to fund a single fire department (merged from the current two or one of the two) operating under the Town of Colchester.

The Selectboard is taking this action in the best interest of our citizens and taxpayers. We look forward to your continued dedication to and collaboration with the Town. With your request for paid fire personnel, now is the time for changes. Thank you for everything you do for our Town. We will be in touch soon to discuss this further.

Sincerely,



Nadine Scibek, Selectboard Chair

cc: Sandy Ladd, Chief of Colchester Center Volunteer Fire Company
Eric Haversang, Chief of Saint Michaels Fire
Aaron Frank, Town Manager



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March 13, 2019

Jay Riedinger, Chair
Colchester Fire District# 3 Prudential Committee
P.O. Box 2091
Colchester, VT 05446

Re: Contract for Fire Prevention and Suppression Services

Dear Jay:

I'm writing to express the Town of Colchester Selectboard's concern with the Colchester Fire District #3 Prudential Committee's financial oversight of the Colchester Fire District #3's Fire Prevention Division, also known as the Colchester Center Volunteer Fire Company.

On or about July 1, 2014, the Colchester Center Volunteer Fire Company, a private not-for profit dissolved and its assets and liabilities were taken over by the Colchester Fire District #3(CFD#3) , a Vermont municipality. The CFD#3 Prudential Committee is legally responsible for the operation of and financials of both its operating units, the Water Department and the Fire Prevention Division.

In reviewing CFD#3's Prudential Committee Bylaws and the Fire Prevention Divisions Regulations, the authority and responsibility for the Fire Prevention Division has not been transferred to the Prudential Committee. The Fire Prevention Division created a board (including a President, Vice-President, Secretary, and Treasurer in addition to the Firefighting officers) to provide the oversight the Town believes should be performed by the Prudential Committee.

This structure has resulted in significant findings by the CFD#3 Auditors for fiscal year 2017. Our concerns, more fully listed in in Appendix A, are summarized as follows:

- No audit has been completed for the year ending June 30, 2018
- Audit findings from the year ending 2017 had no responses from Management. It is unclear if anything is being done to address them.
- The structure of the Fire Districts organizational documents, including the Fire District's bylaws and the Fire Districts Regulations of the Fire Division, seem to have created Material Weakness to internal control per the Audit findings.
- Multiple Deficiencies are documented in the Audit are documented as "Material Weaknesses" to internal controls (two audit findings 2017-1 and 2017-2)
- A letter to the Prudential Committee from the Auditor explains the Material Weaknesses, their multiple causes and effect on the financial operations, and recommended changes. The recommended changes appear to conflict with the processes and procedures mandated by the Bylaws and Regulations.

The Town of Colchester Selectboard is concerned with these findings because the Town and its taxpayers provide over \$500,000 in annual financial support for the CFD#3 Fire Prevention Division that includes debt service on over \$300,000 on fire equipment.

The CFD#3 Auditor states: “invoices could be posted to incorrect account or paid inappropriately or even fabricated.” This finding is based on a sampling of invoices that found:

- **“6 of the 23 invoices tested could not be located in the paid invoice file. All check issued should have back up of some sort attached.”**
- **“9 of the 23 invoices tested had no supervisor’s approval noted.”**
- **“None of the 23 invoices had account numbers assigned to them.”**

Our concerns are heightened as the CFD #3 Fire Prevention Division requests paid staff and increased funding from the Selectboard. The Town is willing to provide paid staff where there is a deficit in available coverage during weekday daytime hours. However, we also need to look more carefully at overall fire expenditures-including staff, operating expenses and capital. As we move toward full-time paid firefighters for weekday daytime coverage, we need to evaluate the mix of equipment, operating expenses and labor expenses. To do this, we need centralized efforts to coordinate, analyze, and revise our fire services.

As the Town of Colchester funds all the firefighting activities of CFD#3, the Selectboard requests that the Colchester Fire District #3 Prudential Committee address these issues immediately. The Material Weaknesses in financial controls raised by CFD#3’s auditor indicate that the structure created by CFD#3 prohibits proper oversight by the Colchester Fire District #3 Prudential Committee. The Selectboard believes the CFD#3 Prudential Committee needs to evolve to a governing model in which the Prudential Committee does not delegate its authority and responsibilities or to include firefighters.

The Town is very indebted to the volunteers of Colchester Fire District #3. We do not take your dedication for granted. From training to looking after the equipment, station and being in a state of readiness to respond to all types of emergency situations in our Community 24/7/365—for that we are truly thankful.

We wish to evolve our fragmented firefighting structure into system where we consider the needs of the Town as a whole from capital planning to service delivery. The CFD#3 Prudential Committee needs to create a higher level of fiscal accountability and oversight. We want to work with CFD#3 to accomplish this much needed work on fiscal oversight, transparency and service delivery.

Thank you in advance for your willingness to work and collaborate with the Town on these very important issues.

Sincerely,



Nadine Scibek, Selectboard Chair

CC: Sandy Ladd, CCVFC Fire Chief
Marianne Terrien, CFD#3 Treasurer

Attached: Appendices A, B and C addressing Audit Concerns, Budget Concerns and Contractual Concerns.

Appendix A - Colchester Fire District #3 Audit Concerns

- I. The most recent audit is FY 17 (year ended June 30, 2017) which is a year behind. (Audit attached as Attachment 1 to Appendix A)
- II. Audit findings had no responses from Management. It is unclear, what if anything is being done to address the findings.
- III. The Audit findings-- including Material Weaknesses to internal Controls--seem to be structured in the Fire Districts organizational documents including the Fire District's bylaws and the Fire Districts Regulations of the Fire Division.
- IV. Multiple Deficiencies are documented in the Audit are noted as "Material Weaknesses" to internal controls noted in two audit findings 2017-1 and 2017-2. In addition a letter to the Prudential Committee from the Auditor explains the Material Weaknesses, their multiple causes and effect on the financial operations, and recommended changes. **The recommended changes appear to conflict with the Bylaws and Regulations. The findings seem to have resulted from processed and procedures mandated by the Bylaws and Regulations.**
- V. Below follows an outline of the Town's concerns with the Audit Findings and the Management Letter Recommendations.

A. Finding 2017-1

Issue: District Account Balances for Fire Department Cash account balances were incorrect.

Recommendation: Cash Accounts should be reconciled by a person not involved of the activities of the account in order to detect and recommend corrections to errors

Managements Response: None

Town Concern: The Town of Colchester pays for all of the activities of the Colchester Center Fire District #2's Fire Department.

- 1) **The "Regulations, Fire Protection Division, Colchester Fire District No. 3" allow--and in fact require--people involved in the activities of the account to perform functions contrary to the Auditors Recommendation.** (Regulations Included as Attachment 2 to Appendix A.)Specifically:
 - a) Article III, Section 1, page 4 authorizes the Fire Department President (not the Fire District Prudential Committee Chair) to withdraw funds from the Fire Department Treasurer (not the Fire District Prudential Committee Treasurer)
 - b) Article II, Section 2, page 4 authorizes the Fire Department Vice President (not the Fire District Prudential Committee Vice-Chair) to withdraw funds from the Fire Department Treasurer (not the Fire District Prudential Committee Treasurer) by providing the Vice-President the same responsibilities of the President in his or her absence

Appendix A - Colchester Fire District #3 Audit Concerns

c) **Article II, Section 2, page 4 requires the Fire Department Vice President (not the Fire District Prudential Committee Treasurer) to reconcile funds of the Fire Prevention Division “The Vice President shall be responsible for reconciling all fire protection fund account(s). This is in conflict with the audit recommendations.**

d) Article II, Section 3, page 4 authorizes the Fire Department Secretary (not the Fire District Prudential Committee Secretary) to withdraw funds from the Fire Department Treasurer (not the Fire District Prudential Committee Treasurer)

e) Article II, Section 4, page 4 requires the Fire Department Treasure (not the Fire District Prudential Committee Treasurer) to:

“receive all money paid to the Division (or paid to the District on behalf of fire protection fund accounts and forwarded from the District to the Division), give receipts for the same, keep a correct account of all receipts and disbursements, and report the same on a monthly basis to the District Treasurer and at every regular business meeting of the Division. The Division Treasurer shall:

- Upon approval by the Fire Chief or the Chief’s designee, pay budgeted items approved by the District at the prior annual meeting, including but not limited to utilities and operational and other expenses (heat, lights, fuel, phone, gasoline, annual banquet).
- Except as provided in Article III, Sections 1, 3, 5 and 11, make no other disbursements without the approval of the Prudential Committee and a majority vote at a regular or special business meeting of the Division.
- Present the books for audits.”

f) Article II, Section 5, pages 4-5 authorizes the Fire Department Fire Chief to withdraw funds from the Fire Department Treasurer (not the Fire District Prudential Committee Treasurer)

g) Article II, Section 5, pages 4-5 requires the Fire Department Chief prepare the budget for the Fire Protection Division and Article V Section 2, pages 6-7 requires that the budget be forwarded to the Fire District Voters and the Town for approval. The Colchester Fire District #3 Prudential Committee has no role in the Fire Department Budget.

h) Art. II, Sec. 5: “The Fire Chief: Shall prepare, with the assistance of the other executive officers, an annual budget to cover the Division’s anticipated expenses, revenues and, at the discretion of the executive officers, a capital reserve fund, for the Division’s upcoming fiscal year.”

i) Art. V, Sec. 2: “The annual budget prepared by the Fire Chief pursuant to Article III Section 5 of these Regulations shall be presented at a regular business meeting for vote at the following meeting. If approved, the budget shall be submitted to the Town for approval and to the District Clerk for inclusion in the District’s Annual Report and voter approval or rejection pursuant to Article V, Section 5.1 of the District’s Bylaws.” This is a business meeting of the Fire Protection Division vs. the Colchester Fire District #3 Prudential Committee.

Appendix A - Colchester Fire District #3 Audit Concerns

- j) Article VI, Section 3 allows the Fire Protection Division (without the Prudential Committee) to make expenses for budgeted items without the approval of the Prudential Committee.

Art. VII, Sec. 3: "With the exception of approved budget items and emergency repairs approved by the Trustees and the Prudential Committee in accordance with Article III, Section 11, any Division expenditure in excess of \$1,000.00 must receive prior approval from both the Division and the Prudential Committee. With respect to the Division, the proposed expenditure shall be brought before a business meeting of the Division with a minimum of three price quotes. All such expenditures are to be tabled for 30 days and voted on at the next business or special meeting."

2) **The Bylaws of Colchester Fire District #3 support this complete delegation of financial authority from the Fire District Prudential Committee to the Fire Prevention Division.**

(Bylaws Included as Attachment 3 to Appendix A.) Specifically:

- a) Article V, Section 5.1 makes it clear the Fire Protection Division Budget is forwarded to the Colchester Fire District voters directly and not by way of vote of the Prudential Committee. "The District shall consider and approve or reject the budgets submitted to it by the Prudential Committee, and the Fire Protection Division, pursuant to Article IX, Section 9.3 and Article X, Section 10.4."
- b) Article VI, Section 6.1 requires that two members of the Prudential Committee are also members of the Fire Prevention Division, "The two committee persons whose terms are one year shall be elected from those district residents who are also members of the Fire Protection Division, as that term is defined in the Division's regulations."
- c) Article VII, Section 8.1 excludes the Prudential Committee Treasurer from oversight of the Fire Prevention Divisions financial information, by way of referring to Article III, Section 4, of the Fire Division Regulations which assigns all such responsibility to the Fire Prevention Division Treasurer, "Accounts. Separate fund accounts shall be maintained for water services, for the general administration of the District, and for any other purpose as may be designated by the Prudential Committee, including fire protection. Except as provided in Article III Section 4 of the Fire Division Regulations for fire protection fund account(s), the Treasurer shall keep an account of monies, bonds, notes, and evidences of debt paid or delivered to him or her, and of monies paid out by him or her for the District."
- d) Article VII, Section 8.2 clarifies that the Fire Prevention Division shall have authority to sign checks on behalf of the Fire District, "Except as provided in Fire Protection Division Regulations, Article III, Sections 1, 3, 4 and 5 for fire protection fund account(s), only the Treasurer and one Prudential Committee member shall have authority to endorse checks issued from District accounts."

Appendix A - Colchester Fire District #3 Audit Concerns

- e) Article VII, Section 8.3 clarifies that the Fire Prevention Division shall have authority to approve orders and invoices for payment on behalf of the Fire District, rather than the Prudential Committee, “Except as provided in Fire Protection Division Regulations, Article III, Sections 1, 3, 4 and 5 for disbursements made from fire protection fund account(s), the Treasurer shall prepare and submit itemized Orders or Invoices for payment of District payrolls and expenses to the Prudential Committee for review and shall issue checks for each item.”
- f) Article VII, Section 8.8 clarifies that the Assistant Treasurer of the Prudential Committee is not responsible for reconciling accounts of monies held by the Fire District, “Except for fire protection fund account(s), the Assistant Treasurer shall be responsible for reconciling the accounts of all monies held by the District. The terms of the Assistant Treasurer’s employment and compensation shall be determined by the Prudential Committee, not to exceed any amount set by voters at the annual meeting.”
- g) Article IX, Section 9.1 states that the Prudential Committee is the governing body of the Fire District. However, by way of the Fire Prevention Division Regulations, and the Fire District Bylaws, the Prudential Committee seems to have little if any budget or financial responsibility, authority or control over the Fire Prevention Division, “The Prudential Committee shall be the governing body of the District and shall be responsible for the control and management of the affairs, property, and interests of the District. It may exercise all power of the District provided by Vermont law, its Charter or these Bylaws.”
- h) Article IX, Section 9.3 excludes the Prudential Committee from drafting, approving or editing n the budget of the Fire Protection Division, “District Budget. With the assistance of the District Treasurer and Clerk, the Prudential Committee shall annually prepare a budget to cover anticipated expenses, revenues and, at the discretion of the Committee, a capital reserve fund, for the District’s upcoming fiscal year; provided, however, that the Committee’s budget shall not include items covered by the Fire Protection Division budget, prepared by the Fire Chief pursuant to Fire Protection Division Regulations, Article III, Section 5. The Committee’s budget, along with the budget approved by the Fire Protection Division pursuant to Article V, Section 2 of the Fire Protection Division Regulations, shall be presented at the District’s annual meeting for consideration and approval or rejection by the voters.”
- i) Article X, Section 10. Clarifies that the Fire Prevention Division shall draft its own budget without input from Prudential Committee and that that budget shall be considered by the voters of district, “Division Budget. The Division shall annually prepare a budget to cover the Division’s anticipated expenses, revenues and, at the discretion of the Division, a capital reserve fund, for the upcoming fiscal year. The Division’s budget, along with the budget prepared by the Prudential Committee pursuant to Article IX, Section 9.3, shall be presented at the District’s annual meeting, each for separate consideration and approval or rejection by the voters.”

Appendix A - Colchester Fire District #3 Audit Concerns

B. Finding 2017-2

Issue: District may be subject to IRS penalties due to firefighter stipends for overnight shifts not being handled through payroll.

Recommendation: Payments to employees should be processed through the payroll system per IRS rulings.

Managements Response: None

Town Concern: The Town of Colchester pays for all of the activities of the Colchester Center Fire District #3's Fire Department. The Fire department has no other revenue source than the Town. So ultimately the liabilities of the Fire District could become those of the Town. The Town advised the Colchester Center Volunteer Fire Department in writing of IRS regulations on these issues in 2015 and 2018, as noted in Attachment 4 to Appendix A.

C. Auditor Management Letter Concerns

The Management Letter from the Auditor to the Prudential Committee, dated January 4, 2018 outlines additional issues, characterized as Material Weaknesses in internal controls the Auditor. The audit is attached as Attachment 3 to Appendix A. *These findings give the Town little confidence in the accuracy of the financials or the controls that protect the fire district from inappropriate spending or inaccurate financial reporting. The findings indicate that the financial operations of the Fire District could have negative tax implications on the firefighters.*

1) The Auditor notes that "invoices could be posted to incorrect account or paid inappropriately or even fabricated."

This finding is based on a sampling of invoices that discovered:

- **"6 of the 23 invoices tested could not be located in the paid invoice file. All check issued should have back up of some sort attached."**
- **"9 of the 23 invoices tested had no supervisor's approval noted."**
- **"None of the 23 invoices had account numbers assigned to them."**

Recommendations state:

"Internal controls need to be implemented to reduce the risk of errors and improve the accuracy and reliability of financial information.

Expense reimbursements need to be documented as a standard procedure. All funds released by the organization should be substantiated with purpose, dates and receipts. Should the organization be audited by the IRS and the organization does not have an approved accountable expense reimbursement plan in effect, Funds which are advance and not substantiated with receipts and expense reports could be considered income of the recipient.

Appendix A - Colchester Fire District #3 Audit Concerns

Back-up to substantiate these disbursements should be maintained and retained.”

- 2) **The Auditor notes that “stipends for overnight shifts was run through accounts payable like any other vendor payment.”** *The findings indicate that the financial operations of the Fire District could have negative tax implications on the firefighters.*

Attachment 1 to Appendix A

COLCHESTER FIRE DISTRICT #3
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

COLCHESTER FIRE DISTRICT #3
FOR THE YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Prudential Committee
Colchester Fire District #3
Water Department

We have audited the accompanying financial statements of the business-type activities of Colchester Fire District # 3 (CFD #3) (a municipal entity) as of and for the year ended June 30, 2017 which comprise the statements of financial position and the related statements of revenues, expense and changes in net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Colchester Fire District #3, and the changes in its net position and its cash flows as of and for the year ended June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Revenue and Expenses-Budget and Actual - on pages 15 and 16 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Batchelder Associates, PC
License #945
Barre, Vermont
January 4, 2018

**COLCHESTER FIRE DISTRICT #3
MANAGEMENT AND DISCUSSION ANALYSIS
FOR YEAR ENDED JUNE 30, 2017**

Introduction

As Management of Colchester Fire District No. 3 ("CFD No. 3" or "the District"), we hereby offer to the readers of the District's financial statements this narrative overview and analysis of the financial activities of Colchester Fire District #3 for the year ended June 30, 2017. This discussion should be read in conjunction with the financial statements and accompanying notes which combine to form the annual financial report.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements and to provide a narrative overview of the statements and comments on significant developments during the reporting period.

Financial Highlights

- a) On January 20, 2014, the voters of the District empowered the Prudential Committee to merge the District with the Colchester Center Volunteer Fire Company, Inc. (CCVFC) effective July 1, 2014. All assets and liabilities transferred to the District as of July 1, 2014.
- b) The assets of the District on June 30, 2017 exceeded liabilities by \$1,669,466 in unrestricted, board designated and restricted funds. The assets of CCVFC exceeded liabilities by \$803,054 in unrestricted funds.
- c) At the end of the fiscal year, the District identified a surplus from FY17 operations, both Water and Fire of \$133,191. The identified surplus was primarily attributed to increased revenues from one-time user connection fees and water sales. The revenue streams exceeded budget for the Water Department, and revenue for the Fire Department is less than its budget. Operating expenses for the Water Department also increased because fees charged for water usage also increase. Operating expenses for the Fire Department were down this year do to the low interest paid for the Ladder truck loan.

Financial Statements

The financial statements include year ended June 30, 2017.

This annual financial report consists of three parts:

- 1. Management's Discussion and Analysis
- 2. Required Financial Statements
- 3. Notes to the Financial Statements

The Statements are as follows:

- 1. Statement of Net Position
- 2. Statement of Revenues, Expenses and Changes in Net Position
- 3. Statement of Cash Flows

Under Governmental Accounting Standards Board Statement #34 (GASB 34), those services provided on a fee for goods and services basis are treated as Business-Type Activities, as such, the basic financial statements are prepared similar to private sector companies using the accrual basis of accounting. Under this basis, all of the current year's revenues and expenses are reported when earned or incurred regardless of when cash is paid or received.

The Statement of Net Position presents the economic position of the District showing the assets owned by the District and what portion of those assets are financed by debt obligations, the District's liability factors, and the net position as an outcome of the entire financial position.

COLCHESTER FIRE DISTRICT #3
MANAGEMENT AND DISCUSSION ANALYSIS
FOR YEAR ENDED JUNE 30, 2017

The Statement of Revenues, Expenses and Changes in Net Position, shows the operating transactions for the year's revenues and expenses, as well as capital fund transactions including the market value changes of investments. The result of these combined operations is the change in net assets for the fiscal year.

The Statement of Cash Flows outlines the cash flow resulting from operations, financing and investment of activities of the District.

Notes to the Statements provide explanations of the accounting principles followed and of the key items in the statements.

Results and Analysis

The following table summarizes the Statement of Net Position for the year ended June 30, 2017 for CFD #3.

	Water Department Fund	Fire Department Fund
ASSETS:		
Current assets	\$ 1,120,185	\$ 235,775
Non-current assets	1,901,075	884,489
Total Assets	<u>\$ 3,021,260</u>	<u>\$ 1,120,264</u>
 LIABILITIES AND NET POSITION		
Current liabilities	\$ 457,491	\$ 97,210
Non-current liabilities	894,303	220,000
Total Liabilities	<u>1,351,794</u>	<u>317,210</u>
 NET POSITION:		
Unrestricted	428,011	803,054
Board Designated	280,000	-
Investment in Capital Assets	961,455	-
Total Net Position	<u>1,669,466</u>	<u>803,054</u>
Total Liabilities and Net Position	<u>\$ 3,021,260</u>	<u>\$ 1,120,264</u>

**COLCHESTER FIRE DISTRICT #3
MANAGEMENT AND DISCUSSION ANALYSIS
FOR YEAR ENDED JUNE 30, 2017**

The following table summarized the Statement of Revenues, Expenses and Changes in Net Position of Colchester Fire District #3 for the year ended June 30, 2017.

	Water Department Fund	Fire Department Fund
Operating revenues	\$ 885,588	\$ 506,899
Operating expenses	<u>(788,759)</u>	<u>(478,918)</u>
Income/(loss) from operations	<u>96,829</u>	<u>27,981</u>
Non-operating revenues/(expenses)	<u>12,890</u>	<u>(4,508)</u>
Other Comprehensive Income	<u>9,628</u>	<u>-</u>
Changes in net position	<u><u>\$ 119,347</u></u>	<u><u>\$ 23,473</u></u>

Capital Assets

During FY 2017, the Water Department of the District added the major water construction project, to its fixed assets as a Work-in-Progress, based on a cost of \$334,163 which is the cost incurred at 6/30/17. There will be no depreciation recorded until the project has met completion. The new loan, disclosed below, generated the new assets Twin Tank Project in the amount of \$814,620. This will be amortized starting in 2017. The Fire Department purchased one small fixed asset during FY 2017 in the amount of \$2,700.

Debt

The outstanding debt principal of \$125,000 on June 30, 2017 for the Water Department of the District was decreased by \$15,000 during FY 2017, solely comprised of payments on debt. However, on July 1, 2017 the Water Department in to a new loan agreement with the State of Vermont for \$814,620. The outstanding debt principal of \$307,200 on June 30, 2017 for the Fire Department was decreased by principal payments of \$87,200 during FY 2017.

Current Issues

July 1, 2017, CFD No. 3 increased their retail water rates charged to customers. The base fee increased to \$40.00 for maximum gallons to be received at 7,000. The cost per 1000 gallons above the base of 7,000 will be charged at \$4.50.

There was a substantial payment made to the State of Vermont in August of FY18, for the towns share of the major water construction in-progress, that was recorded as an accrued expense for \$334,163.

Requests for Information - Questions concerning any information in this report should be addressed to the Clerk/Treasurer of Colchester Fire District No. 3, 428 Main Street, Colchester, VT 05446.

COLCHESTER FIRE DISTRICT #3
STATEMENTS OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds		
	Water Department Fund	Fire Department Fund	Total
ASSETS:			
Current assets:			
Cash	\$ 456,679	\$ 224,473	\$ 681,152
Investments	377,846	-	377,846
Accounts receivable	266,281	-	266,281
Inventory	4,647	-	4,647
Prepaid expenses	4,722	11,302	16,024
Due to/from	10,010	-	10,010
Total current assets	<u>1,120,185</u>	<u>235,775</u>	<u>1,355,960</u>
Non-current assets:			
Fixed assets	2,795,411	3,227,610	6,023,021
Less: Accumulated depreciation	<u>(894,336)</u>	<u>(2,343,121)</u>	<u>(3,237,457)</u>
Total non-current assets	<u>1,901,075</u>	<u>884,489</u>	<u>2,785,564</u>
Total Assets	<u>\$ 3,021,260</u>	<u>\$ 1,120,264</u>	<u>\$ 4,141,524</u>
LIABILITIES AND NET POSITION:			
Current liabilities:			
Accounts payable	\$ 70,011	\$ -	\$ 70,011
Accrued expenses	342,163	-	342,163
Due to other funds	-	10,010	10,010
Current portion of long-term debt	45,317	87,200	132,517
Total current liabilities	<u>457,491</u>	<u>97,210</u>	<u>554,701</u>
Long-term liabilities:			
Bonds payable, net of current portion	110,000	220,000	330,000
Note payable, net of current portion	784,303	-	784,303
Total Long-term liabilities	<u>894,303</u>	<u>220,000</u>	<u>1,114,303</u>
Total Liabilities	<u>1,351,794</u>	<u>317,210</u>	<u>1,669,004</u>
NET POSITION:			
Unrestricted	428,011	225,765	653,776
Board Designated	280,000	-	280,000
Investment in Capital Assets	961,455	577,289	1,538,744
Total Net Position	<u>1,669,466</u>	<u>803,054</u>	<u>2,472,520</u>
Total Liabilities and Net Position	<u>\$ 3,021,260</u>	<u>\$ 1,120,264</u>	<u>\$ 4,141,524</u>

See accompanying notes to financial statements

COLCHESTER FIRE DISTRICT #3

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds		
	Water Department Fund	Fire Department Fund	Total
OPERATING REVENUE:			
Water sales	\$ 838,769	\$ -	\$ 838,769
Penalties	7,493	-	7,493
Service fees	39,326	-	39,326
Town revenue	-	506,899	506,899
Total Operating Revenue	<u>885,588</u>	<u>506,899</u>	<u>1,392,487</u>
OPERATING EXPENSES:			
Building maintenance	6,949	21,690	28,639
Communications	1,560	7,104	8,664
Dues and subscriptions	1,419	4,843	6,262
Engineering/consulting	40,877	-	40,877
Fire equipment fuel	-	35,497	35,497
Fire equipment maintenance	-	78,673	78,673
Insurance	5,174	22,767	27,941
Legal and professional	24,333	893	25,226
Maintenance of water lines	123,790	-	123,790
Meter readers	19,902	-	19,902
Meter replacement	26,220	-	26,220
Miscellaneous	-	15,463	15,463
Office expense	12,027	4,952	16,979
Personnel	83,408	32,289	115,697
Training	-	2,205	2,205
Utilities	4,693	23,499	28,192
Vehicle maintenance	-	47,245	47,245
Water purchased from CWD	398,160	-	398,160
Water user fees	9,702	-	9,702
Depreciation	26,294	181,799	208,093
Debt services:			
Principal payment, Twin Tanks	3,160	-	3,160
Interest payment, Twin Tanks	1,091	-	1,091
Total Operating Expenses	<u>788,759</u>	<u>478,919</u>	<u>1,267,678</u>
Total Net Operating Income	<u>96,829</u>	<u>27,980</u>	<u>124,809</u>
NON-OPERATING REVENUE/(EXPENSES):			
Interest income	4,958	237	5,195
Miscellaneous income	900	4,886	5,786
Dividend Income	11,003	-	11,003
Realized Gain	2,012	-	2,012
Interest expense	(5,983)	(9,631)	(15,614)
Total Non-Operating Revenue/(Expenses)	<u>12,890</u>	<u>(4,508)</u>	<u>8,382</u>
Total Net Income	<u>109,719</u>	<u>23,472</u>	<u>133,191</u>

(Continued)

See accompanying notes to financial statements

COLCHESTER FIRE DISTRICT #3

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Funds		
	Water Department Fund	Fire Department Fund	Total
Other Comprehensive Income			
Unrealized Gain	9,628	-	9,628
Total Other Comprehensive Income			
Increase (Decrease) in Net Position	119,347	23,472	142,819
Net Position, Beginning of Year	1,550,119	779,582	2,329,701
Net Position, End of Year	<u>\$ 1,669,466</u>	<u>\$ 803,054</u>	<u>\$ 2,472,520</u>

See accompanying notes to financial statements

COLCHESTER FIRE DISTRICT #3
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Water Department Fund	Fire Department Fund
Cash Flows from Operating Activities		
Cash received for services	\$ 815,139	\$ 516,909
Other operating revenues	7,493	-
Cash payments to employees	(83,408)	(32,289)
Cash payments for operating services	(319,192)	(276,132)
Net Cash Provided (Used) by Operating Activities	<u>420,032</u>	<u>208,488</u>
Cash Flows from Noncapital Financing Activities		
Non-Operating Income (Interest/Lease Income)	4,958	237
Non-Operating Miscellaneous Income	900	4,885
Non-Operating Investment Income	26,894	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>32,752</u>	<u>5,122</u>
Cash Flows from Capital and Related Financing Activities		
Cash paid for interest	(7,074)	(9,631)
Cash paid for purchase of property, plant and equipment	(1,148,782)	(2,700)
Cash Paid to Debt Principal	(18,160)	(87,200)
Cash proceeds received from new bond principal	814,620	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(359,396)</u>	<u>(99,531)</u>
Net Increase in Cash and Cash Equivalents	93,388	114,079
Cash and Cash equivalents, July 1, 2016	<u>363,291</u>	<u>110,394</u>
Cash and Cash equivalents, June 30, 2017	<u>\$ 456,679</u>	<u>\$ 224,473</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating Income	<u>\$ 96,829</u>	<u>\$ 27,981</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	26,294	181,799
Changes in Assets and Liabilities:		
(Increase) decrease in assets		
Accounts receivable	(24,346)	-
Investment	(26,975)	-
Prepaid expenses	(1,625)	(11,302)
Due to/from	(10,010)	10,010
Increase (decrease) in liabilities		
Accrued expenses	336,038	-
Accounts payable	23,827	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 420,032</u>	<u>\$ 208,488</u>

See accompanying notes to financial statements

COLCHESTER FIRE DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 Description of Commission and Reporting Entity

In 1961, Act 311 of the 46th biennial session of the Vermont General Assembly officially recognized three fire districts in the Town of Colchester as follows.

The organization of Colchester Fire Districts numbers 1, 2 and 3 (in this act sometimes called district number 1, district number 2, and district number 3, respectively) is hereby validated, and those districts, having been organized August 29, 1938, May 24, 1949 and June 6, 1955 respectively, are declared to be and at all times since their respective dates of organization to have been validly existing districts. All proceedings of each district before the effective date of this act are hereby validated and confirmed. [S.82 Section 1].

The Act gave the districts all the powers and duties of municipal corporations and fire districts under the provisions of 24 V.S.A chapters 47 and 73. In addition, the Act stated that each district "may each, at such rate or rates as may be determined by their respective governing bodies, furnish and contract to furnish water for domestic use, fire prevention or any other purpose to the State Militia Grounds and United States Military Reservation commonly know as Fort Ethan Allen." [S.82 Section 4]

Accordingly, Fire District #3 administers a public water supply system to an area of the Town consisting of the territory bounded westerly by the waters of Mallet's Bay and a line three hundred feet east of and running parallel to Mallet's Bay Avenue; from the waters of Mallet's Bay south to the boundary line of the City of Winooski; southerly by the north boundary line of the City of Winooski and the north boundary of Fort Ethan Allen; easterly by the Colchester-Essex Town line; and northerly by Sucker Brook and Colchester Pond.

The District is governed by a three-member Prudential Committee elected by the district voters. It operates under the purview of its own Bylaws rather than those of the Town. Accordingly, its financial operations are not reported as a component unit of the Town, and no other municipal unit is included in the financial statements of the District.

The accounts of the District are organized on the basis of a proprietary fund type, specifically an enterprise fund. Accordingly, it operates as a stand-alone entity, accounting for revenues received for services provided on a continuing basis to the community and financed primarily through user charges. Funds in excess of expenses at the end of each fiscal year remain with the District for use on water system related construction, maintenance of infrastructure and equipment, or purchase of new equipment.

On January 20, 2014, the voters of the District empowered the Prudential Committee to merge the District with the Colchester Center Volunteer Fire Company, Inc. (CCVFC), effective July 1, 2014. The name of the fire district remained Colchester Center Volunteer Fire Company, a subdivision of Colchester Fire District No. 3 effective July 1, 2014. The assets of CCVFC transferred to Colchester Fire District No. 3 upon the effective date of July 1, 2014. The Fire Company was established in 1951. Colchester Fire District No. 3 is a volunteer fire department with approximately 30 volunteer firefighters.

NOTE 2 Summary of Significant Accounting Policies

The accounting policies adopted by CFD #3 conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

This report includes all of the funds of CFD #3. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and is able to impose its will on that organization or there is potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there are no other entities that should be combined with the financial statements of CFD #3.

COLCHESTER FIRE DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

CFD #3 reports itself as a business-type activity as defined in GASB 34.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

C. Measurement Focus

The accounting and financial reporting treatment applied is determined by the measurement focus. The financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or non-current) are included on the statement of net assets. Fund equity (i.e., net total assets) is segregated into investment in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place.

These financial statements follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board (APB) Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. As permitted under Statement of Governmental Accounting Standards No. 20, CFD #3 has elected not to apply FASB Standards issued after November 30, 1989.

E. Use of Estimates

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

F. Assets, Liabilities and Equity

1. Cash

For purposes of reporting cash flows, cash and cash equivalents include cash on hand; cash in checking accounts, interest-bearing deposits, and highly liquid investments with a maturity date of less than one year.

2. Investments

CFD #3 invests in investments as allowed by State statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

3. Accounts Receivable

CFD #3 uses the allowance method for uncollectible accounts. They have determined that all accounts are collectible and there is no allowance for bad debts.

COLCHESTER FIRE DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities and Equity (continued)

4. Prepaid Expenses

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

5. Inventory - Consumables

Inventory - Consumables quantities are determined by physical count and are valued at cost and consist of expendable fire equipment.

6. Capital Assets

Capital Assets are recorded at cost. Major outlays for capital assets and improvements are capitalized as purchased. The cost of normal repairs and maintenance that do not add to the value of assets or materially extend the assets' lives are not capitalized. The capitalization limit is \$1,000 for all capital outlays. Capital assets are depreciated in a manner that allows their cost to be expensed over their useful lives, using the straight-line method of depreciation in accordance with the following schedule.

	<u>Estimated Useful Life</u>
Water Lines and Water Line Extensions	40 to 50 years
Building Improvements	30 years
Furniture and Fixtures	5 to 15 years
Tools and Equipment	5 to 15 years

Operating revenues and expenses consist of those resulting from the ongoing provision of potable water to all connected users for domestic consumption and fire protection for structures within the area served by the District.

7. Current Liabilities

Current liabilities include all short-term obligations of CFD #3.

8. Non-Current Liabilities

Non-current liabilities include the long-term portion of the notes payable.

9. Interfund Receivables/Payables (Due to/from)

During the course of its operations, CFD #3 has transactions between funds to finance operations, provide services, and construct assets and service debt. To the extent transactions between funds had not been paid or received as of June 30, 2017, balances of Interfund (due to/from) amounts receivable or payable have been recorded.

10. Net Position

Net Position are classified in three (3) separate categories. The categories, and their general meanings, are as follows:

Net Investment in Capital Assets – Represents investments in property, plant and equipment net of any related debt.

Assigned Net Position – Represent amounts that cannot be appropriated or are legally reserved for a specific purpose by a grant, contract, or other binding agreement.

Unassigned Net Position – Indicates that portion of net assets which are available for expenditure in future periods

COLCHESTER FIRE DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 Summary of Significant Accounting Policies (continued)

G. Stewardship, Compliance and Accountability

1. Compensated Absences

As there is no formal employment agreement between the District and its one full-time employee, no liability is recorded for vesting accumulating rights to vacation or non-vesting accumulating rights to sick time.

2. Budgets

A budget is formally adopted annually by the Prudential Committee, and used to modify water rates as necessary.

NOTE 3 Cash

Deposits and investments are categorized to give an indication of the level of risk assumed by the District at June 30, 2017. The categories are described as follows:

Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor's name.

Category 3: Uncollateralized.

As of June 30, 2017, all of the District's deposits are in Category 1.

The District has invested in savings at the Peoples United Bank, and in Money Market and Certificates of Deposit through Lincoln Securities, all due to mature within one year.

NOTE 4 Credit Risks

A. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank or investment firm failure, the government's deposits may not be returned to it. The District has no formal investment policy; however, staff monitors bank balances and regularly transfers excess funds in checking accounts to Lincoln Securities investments. By doing so, the risk of deposits in local banks being uncovered by FDIC insurance is minimal. In addition, it is the opinion of management that the solvency of the financial institutions holding district funds is not a particular concern at this time. At the end of the twelve-month period June 30, 2017, the bank balances were below the FDIC insured limits.

B. Custodial Credit Risk Investments

Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the District will be unable to recover the value of its investments that are in the possession of the outside party. The District has no formal policy for custodial credit risk. At twelve-month period ended June 30, 2017, investments in the amount of \$377,846 were held by Lincoln Securities. Investment vehicles were brokered certificates of deposit held by U.S. Banks. Brokered CD's represents monies lent to banks or savings and loans that are then invested by the banks in securities or loans. In return for the use of the money, banks ensure the return of principal and interest over the life of the CD.

C. Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The district has no foreign currency risk, since there are no investments in foreign exchanges.

COLCHESTER FIRE DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 Credit Risks (continued)

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The District does not limit, by policy, the amount that may be invested in any one issuer.

NOTE V Receivables

Receivables consists of the following:

	Water	Fire
Billed Water Sales and Delinquent Late Charges	\$ 244,221	\$ -
Other Charges	22,060	-
Total	<u>\$ 266,281</u>	<u>\$ -</u>

NOTE 5 Capital Assets

The following is a summary of property, equipment, furniture and leasehold improvements as of June 30, 2017:

	6/30/2016 Balance	Additions	Disposals	6/30/2017 Balance
Water Department				
Fixed Assets	\$ 1,646,629	\$ 1,148,782	\$ -	\$ 2,795,411
Less: Accumulated Depreciation	<u>(868,042)</u>	<u>(26,294)</u>	<u>-</u>	<u>(894,336)</u>
Net Fixed Assets	<u>\$ 778,587</u>	<u>\$ 1,122,488</u>	<u>\$ -</u>	<u>\$ 1,901,075</u>
Fire Department				
Fixed Assets	\$ 3,224,910	\$ 2,700	\$ -	\$ 3,227,610
Less: Accumulated Depreciation	<u>(2,161,322)</u>	<u>(181,799)</u>	<u>-</u>	<u>(2,343,121)</u>
Net Fixed Assets	<u>\$ 1,063,588</u>	<u>\$ (179,099)</u>	<u>\$ -</u>	<u>\$ 884,489</u>

NOTE 6 Investments

The CFD #3 has invested unrestricted funds in a Lincoln Financial Securities account. All of these investments have readily determinable fair values and are carried at fair value based on quoted prices in active markets (all Level 1 measurements). As of June 30, 2017, the fair market value of this account was \$377,846, its cost basis in this account was \$323,583 and its unrealized (loss) gain was \$9,628.

The following is a summary of the Investment accounts earning for the year ended June 30, 2017:

	Unrestricted	Total
Dividends & Interest	\$ 11,003	\$ 11,003
Realized Gain/(Loss)	2,012	2,012
Unrealized Gain/(Loss)	9,628	9,628
Total Earnings	<u>\$ 22,643</u>	<u>\$ 22,643</u>

COLCHESTER FIRE DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 Risk Management

The CFD #3 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The CFD #3 maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Inter-Municipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the CFD #3. Settled claims have not exceeded this coverage in any of the past three fiscal years. CFD #3 must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days' notice. Fund underwriting, and rate setting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

In addition, the CFD #3 is a member of the Vermont League of Cities and Towns Health Trust. The Health Trust is a nonprofit corporation formed to provide health insurance and wellness programs for Vermont municipalities and is owned by the participating members. The agreement does not permit the Health Trust to make additional assessments to its members.

The CFD #3 is also a member of the Vermont League of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

NOTE 8 Long-Term Debt

Long-Term debt consists of the Following:

	<u>2017</u>	<u>2016</u>
Vermont Municipal Bond Bank General Obligation Bond issued in July, 2006 in the amount of \$275,000 for the purpose of financing public water system improvements. \$15,000 in principal is paid annually, interest rates range from 3.835% to 4.665%; Bond expires 12/01/2026	\$ 125,000	\$ 140,000
People's United Bank, National Association issued in October, 2011 a loan in the amount of \$550,000 for the purpose of purchase of Aerial Ladder Fire Truck. \$55,000 in principal is paid annually due October 15; interest rate is 2.5%.	\$ 275,000	\$ 330,000
People's United Bank, National Association issued a loan in the amount of \$275,000 for the purchase of Aerial Ladder Fire Truck. \$32,200 to be paid annually due September 15th; interest 2.5%.	\$ 32,200	\$ 64,400
The Champlain Water District through the State of Vermont issued August 1, 2017 in the amount of \$814,620 for the Colchester, Twin Tank Project (which represents 51.76% of the allocated water distributions). \$54,755 to be paid annually due August 1st inclusive of interest and administrative fees.	\$ 814,620	\$ -
Total long-term debt	<u>\$ 1,246,820</u>	<u>\$ 534,400</u>
Current Portion	<u>\$ 132,517</u>	<u>\$ 102,200</u>
Long-term Debt	<u>\$ 1,114,303</u>	<u>\$ 432,200</u>

NOTE 9 Pension Plan

The District has no formal pension plan for its single employee. The Prudential Committee makes one annual payment to a Simplified Employee Pension (SEP) on her behalf. For the twelve-month period ending June 30, 2017 a contribution of \$12,680 was made.

COLCHESTER FIRE DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 Concentration of Revenue/ Expenses

CFD #3 receives all of its contracted service revenue in the Fire Department Fund from the Town of Colchester.

CFD #3 purchased all of their water from the Champlain Water District (CWD). CFD #3 is committed to purchasing their water from CWD through June 30, 2017.

NOTE 11 Income Tax

The District is a tax-exempt organization, therefore is not subject to income tax.

NOTE 12 CWD Storage Tanks

In May 2003 the District entered into an agreement with the Champlain Water District (CWD), the City of Winooski and the Town of Essex for payment of bonds in the amount of \$410,000 issued to CWD for the design, approval, permitting and construction of an 850,000-gallon water storage tank adjacent to the existing Colchester South Tank at Water Tower Hill in the Town of Colchester. Storage capacity is shared by the participants; the Colchester Water District, City of Winooski and Town of Essex reimburse CWD each year for the bond principal and interest in direct proportion to the amount of storage capacity used by each. In the period ending June 30, 2017 the District reimbursed CWD \$3,160 annually for principal; \$1,237 for interest. The bonds mature December 1, 2024; net interest rate is 4.442869%.

This contract has been amended, dated November 25, 2013. The amended contract calls for the demolition of the above 850,000-gallon tank with the replacement of a new 1,275,000 storage tank. Colchester Fire District #3 has been allocated 51.76% of the additional 425,000 or 220,000 gallons. Costs and debt service will be allocated to CFD#3 in the same percentage. The new capacity will be 462,930 gallons.

Minimum principal payments for the following five years are \$3,160 per year with a total remaining due of \$28,440 through 2024.

On August 1, 2017 the District entered into an agreement with the Champlain Water District in the amount of \$814,620 for the Twin Tank Project. Payments will be \$54,755 which includes interest and an administrative fee. Payments are due August 1st of each year starting in August 2017.

NOTE 13 Related Party Transactions

The District has one full-time employee, a clerk-treasurer. Certain members of the current clerk-treasurer's immediate family are paid to perform functions for the District. Amounts paid to these individuals for the twelve-month period ending June 30, 2017 was \$14,352.

NOTE 14 Subsequent Events

Subsequent event tests, through the date of the completed audit, of accounting records and inquiry of management disclosed the following material events:

- A. During FY 2017, the Water Department of the District added a major water construction project to its fixed assets as construction in progress., based on cumulative costs of \$334,163 through June 30, 2017.
- B. August 1, 2017, the Champlain Water District, through the State of Vermont, incurred a new loan for \$814,620, for the assets Twin Tank Project. This will be amortized starting in 2017.
- C. July 1, 2017, CFD No. 3 increased their retail water rates charged to customers. The base fee increased to \$40.00 for maximum gallons to be received at 7,000. The cost per 1000 gallons above the base of 7,000 will be charged at \$4.50.

STATEMENTS OF DETAILED FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Water Department Fund	Fire Department Fund
Computer support	1,569	-
Consulting	21,667	-
Depreciation	26,294	181,799
Dues and subscriptions	1,419	4,843
Employee benefits	14,622	-
Engineering	19,210	-
Equipment maintenance	-	78,673
Fuel	-	35,497
Insurance	5,174	22,767
Interest	7,074	9,631
Legal and professional	24,333	893
Maintenance of water lines	123,790	-
Meter readers	14,790	-
Meter replacement	26,220	-
Mileage	5,112	-
Miscellaneous	1,662	15,463
Office and postage	10,458	4,952
Payroll taxes	4,624	-
Personnel	57,500	32,289
Prudential Committee	5,000	-
Repairs and maintenance	6,949	21,690
Telephone	1,559	7,104
Training	-	2,205
Twin Tank	3,160	-
Utilities, snow and trash	4,693	23,499
Vehicle maintenance	-	47,245
Water purchases	398,160	-
Water user fees	9,702	-
	<u>\$ 794,741</u>	<u>\$ 488,550</u>

BUDGET VS ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Water Department Fund		
	Budget	Actual	Variance
REVENUE:			
Water sales	\$ 715,000	\$ 802,981	\$ 87,981
CWD Tap-Ins	1,000	-	(1,000)
FD3 Tap-Ins	5,000	28,026	23,026
Interest	7,000	4,958	(2,042)
Bulk Water	2,000	3,370	1,370
Camp Johnson	14,000	11,588	(2,412)
Winchester Place	30,000	24,200	(5,800)
Misc. Billing	1,000	900	(100)
Penalties	6,000	7,492	1,492
Water Storage Revenue	5,000	3,525	(1,475)
Turn On/Off	4,000	4,405	405
Investment Int & Dividends	-	11,003	11,003
Realized gain/loss	-	2,012	2,012
Unrealized gain/Loss	-	9,628	9,628
Total Revenue	<u>790,000</u>	<u>914,088</u>	<u>124,088</u>
EXPENSES:			
Clerk/Treasurer/Prudential Committee	65,000	62,500	2,500
Computer Support	2,000	1,569	431
Consulting	-	21,667	(21,667)
CWD Tap-Ins	1,000	-	1,000
Depreciation	-	26,294	(26,294)
Dues and Fees	3,500	1,419	2,081
Employee Benefits	14,600	14,622	(22)
Engineering	15,000	19,210	(4,210)
Insurance	4,500	5,174	(674)
Interest on Building Bond	-	-	-
Interest on Depot Rd Bond	7,000	5,983	1,017
Legal and Professional	25,000	24,333	667
Main St Building Main	10,000	6,949	3,051
Maintenance and Materials	105,000	123,790	(18,790)
Meter Readers	15,000	14,790	210
Meter Replacement	20,000	26,220	(6,220)
Mileage	4,500	5,112	(612)
Office/Postage	10,000	10,458	(458)
Payroll Expense	1,000	1,662	(662)
Payroll Taxes	5,000	4,624	376
Telephone	3,000	1,559	1,441
Twin Tank Interest	2,000	1,091	909
Twin Tank Principal	3,160	3,160	-
Uniforms	1,000	-	1,000
Utilities	5,000	4,693	307
Water Purchased-CWD	370,000	398,160	(28,160)
Water Use Fee-CWD	8,500	9,702	(1,202)
Total Expenses	<u>700,760</u>	<u>794,741</u>	<u>(93,981)</u>
Excess Revenues over Expenditures	<u>\$ 89,240</u>	<u>\$ 119,347</u>	<u>\$ 30,107</u>

BUDGET VS ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Fire Department Fund		
	Budget	Actual	Variance
REVENUE:			
Town revenue	\$ 513,500	\$ 506,899	\$ (6,601)
Interest	-	237	237
Miscellaneous Income	-	4,886	4,886
Total Revenue	<u>513,500</u>	<u>512,022</u>	<u>(1,478)</u>
EXPENSES:			
Building Maintenance	\$ 22,000	\$ 21,690	\$ 310
Communications	19,800	7,104	12,696
Depreciation	177,200	181,799	(4,599)
Dues and Subscriptions	3,800	4,843	(1,043)
Fire Fighting Equipment	69,000	78,673	(9,673)
Gas and Fuel	48,000	35,497	12,503
Insurance	39,000	22,767	16,233
Legal and Professional	11,300	893	10,407
Miscellaneous	11,000	15,463	(4,463)
Note Principal and Interest	-	9,631	(9,631)
Office Expense	4,800	4,952	(152)
Personal	20,000	32,289	(12,289)
Food & Beverage	6,700	-	6,700
Fire Prevention	4,400	-	4,400
Hep/B & Physicals	500	-	500
Training	7,000	2,205	4,795
Utilities	24,000	23,499	501
Vehicle Maintenance	45,000	47,245	(2,245)
Total Expenses	<u>513,500</u>	<u>488,550</u>	<u>24,950</u>
Excess Revenues over Expenditures	<u>\$ -</u>	<u>\$ 23,472</u>	<u>\$ 23,472</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Prudential Committee
Colchester Fire District #3
Water Department

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Colchester Fire District No. 3 (CFD #3) (a municipal entity) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 4, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CFD #3 internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CFD #3 internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CFD #3 financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Batchelder Associates, P.C.
Barre, Vermont
License #945
January 4, 2018

COLCHESTER FIRE DISTRICT #3
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2017

Deficiencies in Internal Control:

Material Weaknesses:

2017-01 Outstanding Items on Reconciliation of Bank Statements

Criteria: Internal controls should be in place to provide for the reconciliation of all balance sheet accounts to supporting documentation on a monthly basis in order to detect and correct errors in account balances.

Condition: A number of "in-transit" and outstanding items of the Fire Department cash account reconciliation were back dated when issued.

Cause: Unknown.

Effect: The District's account balances were incorrect.

Recommendation: We recommend that all cash accounts reconciled be review by a person not involved in the activities of this account in order to detect and recommend correctios errors.

Management's Response:

2017-02 Employees are being paid by the payroll system and being issued 1099's

Criteria: IRS rules, regulations and guidelines should be followed at all times.

Condition: Employees are being paid by the payroll system and being issued 1099's.

Cause: Unknown.

Effect: The District maybe subject to IRS penalties.

Recommendation: We recommend that all payments to employees, except for reimbursements for items purchased on behalf of the District (with required receipts), be paid through the Payroll System and included on the employees W-2.

Management's Response:

January 4, 2018

Prudential Committee
Colchester Fire District #3
PO Box 4
Colchester, VT 05446

In planning and performing our audit of the financial statements of Colchester Fire District #3 (CFD#3), as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Colchester Fire District #3's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in Colchester Fire District #3's internal control to be material weaknesses:

Expenses

- Cause 1: **6 of the 23** invoices tested could not be located in the paid invoice file. All check issued should have back-up of some sort attached.
- Cause 2: **9 of the 23** invoices tested had no supervisors' approval noted.
- Cause 3: **None of the 23** invoices had account numbers assigned to them.
- Effect: Invoices could be posted to incorrect accounts or paid inappropriately or even fabricated.

Recommendation: Internal controls need to be implemented to reduce the risk of errors and improve the accuracy and reliability of financial information

Expense reimbursements need to be documented as a standard procedure. All funds released by the organization should be substantiated with purpose, dates and receipts. Should the organization be audited by the IRS and the organization does not have an approved accountable expense reimbursement plan in effect, Funds which are advanced and are not substantiated with receipts and expense reports should be considered income to the recipient.

Back-up to substantiate these disbursements should be maintained and retained.

Payroll/Expenses

Cause 1: Firefighter stipends for overnight shifts was run through the accounts payable system like any other vendor payment.

Effect: An employee should not receive a 1099 and a W-2.

Recommendation: All payments to each employee should be processed through the payroll system. This is an IRS ruling (#, and date).

Sincerely,

Batchelder Associates, PC

Regulations, Fire Protection Division,
Colchester Fire District No. 3

Article I – Membership

Section 1. All persons who were members of the Colchester Center Volunteer Fire Company, Inc. at the date of its dissolution shall be members of the Fire Protection Division (Division) of Colchester Fire District No. 3 (District).

Section 2. Membership in the Division shall consist of no more than 50 active members, 10 special assignment members, 5 junior members and an unlimited number of life members and honorary members.

Section 3. No person shall be elected to active membership if under eighteen years of age.

Section 4. No person shall be elected to active membership who has not been a resident of the Town of Colchester for a period of at least one year preceding the date of application. This requirement may be waived upon recommendation of the Fireline Council.

Section 5. Every new member shall be furnished with a copy of these regulations and, before being admitted into full membership and being permitted to vote, shall acknowledge receipt of the same and with acceptance of the obligation to abide by these Regulations so long as he/she shall remain a member of the Division. Such acknowledgement and acceptance shall be in writing on an appropriate form provided by the Division Secretary.

Section 6. All firefighters shall be evaluated by the Fireline Council at least once every three months with respect to such matters as proficiency in firefighting, physical qualifications, personal adaptation and attendance at fire drills and fire calls. The results of the evaluation may be reported to the President with a recommendation for the presentation to the Division for appropriate action. When required by vote of the Division the Fireline Council shall furnish within one month an evaluation report of any member.

Section 7. Any member may be placed on the inactive list by a vote of the Division following the presentation of a Fireline Council evaluation report. Any member placed on the inactive list may reapply for membership and be reaccepted in the regular manner and shall be given preference in the event he or she re-applies providing he or she has not been on the inactive list for a period of more than one year.

Section 8. Any member who has served the Division with distinction during his/her period of active membership, upon written petition of not less than ten members, may be placed in nomination for life membership.

Fire Protection Division Regulations

Section 9. Any member who has served the Division for twenty-five years shall automatically be made a life member. In computing years, service with CCVFC shall count toward service with the Division.

Section 10. Any member who has served the Division for ten years and requests in writing that his/her name be placed on the inactive list because of disability shall be nominated by the Division Secretary for life membership. In computing years, service with CCVFC shall count toward service with the Division.

Section 11. A two-thirds vote of a regular quorum shall be required to elect a candidate nominated under Sections 8 and 10 to life membership.

Section 12. Inactive life members shall have all membership privileges including that of voting, station access, and attendance at Division functions, but shall not be required to attend meetings, drills or fire calls. Active life members who will be responding to fire calls are required to meet the same attendance standards mandated for regular members. This requirement may be modified or waived by the Trustee Board after a recommendation by the Fireline Council

Section 13. No member of the Division shall be an active member of any other fire department or rescue unit within a radius of thirty miles unless authorized by the Fireline Council. This Regulation shall not refer to industrial fire departments at places of employment or business.

Section 14. Any member may request a leave of absence for a period of not more than two (2) years. This request must be in writing, addressed to the President. Any member requesting leave must turn in all gear. Any member on leave may not participate in department functions without re-affiliating with the Division in writing. A member may, due to inactivity or unresponsiveness, be placed on leave involuntarily by the Fireline Council. The term of leave shall be no more than two (2) years, and notice must be sent to the member in writing by the Fire Chief or his designee. The date a letter has been sent will serve as the beginning of the two year leave of absence. This letter will replace any subsequent request for leave by a member. If the member makes no effort to re-affiliate with the Division during the involuntary term of leave, the member will be considered no longer a part of the Division. All gear and equipment must be returned by the member upon receipt of the letter.

Section 15. An applicant who applies for special membership shall be interviewed by three of the following: President, Chief or one or more of the Trustees. The application and recommendation shall be read to the Division before a vote is taken. Voting shall follow the procedure for regular membership (without a probationary period) detailed in Article IV, Section 2.3. Any applicant who is declined may not reapply for a period of one year.

Section 16. A special assignment member shall have all membership privileges except that of voting and full fire equipment. Equipment may be issued at the discretion of the

Fire Protection Division Regulations

Fire Chief or his designee in order for a special assignment member to perform his or her job safely.

Section 17. Honorary membership may be granted to any person by a majority vote of the Division. An honorary member shall have no rights or privileges of character except upon invitation of the Division.

Article II – Officers

Section 1. The executive officers of the Division shall consist of a President, Vice-President, Secretary, Treasurer, Fire Chief and Assistant Fire Chief, each elected annually for a term of one year, and three Trustees elected in rotation for a term of three years each so that the term of one Trustee will expire each year. The three elected Trustees together with the President and Fire Chief shall constitute the five-member Trustee board.

Section 2. The fire line officers shall consist of the Fire Chief, Assistant Fire Chief and such other officers as may be appointed by the Fire Chief.

Section 3. No member shall be eligible to hold an executive office unless he or she has been a member of the company for at least one year, with the exception of the trustees in which case he or she shall have been an active member for not less than three years. The period of membership to determine eligibility for office shall be measured from the time a person is sworn in as a full member. Exceptions may be made for Junior Members who become full members. Such an exception is made at the discretion of the Division by majority vote.

Section 4. A vacancy in any elective office caused by resignation, removal to inactive status, or death, shall be filled by a member appointed by the President at the next regular business meeting, the office to be held until the next regular annual meeting.

Section 5. All elected officers shall be elected at the annual meeting by ballot after nominations from the floor on the last Wednesday in January and shall take office at the next regular meeting of the following month.

Section 6. No member may hold two (2) executive positions, as listed in Section 1, concurrently.

Article III – Duties of Officers

Section 1. Duties of the President. It shall be the duty of the President to preside at all business meetings of the Division, except when the office of President is up for election. The meeting shall be turned over to the next senior (in descending order: Vice President, Treasurer, Secretary) officer until the election of the President is completed, after which the President conducts the remainder of the meeting. In the case of his or her absence, the next ranking executive officer presides. The President shall:

Fire Protection Division Regulations

- Direct the Secretary to call special meetings when deemed necessary or at the request of five members in writing.
- Appoint all committees not otherwise provided for.
- Impartially enforce these Regulations and see that all officers and committees perform their duties.
- Have the authority to call a meeting of the Disciplinary Board.

The President may draw on the Treasurer for disbursements up to \$100.00 per month at his discretion, to be non-cumulative.

Section 2. Duties of the Vice President. It shall be the duty of the Vice President to assume the duties of the President in his or her absence and to assist in every way possible. The Vice President shall be responsible for reconciling all fire protection fund account(s).

Section 3. Duties of the Secretary. It shall be the duty of the Secretary to

- Keep books containing these Regulations and the signatures of the members agreeing to abide by these Regulations,
- Record the minutes of the business transacted at, and all action taken at meetings,
- Call the roll at the opening and closing of all meetings,
- Notify every newly elected member of his election and when to appear to be sworn in,
- Furnish the Town Offices and the Clerk of the District with a list of officers,
- Read the minutes of each meeting before the close of the meeting,
- Notify all members personally or by mail of the annual meeting and all special meetings.
- Maintain an inventory of office supplies.

He or she shall have the authority to make disbursements up to \$25.00 per month for necessary supplies, to be non-cumulative.

Section 4. Duties of the Division Treasurer. It shall be the duty of the Division Treasurer to receive all money paid to the Division (or paid to the District on behalf of fire protection fund accounts and forwarded from the District to the Division), give receipts for the same, keep a correct account of all receipts and disbursements, and report the same on a monthly basis to the District Treasurer and at every regular business meeting of the Division. The Division Treasurer shall:

- Upon approval by the Fire Chief or the Chief's designee, pay budgeted items approved by the District at the prior annual meeting, including but not limited to utilities and operational and other expenses (heat, lights, fuel, phone, gasoline, annual banquet).
- Except as provided in Article III, Sections 1, 3, 5 and 11, make no other disbursements without the approval of the Prudential Committee and a majority vote at a regular or special business meeting of the Division.
- Present the books for audits.

Section 5. Duties of the Fire Chief. It shall be the duty of the Fire Chief to take command of the Division. The Fire Chief:

Fire Protection Division Regulations

- Shall prepare, with the assistance of the other executive officers, an annual budget to cover the Division's anticipated expenses, revenues and, at the discretion of the executive officers, a capital reserve fund, for the Division's upcoming fiscal year.
- May appoint one of his fire line officers to take command at all fires, drills, parades or emergencies.
- May order special drills at his discretion, giving two days notice.
- Shall supervise or direct someone to supervise instruction of new members.
- Shall be the presiding officer of the Fire Line Council.
- Shall have the authority to call a meeting of the disciplinary board.
- May draw upon the Treasurer for disbursements up to \$100.00 per month at his discretion, to be non-cumulative.

Section 6. Duties of the Assistant Fire Chief. It shall be the duty of the Assistant Fire Chief to assume the duties of the Fire Chief in his or her absence and to aid in the performance of the Fire Chief's duties.

Section 7. In the absence of the Fire Chief and the Assistant Fire Chief, the senior fire line officer present shall be in command unless command be previously assigned by the Fire Chief.

Section 8. In the absence of all fire line officers, the first member arriving at the scene of an emergency shall take command, unless command be previously assigned by the Fire Chief.

Section 9. The Fire Chief shall assign the duties of the appointed fire line officers.

Section 10. All elected and appointed fire line officers shall constitute the Fire Line Council. The Fire Line Council shall act as an advisory board to the Fire Chief and shall be responsible for the evaluation of apprentice firefighters at the conclusion of their training period and for continuing evaluation of all firefighters on a regular basis.

Section 11. The newly elected President shall appoint a building committee after the annual business meeting, term one year. It shall be their duty to see that the Division buildings and premises are kept in repair and report any major repairs or improvements needed to the Prudential Committee and the Division and to supervise the work when ordered to do so by the President. The building committee shall have the authority to order emergency repairs and may draw upon the District Treasurer to pay for the same, if immediately necessary, without the vote of the Division, upon approval of the Trustees and the Prudential Committee.

Section 12. The Trustees shall manage the affairs of the Division and shall be members of the Disciplinary Board. Except for budgeted items approved by the District and minor disbursements allowed under Article III, Sections 1, 3 and 5, all Division expenditures must receive prior approval by the Trustees, or a majority vote of the Division at a special or regular meeting, and the Prudential Committee.

Fire Protection Division Regulations

Article IV – Apprentice Firemen

Section 1. Apprentice firefighters shall be appointed by the President or Vice President upon the receipt of an application on an approved form showing the approval of the Fire Chief or Assistant Fire Chief.

Section 2. To become an active member, an apprentice firefighter shall:

- 1.) Successfully complete the apprentice firefighter-training course as administered by a designated training officer. THIS REQUIREMENT CANNOT BE WAIVED.
- 2.) Upon approval by a majority vote of the Fire Line Council, start a 180 day probation period to demonstrate fitness for active membership. Fitness shall be judged on proficiency in firefighting, special skills, personal adaptation, attendance at drills and training sessions, availability, physical fitness and other matters and policies as set forth by the Fire Chief.
- 3.) Upon completion of the 180 day probation period, the Fire Chief shall forward to the President a written report of the overall suitability for membership issued by the Fire Line Council. This report and the application shall be read to the Division before a vote is taken. A discussion of the candidate's suitability for membership may take place prior to a vote. All candidates for active membership shall be voted on, by ballot in the order in which the Secretary received applications, providing an opening exists on the roster. A candidate must receive at least a two-thirds majority vote of the active and life members present at the meeting to become a member. Any candidate receiving less than a two-thirds vote may not reapply for active membership for a period of one year.

Section 3. Apprentice firefighters may attend drills and such special functions as directed by an officer. Apprentice firefighters shall not be listed in any roster except with notation that they are apprentice or junior firefighters. Personal equipment will not be assigned to apprentice firefighters, but equipment as needed for training purposes will be provided. A firefighter who is serving a probation period may be issued full equipment and may respond to fire calls if accompanied by an active member. An apprentice firefighter may participate in firefighting only as directed by the officer-in-charge. Appointment as an apprentice firefighter may be terminated at any time by a vote of the Division at any regular meeting upon petition of five or more active or life members.

Article V – Meetings

Section 1. The Division will conduct drills at least once a month and check all equipment.

Section 2. Regular business meetings shall be held the last Wednesday of each month. The annual budget prepared by the Fire Chief pursuant to Article III Section 5 of these Regulations shall be presented at a regular business meeting for vote at the following meeting. If approved, the budget shall be submitted to the Town for approval and to the

Fire Protection Division Regulations

District Clerk for inclusion in the District's Annual Report and voter approval or rejection pursuant to Article V, Section 5.1 of the District's Bylaws.

Section 3. Special meetings may be called by the President or by a majority vote taken at a regular meeting or by a written request signed by five members. All members are to be notified by the Secretary. The business for which a special meeting is called is to be stated in the call and no other business may be transacted at the special meeting. All special meetings shall be warned by the District Clerk.

Section 4. The Fireline Council shall meet at the call of the Fire Chief but not less than once every three months.

Section 5. Seven active or life members shall constitute a quorum for the transaction of business of the Division, with the exception of changes in the Regulations.

Section 6. All meetings shall be open to the public. However, only Division members may vote at Division meetings.

Article VI – Maintenance of Equipment

Section 1. The Fire Chief shall be responsible for motive power, pumps and all necessary mechanical equipment to be in condition for instant service. All necessary repairs shall be made and a bill presented at the next business meeting.

Section 2. The driver of any piece of equipment shall be held responsible for the proper maintenance of the apparatus during such time as it is under his or her jurisdiction, and upon return to the firehouse it shall be placed in proper condition for immediate service. Defects in apparatus shall be reported immediately to the proper authority. Neglecting to report defects or failure to re-fuel, etc. shall be cause for dismissal from active service, upon recommendation of the Division's Fireline Council.

Section 3. With the exception of approved budget items and emergency repairs approved by the Trustees and the Prudential Committee in accordance with Article III, Section 11, any Division expenditure in excess of \$1,000.00 must receive prior approval from both the Division and the Prudential Committee. With respect to the Division, the proposed expenditure shall be brought before a business meeting of the Division with a minimum of three price quotes. All such expenditures are to be tabled for 30 days and voted on at the next business or special meeting.

Article VII – Discipline

Section 1. Refusal to obey commands of an officer or officers in charge at any fire or drill by a member shall be reported to the Disciplinary Board for action.

Section 2. No member shall appear at the meetings of the Division, or on duty, in a state of intoxication or under the influence of drugs, or shall be guilty of using insulting,

Fire Protection Division Regulations

indecent or profane language, or be guilty of conduct unbecoming of a gentleman, or otherwise bring disgrace upon the Division, or they shall be reported to the Disciplinary Board.

Section 3. Any member wearing or using his uniform or equipment on any occasion except for Division purposes without the consent of the Fire Chief shall be subject to such discipline as the Disciplinary Board may direct.

Section 4. Any member removing any article from the fire house without the permission of the Fire Chief shall be reported to the Disciplinary Board for action.

Section 5. All members, after returning from a fire, must see that their equipment is cleaned and in its proper place.

Section 6. All firefighters shall return to the firehouse from a fire unless excused by the officer-in-charge or shall be brought before the Disciplinary Board.

Section 7. The Fire Chief, President and Trustees shall form a Disciplinary Board. The board shall have the authority, by majority vote, to suspend or expel any member on the grounds of any action detrimental to the public image of the Division, on and off the fire line; the safety of the members of the Division, on and off the fire line; refusal to obey the orders given by the Fire Chief, officer-in-charge, or other line officer; failure to obey and uphold the Regulations; and any instance or instances of action detrimental to the Division and its policies as so determined by the Fire Chief and the President. The minutes of the Disciplinary Board meeting will be presented at the next regular business meeting. The member in question shall be notified as soon as possible after the incident has occurred, and be given a chance to answer for any charges before the Disciplinary Board. In general and unless the member in question requests otherwise, any appearance before the Disciplinary Board, the report of the Disciplinary Board and any hearing before the Division shall be treated as a personnel matter excepted from open meetings and public records law pursuant to 1 V.S.A. §§ 313(a)(4) and 317 (c)(7).

Section 8. Any action or suspension taken by the Disciplinary Board shall take effect within two months of the incident or incidents. The length of term of suspension shall be not more than six months for the first offense. A second offense of the same nature shall carry a suspension of not more than one year. A third offense of the same nature shall constitute automatic expulsion from the Division. If the subject member's offense is determined by the Disciplinary Board to be of such a nature that expulsion from the Division is immediately necessary, then the Disciplinary Board may immediately dismiss the subject member only upon unanimous decision of the Board. If the subject member is the President or Fire Chief or a Trustee, the next ranking officer on the corporate staff or fire line shall assume the place of the subject member for this purpose.

Section 9. A member who has been expelled may reapply for membership three years after the date of expulsion. If a member is expelled or suspended, the property officer

Fire Protection Division Regulations

shall reclaim all gear issued to the subject member, and shall reissue it upon completion of the term of suspension.

Section 10. If the subject member holds an elective office, the President or his replacement shall appoint a member to fill the office until the next annual meeting, during which regular elections take place.

Section 11. No gambling shall be allowed in the firehouse.

Section 12. Substance Abuse

A) Alcohol. Any member found in a state of intoxication at any fire department business or public function as observed by at least two fire line officers and reported to the Fire Chief and/or Assistant Fire Chief may be asked to participate in a breath test for alcohol. If the test results have over a 0.05 reading, the Fire Chief or Assistant Fire Chief will automatically dismiss that person from the Division for 2 years.

If a person returns after a 2-year dismissal and a situation once again arises that once again warrants a breath test, and the test results have over a 0.05 reading, that person will be dismissed from the Division for life.

The Division has the authority to waive section 12A by a majority vote for special social functions.

B) Drugs. Any member suspected to be under the influence of illegal drugs may be asked by the Fire Chief and/or Assistant Fire Chief to be tested for illegal drug consumption. The date, time and location of such testing will be determined by the Fire Chief and/or Assistant Fire Chief and may be requested without prior warning to the member. Any testing that results in a positive reading will result in automatic dismissal for 2 years.

C) Random Drug Testing. All prospective Division members will be required to participate in a drug test prior to being elected to Division membership. Any positive test readings will result in automatic denial of membership.

All existing Division members will submit to random drug testing (date/time/location to be determined by the Fire Chief and/or Assistant Fire Chief). Any positive test readings will result in a 2-year dismissal from the Division.

If a person returns after a 2-year dismissal and again tests positive for illegal drug usage, that person will automatically be dismissed from the Division.

Fire Protection Division Regulations

Article VIII – Rules of Order

Section 1. One member at a time shall be entitled to the floor.

Section 2. Every member desiring the privilege of the floor shall arise and address the chair.

Section 3. No member shall be allowed to speak until recognized by the chair.

Section 4. No question can come before the Division unless properly moved and seconded and declared open for discussion by the chair.

Section 5. Any member may call for the yeas and nays on any question decided by voice vote, when each member shall be required to answer to his name on the roll, unless excused by the chair. Any member may also call for a paper ballot on any question.

Section 6. All questions, unless otherwise decided by the Regulations, shall be settled by a majority of the votes cast.

Section 7. No member shall speak more than five minutes on any subject at once time, or more than twice on the same subject, except by permission of the chair.

Section 8. When a point of order is raised by any member, the person having the floor shall take his/her seat until the point is decided by the chair when, if proper, he may resume.

Section 9. When a motion is properly before the Division, it must be disposed of before another can be entertained. No motion be subject to more than two amendments.

Section 10. No subject tabled during a meeting shall be taken up again during the same meeting, unless it was understood, at the time the subject was tabled, that the subject could be raised again at the same meeting.

Section 11. A motion to be reconsidered must come from a member who voted with the majority when the action to be reconsidered was taken.

Section 12. Any member may appeal to the Division from a decision of the chair. When so appealed the question before the Division shall be “shall the decision of the chair be sustained?” A reversal of the chair’s decision requires a vote of two-thirds of the members present and voting.

Section 13. All resolutions offered must be given in writing or from the floor of the meeting.

Section 14. No member shall leave the room during the meeting unless the chair gives permission.

Fire Protection Division Regulations

Section 15. No parliamentary rules shall be used in connection with the Regulations except such as are herein contained.

- *Approved by the Prudential Committee at a Special Meeting on June 10, 2014 and published June 11, 2014*

Marianne Temen
Clerk, Colchester Fire District No. 3

- *Approved by the Colchester Center Volunteer Fire Company, Inc. on June 25th, 2014*

[Signature]
Clerk, CCVFC, Inc.

**The foregoing Regulations were adopted by the Colchester Fire District No. 3 at its
duly warned meeting held on July 1, 2014.**

Marianne Temen
Clerk, Colchester Fire District No. 3

BYLAWS

COLCHESTER FIRE DISTRICT NO. 3

Article I - Name of District

Section 1.1 The name of the fire district shall be the Colchester Fire District No. 3 (hereafter the District.)

Article II – Territorial Limits of District

Section 2.1 The territorial limits of the District are set forth in *An Act to Validate the Organization, Define the Powers and Confirm Certain Proceedings of Colchester Fire Districts Numbers 1, 2 and 3*, approved by the Vermont General Assembly May 16, 1961 and consists of the following:

That territory within the town of Colchester bounded westerly by the waters of Mallett's Bay and a line three hundred feet east of and running parallel to a road, commonly known as Mallett's Bay avenue, from the waters of Mallett's Bay south to the boundary line of the city of Winooski; southerly by the north boundary line of the city of Winooski, the north boundary of the State Militia grounds and the west and north boundaries of the United States Military Reservation, commonly known as Fort Ethan Allen; easterly by the Colchester-Essex town line; and northerly by a stream known as Sucker Brook and Colchester Pond, the entire waters of Colchester Pond being within the area thus described.

Article III - Legal Status and Voters

Section 3.1 The inhabitants of the District shall be a body corporate.

Section 3.2 Persons residing within the limits of the District who are registered voters in the Town of Colchester shall also be voters in the District.

Article IV Powers

Section 4.1 The District shall have all of the powers and duties of municipal corporations as provided by the District's Charter, Vermont Law, including but not limited to Title 24 and chapter 171 of Title 20 of the Vermont Statutes Annotated, and these bylaws as they may from time to time be amended.

Section 4.2 The District shall have the power to provide fire protection for property within its district, acquire, construct and maintain sewers and sewage treatment works; sidewalks; public parks; water works, water companies and equipment and real estate used in connection therewith including reservoirs and dams; for lighting; and for other lawful purposes.

Article V - Meetings

Section 5.1 Annual Meeting. The District's annual meeting shall be held on the third Monday in January, or at such other time as the District at any regular or special meeting may determine, and shall be warned by the Clerk. The District shall consider and approve or reject the budgets submitted to it by the Prudential Committee, and the Fire Protection Division, pursuant to Article IX, Section 9.3 and Article X, Section 10.4.

Section 5.2 Special meetings shall be called by decision of the Prudential Committee, or on application in writing by five percent of the voters of the District, and warned by the Clerk.

Article VI – Officers

Section 6.1 Elected Officers, residents. The District shall have a Clerk, a Treasurer, and a Prudential Committee consisting of five persons, three of whom shall serve for three-year terms and two of whom shall serve for one-year terms. All officers shall be residents of the district. The two committee persons whose terms are one year shall be elected from those district residents who are also members of the Fire Protection Division, as that term is defined in the Division's regulations.

Section 6.2 Bonding. All officers of the district and all officers of the Fire Protection Division shall be bonded for the proper performance of their duties. The District shall pay the cost of each officer's bonding.

Article VII – Clerk; Duties and Responsibilities

Section 7.1 Custodian of District Records. The Clerk shall be the custodian of the District's public records.

Section 7.2 Minutes. The Clerk shall take, or cause to be taken, minutes of every annual and special meeting of the District and of every meeting of the Prudential Committee. The minutes shall be the official record of all action taken at these meetings, provided the minutes are approved by the Prudential Committee at the Committee's subsequent meeting.

Section 7.3 Warnings. The Clerk shall insure that warnings of annual and special meetings and any other official documents are posted and published in accordance with applicable statutes.

Section 7.4 Annual Report. The Clerk shall prepare a report at least two weeks prior to the annual meeting. The report shall summarize the principal activities of the District since the last annual meeting, shall include a report from the Treasurer and shall include the budgets proposed by the Prudential Committee and the Fire Division pursuant to Article IX, Section 9.3 and Article X, Section 10.4 of these Regulations. The annual report shall be available for inspection during the Clerk's regular office hours. Upon request, the Clerk shall mail or email a copy of the report to a resident of the district.

Colchester Fire District No. 3 Bylaws

Section 7.5 Issuing Checks. The Clerk shall have the authority to issue checks from the District's accounts.

Section 7.6 Incidental Purchases. Upon written approval from the Prudential Committee, the Clerk or his or her assistant may procure, at the expense of the district, all necessary stationery, supplies and equipment for use in connection with the office and for the effective preservation of the district's records.

Section 7.7 Compensation. The Clerk shall receive such compensation as is voted by the voters at the annual or special meeting of the District.

Section 7.8 Assistant Clerk. With the approval of the Prudential Committee, the Clerk may appoint an Assistant Clerk who need not reside in the district. The Assistant Clerk may discharge any of the duties and responsibilities of the Clerk, subject to the direction and supervision of the Clerk. If the Assistant Clerk is empowered to handle district funds, the Assistant Clerk shall be bonded. The terms of the Assistant Clerk's employment and compensation shall be determined by the Prudential Committee but not to exceed any amount set by voters at the annual meeting.

Article VIII – Treasurer; Duties and Responsibilities

Section 8.1 Accounts. Separate fund accounts shall be maintained for water services, for the general administration of the District, and for any other purpose as may be designated by the Prudential Committee, including fire protection. Except as provided in Article III Section 4 of the Fire Division Regulations for fire protection fund account(s), the Treasurer shall keep an account of monies, bonds, notes, and evidences of debt paid or delivered to him or her, and of monies paid out by him or her for the District. The accounts shall at all times be open to the inspection of persons interested. With the prior approval of the Prudential Committee, monies received by the Treasurer on behalf of the District may be invested by the Treasurer.

Section 8.2 Reports. The Treasurer shall file quarterly reports with the Prudential Committee regarding his or her accounts and investments. Prior to the annual meeting, the Treasurer shall prepare a report which he or she shall give to the Clerk with sufficient time to allow the Clerk to include the Treasurer's report in District's Annual Report.

Section 8.3 Signing checks. Except as provided in Fire Protection Division Regulations, Article III, Sections 1, 3, 4 and 5 for fire protection fund account(s), only the Treasurer and one Prudential Committee member shall have authority to endorse checks issued from District accounts.

Section 8.4 Prudential Committee Authorization. Except as provided in Fire Protection Division Regulations, Article III, Sections 1, 3, 4 and 5 for disbursements made from fire protection fund account(s), the Treasurer shall prepare and submit itemized Orders or Invoices for payment of District payrolls and expenses to the Prudential Committee for review and

shall issue checks for each item. Each Order or Invoice submitted to the Prudential Committee shall show the amount owed for each item and to whom the amount is owed. The Prudential Committee shall review the Order or Invoice and approve or deny each item on the Order. The Prudential Committee shall note its decision on the face of the Order or Invoice and shall sign and date each Order or Invoice and return the same to the Treasurer.

Section 8.5 Payment on Orders or Invoices. Upon receipt of the signed Order or Invoice, the Treasurer shall endorse the approved checks and shall cause the same to be delivered to the recipients.

Section 8.6 Audits. The Treasurer shall exhibit a current account of any and all funds at such times as the Prudential Committee may require, and shall settle the accounts annually making a report of the same at each annual meeting of the District. With or without notice, the Prudential Committee may require an audit of the District's books and accounts to be performed by an independent certified public accountant.

Section 8.7 Compensation. The Treasurer shall receive such compensation as is voted by the voters at the annual or special meeting of the District.

Section 8.8 Assistant Treasurer. With the approval of the Prudential Committee, the Treasurer shall appoint an Assistant Treasurer who need not reside in the District. The Assistant Treasurer shall not have check signing authority. Except for fire protection fund account(s), the Assistant Treasurer shall be responsible for reconciling the accounts of all monies held by the District. The terms of the Assistant Treasurer's employment and compensation shall be determined by the Prudential Committee, not to exceed any amount set by voters at the annual meeting.

Article IX- Prudential Committee; duties and responsibilities

Section 9.1 Governing Body of District. The Prudential Committee shall be the governing body of the District and shall be responsible for the control and management of the affairs, property, and interests of the District. It may exercise all power of the District provided by Vermont law, its Charter or these Bylaws.

Section 9.2 General Authority. The Prudential Committee may expend such sums as are necessary for protecting property in the District from damage by fire, for overseeing the provision of sewage treatment, for acquiring, constructing and maintaining water works and distribution systems, sidewalks, public parks, lighting, and other lawful purposes, but not in excess of the sum the District may vote at its annual or special meeting. The Prudential Committee, may enter into contracts with governmental bodies, and private individuals and groups to obtain or provide goods and services for the District, provided the Committee does not bind the District for a greater sum than has been voted. The Prudential Committee may commence and prosecute action in the name of the District, defend and adjust actions commenced against it and settle claims in favor and against the District.

Section 9.3 District Budget. With the assistance of the District Treasurer and

Colchester Fire District No. 3 Bylaws

Clerk, the Prudential Committee shall annually prepare a budget to cover anticipated expenses, revenues and, at the discretion of the Committee, a capital reserve fund, for the District's upcoming fiscal year; provided, however, that the Committee's budget shall not include items covered by the Fire Protection Division budget, prepared by the Fire Chief pursuant to Fire Protection Division Regulations, Article III, Section 5. The Committee's budget, along with the budget approved by the Fire Protection Division pursuant to Article V, Section 2 of the Fire Protection Division Regulations, shall be presented at the District's annual meeting for consideration and approval or rejection by the voters.

Section 9.4 Water Commissioners. Unless the District votes otherwise at an annual or special meeting, the Prudential Committee shall serve as the District's board of water commissioners.

Section 9.5 Regulations, rules, ordinances. The Prudential Committee shall establish ordinances, regulations, and rules (collectively, regulations) for the operation of its water systems, and matters relating thereto, that are not inconsistent with the law. Such regulations shall not take effect until they have been approved by a majority of the voters of the District attending a duly warned annual or special meeting called for that purpose. The proposed regulations shall be posted in the District's office not more than 40 and not less than 30 days prior to the meeting. Notice of the posting shall be published in a newspaper of general circulation in the District. At least 5 days before the meeting, notice of the meeting shall be published in a newspaper of general circulation in the District.

Section 9.6 Rates, Charges, Fees. The Prudential Committee shall establish charges, rates and fees for connection to and allocation or use of the District's water system and for the general administration of the District. Ordinary rates and charges will be based on the metered consumption of water on premises connected to the District water system. The charges and rates shall be a lien upon the real estate furnished with water by the District in the same manner and to the same effect as taxes are a lien on real estate under Vermont law.

Section 9.7 Employees and agents. The Prudential Committee shall, as needed, hire, supervise, and discontinue the services of persons employed by the District. It shall also determine the terms of employment, what salaries shall be paid to these employees and the benefits to be provided. The Committee may also appoint, as needed, agents and representatives, specify their powers and responsibilities, and determine their appropriate compensation.

Section 9.8 Expense Reimbursement. The members of the Prudential Committee may be remunerated by the District for reasonable expenses incurred in the fulfillment of their responsibilities.

Section 9.9 Meetings. The Prudential Committee shall meet monthly or as requested by a majority of the Committee, or upon the call of the chair. At least 3 days notice shall be given to all members of a meeting, except that unanimous attendance shall substitute for shorter notice. Special meetings of the Committee shall be held at the written request of

Colchester Fire District No. 3 Bylaws

at least 5 percent of the District voters submitted to the Clerk; such meetings shall be convened within 14 days of the request.

Section 9.10 Quorum. A majority of the members of the Prudential Committee present at a duly called meeting of the Committee shall constitute a quorum for the conduct of business. A majority vote of those present and voting shall be an act of the Committee, unless a greater plurality is required by law or these bylaws.

Article X - Fire Protection Division

Section 10.1 Firefighting Division. The District shall consist of a Firefighting Division (Division), initially comprised of the members of the Colchester Center Volunteer Fire Company, Inc., which is, or will be, dissolved so as to allow its members to become the Fire Protection Division of the District.

Section 10.2 Fire Chief. The Division shall be commanded by the Fire Chief elected by the members of the Division.

Section 10.3 Division Regulations. The Division shall have the authority and duty to enact regulations, by vote of its members, for the orderly management of its affairs, to define duty, establish discipline and maintain unity among its members, thereby more fully promoting the fire protection objects for which the members associate together. The attached Regulations, drawn from the current bylaws of the Colchester Center Volunteer Fire Company, Inc., shall serve as the Division's initial Regulations. These and future Division Regulations may be amended, in whole or in part, by the members of the Division at a duly noticed meeting of the Division. However, neither the initial Regulations nor any amendment thereto may extend the power or the authority of the Division beyond that of the District itself or impede the ability of the District to modify any part of this or any other Article of the District's Bylaws.

Section 10.4 Division Budget. The Division shall annually prepare a budget to cover the Division's anticipated expenses, revenues and, at the discretion of the Division, a capital reserve fund, for the upcoming fiscal year. The Division's budget, along with the budget prepared by the Prudential Committee pursuant to Article IX, Section 9.3, shall be presented at the District's annual meeting, each for separate consideration and approval or rejection by the voters.

Article XI – Adoption, Amendment, Severability of Bylaws

Section 11.1 Adoption. These Bylaws shall be in full force from and after their adoption by the voters of Fire District No. 3 and their publication as provided by law.

Section 11.2 Severability. The invalidity of any section, clause, sentence, or provision of these Bylaws shall not affect the validity of any other part of these Bylaws which can be given effect without such invalid part or parts.

Colchester Fire District No. 3 Bylaws

Section 11.3 Amendments. These Bylaws may be amended by a majority of those voting at a duly constituted annual or special meeting of the District, provided that the text of the proposed amendment to be voted upon is set forth in full in the warning for such meeting.

- *Approved by the Prudential Committee at a Special Meeting on June 10, 2014 and published June 11, 2014.*

Marianne Temen
Clerk, Colchester Fire District No. 3

The foregoing Bylaws were adopted by the Colchester Fire District No. 3 at its duly warned meeting held on July 1, 2014.

These Bylaws supersede any previously adopted Bylaws.

Marianne Temen
Clerk, Colchester Fire District No. 3

Attachment 4 to Appendix A

From: Aaron Frank
To: "Stephen Bourgeois (sbourgeois1960@gmail.com) (sbourgeois1960@gmail.com)"; "Michael Chmielewski (mpchem4c1@gmail.com)"; "Sandy Ladd"; "Ed Losier (aelosier@cs.com)"
Cc: Geoffrey Urbanik
Subject: RE: Info on payments to fire dept. members
Date: Tuesday, November 13, 2018 10:05:00 PM
Attachments: [image001.png](#)
[image002.png](#)
[image003.png](#)

Hi All,

This came up in the budget meeting this morning. As noted, there are options to provide payments to volunteers if this guidance is followed and the conditions exist.

Aaron

From: Aaron Frank
Sent: Wednesday, November 18, 2015 11:18 AM
To: Stephen Bourgeois (sbourgeois1960@gmail.com) (sbourgeois1960@gmail.com); Michael Chmielewski (mpchem4c1@gmail.com); 'Sandy Ladd'; Ed Losier (aelosier@cs.com)
Subject: Info on payments to fire dept. members

Steve and Mike,

As noted in the Selectboard meeting, there are a few ways to address payments to members of our fire departments.

Here is some guidance from the Social Security Administration. You might consider the information on Expense and Reimbursements. There are some circumstances whereby "accountable expenses," may not be subject to Social Security and Medicare Taxes.

<https://secure.ssa.gov/apps10/poms.nsf/lnx/0302101260>

Additionally, a document produced by the International Association of Fire Chiefs may be helpful given the FY 17 budget requests that are intended provide additional resources to the two departments: http://www.iafc.org/files/1VCOS/FLSAManual_Small.pdf The structure of payments to volunteers can impact employer relationship from a fair labor standards act perspective.

Hopefully these resources will assist you in navigating these matters.

Aaron

Aaron Frank
Asst. Town Manager and CFO

Town of Colchester
781 Blakely Rd. | P.O. Box 55
Colchester, Vermont 05446



P: 802.264-5509 | F: 802.264.5503

colchestervt.gov

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Appendix B - Colchester Fire District #3 Budgeting Concerns

- I. The Colchester Fire District #3 Prudential Committee, the governing body, is prohibited from participating in drafting, considering, editing or approving the budget. The budget is drafted by the Fire Chief and forwarded to the Fire District voters and Town administration. Normally the governing body of a government would review and approve a budget before it went to the voters or to another organization for consideration of funding.
 - A. The requirements for this unusual arrangement within CFD#3 are included in the Prudential Committee Bylaws and the Fire Prevention Division Regulations, as specifically outlined in Appendix A, Audit Concerns.
- II. The CFD #3 FY 17 audit and a letter to the Prudential Committee from the Auditor explain Material Weaknesses of CFD#3's financial operations, their multiple causes and effect on the financial operations, and recommended changes. The recommended changes appear to conflict with the Bylaws and Regulations. **The findings seem to have resulted from processed and procedures mandated by the Bylaws and Regulations.**
 - A. The Bylaws and regulations, as specifically noted in Audit Concerns require that only the Fire Chief, and not the governing body, the Colchester Fire District #3 Prudential Committee; approve the Budget prior to voter approval of the Fire district or consideration by the Town Selectboard.
- III. The Contract between the Town and CFD#3 requires, in section 2, Consideration, requires that the CFD #3 requested must be authorized by the Prudential Committee. This is not being done. The contract is not superseded by the CFD#3 Bylaws or the Fire Prevention Division Regulations.
- IV. The budget to actuals for FY 18 were significantly off in 9 of 21 line items--with actual expenditures differing by both more than \$10,000 and 33%. While some line items such as building maintenance may be unplanned: Fuel was off by 77% or \$41,591 and Note principal by 46% or \$75,000. It would seem that these items could be better planned in advance if prior year spending were categorized by line item. Based on the audit, it would seem that this is not being done. Attachment 1 to Appendix B includes a 2017-2018 Budget Variance.

Attachment 1 to Appendix B

2017-2018 Colchester Center Budget Variance

Budget	Budget	Actual	Difference	% Difference
Building Maintenance	\$ 46,000	\$ 74,544	\$ (28,544)	-62%
Vehicle Maintenance	\$ 45,000	\$ 59,842	\$ (14,842)	-33%
Insurance	\$ 39,000	\$ 33,362	\$ 5,638	14%
Fire Fighting Equipment	\$ 69,000	\$ 97,924	\$ (28,924)	-42%
Communications	\$ 13,800	\$ 2,318	\$ 11,482	83%
Training	\$ 7,000	\$ 2,517	\$ 4,483	64%
Office Expense	\$ 4,800	\$ 5,210	\$ (410)	-9%
Food & Beverage	\$ 6,700	\$ 6,179	\$ 521	8%
Dues & Subscriptions	\$ 3,800	\$ 6,078	\$ (2,278)	-60%
Miscellaneous	\$ 11,000	\$ 11,401	\$ (401)	-4%
Gas & Fuel	\$ 54,000	\$ 12,409	\$ 41,591	77%
Fire Prevention	\$ 4,400	\$ 2,311	\$ 2,089	47%
Legal & Professional	\$ 6,800	\$ 3,463	\$ 3,337	49%
Note Principal	\$ 162,200	\$ 87,200	\$ 75,000	46%
Interest		\$ 7,752	\$ (7,752)	#DIV/0!
Capital Reserve		\$ 46,539	\$ (46,539)	#DIV/0!
Hep/B & Physicals	\$ 500	\$ -	\$ 500	100%
Per diem	\$ 20,000	\$ 54,451	\$ (34,451)	-172%
Salaries	\$ -	\$ -	\$ -	#DIV/0!
Benefits	\$ -	\$ -	\$ -	#DIV/0!
Town Audit	\$ 4,500	\$ 4,500	\$ 4,500	100%
To replenish Capital equipment account	\$ 15,000	\$ -	\$ 15,000	100%
Total	\$ 513,500	\$ 513,500	\$ -	0%

Appendix C - Colchester Fire District #3 Contract Concerns

Certain sections of the Town and CFD#3 Contract are not being followed as outlined below. The Contract is attached as C-1.

- I. Section 2. Consideration
 - A. Fire Department Budget is not approved by CFD #3 Prudential Committee as required.
 - B. 5-year capital plan for Colchester Center Volunteer Fire Company (CCVFC) was not provided for FY 20
 - a. Information supplied to the Selectboard regarding the 2020 budget related items that could have been planned in advance including: \$10,893 in paving; \$7,094 in kitchen appliances; and \$7,000 for replacement of the food shelf roof. (See Attachment 2 to appendix C, page 5.) This information is after the fact reporting vs. pro-active future planning.
 - C. Townwide planning for human resources is not being done as required by contract. CFD#3 is not collaborating with CFD#2 on daytime firefighters despite an effort to locate a team of three in a central location to serve the entire Town.
 - a. The contract requires that “CFD#3 will cooperate with the Town agencies to develop a coordinated community safety service delivery system. This includes working with other town community safety and emergency operations departments, committees and/or boards for the coordination and development of plans for maintaining, improving and delivering services that include financial resources, human resources and equipment.”
 - D. Detailed call data for Saint Michaels College Fire (a battalion of the department) has not been provided.
 - a. This is important to the Town as Saint Michaels College does not provide a Payment in Lieu of Taxes but rather a not for profit, Saint Michaels Fire and Rescue provides fire and rescue services to the Town. The Town is quite satisfied with this relationship but would like to quantify it by having detailed information about the calls taken by Saint Michael Fire as it does for Saint Michaels Rescue.
 - b. CCVFC counts Saint Michaels Fire responses as CCVFC responses as part of CCVFC’s annual call volume of 786. CCVFC expresses concern that calls 137 calls were not answered from the CCVFC main street station and that such lacking represents a deficit in response availability. Without information on whether Saint Michaels Fire responded to these calls, and whether another department of agency was the primary responder to the call, it is not possible to determine if there is a deficit in coverage.

Appendix C - Colchester Fire District #3 Contract Concerns

II. Section 3. Increased Compensation and Services

- A. For increased funding, which has been requested annually, more detailed and accurate supporting information should be supplied including budget to actuals, and comparison with at least five prior year's actual expenditures based on accurate line item budgeting and coding should be provided. As noted in the audit concerns, the Town does not believe expense reporting is being done with appropriately.

III. Section 5, Services (x) Dispatch

- A. CFD#3 has not been willing to consider a joint emergency software review as required by July 1, 2017. This results in the Town operating two such systems (IM Responding and Active 911) which increases the likelihood of failure in an emergency, complicates the Town's dispatch operations, and makes coordinating across Fire Departments more difficult.

INTERLOCAL AGREEMENT

THIS AGREEMENT made and entered into this 1st day of July 2016, by and between Colchester Fire District #3 (hereinafter referred to as "CFD#3"), a municipal corporation created and existing pursuant to the laws of the State of Vermont, and the Town of Colchester (hereinafter referred to as Colchester), a municipal corporation created and existing pursuant to the laws of the State of Vermont.

WHEREAS, CFD#3 is a municipality under the laws of the State of Vermont and which furnishes fire protection services in certain areas of Colchester; and

WHEREAS, Colchester is a municipal corporation created and existing under the laws of the State of Vermont; and

WHEREAS, Colchester is desirous of obtaining CFD#3's knowledge, equipment and services for fire protection and related services and CFD#3 is desirous of providing such knowledge, equipment and services to Colchester; and

WHEREAS, CFD#3 understands that Colchester is providing funding so that CFD#3 can deliver consistent, efficient, and effective emergency services throughout the community to the benefit of its citizens and visitors.

WHEREAS, CFD#3 will cooperate with the Town agencies to develop a coordinated community safety service delivery system. This includes working with other town community safety and emergency operations departments, committees, and/or boards for the coordination and development of plans for maintaining, improving and delivering services that include financial resources, human resources and equipment.

WHEREAS, Colchester has, since FY 15, provided funding for CFD#3 radio equipment as part of CFD#3's annual funding.

NOW THEREFORE, in consideration of the foregoing recitals and the mutual covenants and promises hereinafter set forth, the parties hereto have agreed, and do hereby agree as follows:

1. TERM: The term of the Agreement shall be for a period of three years, (subject to the availability of appropriations and approval by the voters of the Town of Colchester) commencing on the first day of July 2016 and ending on the 30th day of June 2019. This Agreement will automatically renew for three year periods, unless notification is provided by either party of their intention to modify or retire the contract. Notification shall be provided by registered mail or certified mail return receipt requested and shall be presented by either party to the other party at least one hundred and twenty (120) days prior to expiration of the term of the Agreement. Should a successor agreement not be completed by the expiration date, the agreement will remain in force for an additional 120 days with the provision that active negotiations transpire to finalize a successor agreement.

2. CONSIDERATION: CFD#3 understands that by requesting funding through the Town, the process of obtaining revenue for its fire protection services are simplified but that funding through property taxes is constrained, especially when increases are requested. As such, CFD#3 shall participate in the Colchester budgeting process by making CFD#3 funding requests to the Town Manager along with Town Departments and external organizations. CFD#3 requests must be authorized by the CFD#3 Prudential Committee. The Town Manager, in crafting a budget for Selectboard and ultimately voter approval, shall revise CFD#3 budget requests as necessary to meet overall budgeting needs of the Town. However, the Town Manager shall make the Selectboard aware of CFD#3's initial budget request. CFD#3 shall make a presentation before the Selectboard regarding its budget request. If, after this meeting both parties cannot agree on an amount, the Selectboard and Town Manager have the ability to present their reasons first to the CFD#3 Prudential Committee and then if still unresolved, they may make a presentation at the annual meeting of the Prudential Committee. The budget request shall include a capital plan for at least the next five fiscal years. CFD#3 shall provide statistics about calls answered in Colchester, including those answered directly, those answered by mutual aid, those answered by a battalion of the department, and type of response as well as mutual aid both within and outside of Colchester. Colchester shall remit to CFD#3 for each year the sum of money which has been approved by the vote of the members of CFD#3 and ultimately, by the vote of the registered voters of Colchester. Should respective votes differ from the vote of the registered voters of Colchester, the Colchester Town vote will prevail.

In the case of a disaster declared by the Town Emergency Management Director, the CFD#3 may request such additional monies from Colchester as are reasonable, prudent and verifiable to control such disasters. All payments will be payable in monthly installments on or before the 10th of each month for which service is provided. CFD#3 agrees to provide a copy of its annual audit and all exhibits to Colchester within one week of acceptance by the Prudential Committee. CFD#3 budgets and audits must show fire suppression related revenues and expenses in detail and separately from water revenues and expense.

3. INCREASED COMPENSATION AND SERVICES: The compensation herein above set forth shall be appropriately increased by amendment to this contract in the event Colchester requests additional services to the service area as herein described, or if because of other legislative, or regulative action, CFD#3's costs are increased, subject to mutual agreement, or the process described in Section 2.

4. AREA TO BE SERVED: The primary area to be served is the Town of Colchester. The equipment and services to be provided by CFD#3 pursuant to the provisions of this Agreement shall be stationed in and assigned to Colchester unless otherwise specified. It is specifically understood and agreed between the parties hereto that CFD#3 may in the event of emergency provide the equipment and services designated to other service areas by mutual aid agreement with those service areas in and around Colchester.

The Town of Colchester encourages CFD#2 and CFD#3 to work with all emergency responders and continually review and explore operations and practices in order to evolve fire services to serve Colchester residents and businesses in the most efficient and effective manner as possible.

5. SERVICES TO BE PROVIDED:

(i) Alarm Response: CFD#3 shall dispatch all of its available personnel and equipment necessary to fight a fire and shall take such other steps as may be reasonable and prudent to fight said fire, including, but not limited to, requesting aid from other departments and fire fighting facilities. CFD#3 shall be permitted to aid other fire departments with reasonable and adequately trained staff, equipment, and apparatus, at times such other fire departments may request assistance. In doing so, the Department shall follow customary mutual aid practices. Notwithstanding the foregoing, CFD#3 shall at all times maintain adequate protection levels in Colchester.

(ii) Rescue Response: CFD#3 shall maintain and make available its heavy rescue unit to respond to incidents as dispatched with adequate equipment and trained personnel.

(iii) Emergency Medical Response: CFD#3 agrees to provide first response emergency medical services to assist Colchester Rescue Squad. CFD#3 may discontinue this service with 60 days written notice to Colchester.)

(iv) Hazardous Materials First Response: CFD#3 shall maintain and make available its hazardous materials response upon request of the Town as a first responder unit only. The Town recognizes the special nature of this activity and agrees to follow its Ordinance Chapter 9 (Section 9-15 through 9-23) and provide billing services on behalf of CFD#3's efforts.

(v) Fire Code: CFD#3 shall make available to residents of Colchester routine technical and fire protection advice such as is customarily offered by area fire departments. CFD#3 shall assist the Town in the enforcement of the Colchester Code of Ordinances and policies of Colchester as may from time to time be enacted as they relate to matters of fire protection.

(vi) Reserved.

(vii) Insurance Grading: CFD#3 and CCVFC shall, working together as unified providers of emergency services to the Town, request review by the ISO with agreement of the Selectboard when deemed appropriate and timely. It is agreed that CFD#2 and CFD#3 shall coordinate their efforts and strategic planning so as to mutually improve the ISO rating of their service areas, within their financial means.

(viii) Responsibility for Safety of Equipment: It shall be the responsibility of CFD#3 to ensure that all vehicles and property in the CFD#3's care, custody and control are maintained in a manner to comply with all reasonable safety standards and practices followed in fire protection services.

(ix) Radio System: Colchester shall purchase, install and maintain an adequate Town wide radio system necessary for emergency response as outlined and approved in the Town's Capital Communication Plan and subject to approval by the Town voters. The

Town wide radio system includes radio equipment other than CFD#3 radio equipment. CFD#3 radio equipment includes radio equipment on CFD#3 property (including towers on property regardless of ownership) equipment within CFD#3 vehicles/equipment or hand held equipment.

(x) Dispatch: CFD#3 does not provide usual and customary dispatching services. CFD#3 relies upon the Town of Colchester to provide this service. CFD#3 will work with Colchester to develop common processes for dispatch for use by all public safety entities. Complaints, comments, concerns and suggestions about Dispatch should be directed to the Chief of Police or designees who oversee the dispatch operation. CFD#3 shall participate in evaluation of emergency response software review and evaluation so as to choose a single platform to be used by any entity dispatch through the Town of Colchester Dispatch service. Such software shall be in place by July 1, 2017.

(xi) Emergency Management Planning, Readiness and Coordination: CFD#3 shall participate in Colchester's quarterly public safety coordinating meetings and report out relevant information to its Command and membership as appropriate. CFD#3 shall directly participate in Colchester emergency management planning and readiness including table top exercises, drills and plan development.

6. INSURANCE: Automobile and comprehensive general liability insurance shall be provided and maintained during the term of this contract by CFD#3. Such insurance policies shall include coverage for other operations performed under this agreement. The limits of insurance coverage shall be no less than \$5,000,000 for bodily injury per occurrence, \$10,000,000 in the aggregate. CFD#3 shall provide Colchester with a certificate of insurance annually, naming the Town of Colchester as additional named insured. Should policy of insurance must provide that it may not be canceled or changed in any manner which would reduce the insurance coverage limits without 30 days' written notice to Colchester. No provision in the certificate shall waive the responsibility of the insurance company representative signing said certificate of insurance.

7. INDEMNIFICATION BY CFD#3: To the extent available by law, and without waiving the limitations of liability set forth in Title 20 V.S.A. Section 2962, CFD#3 agrees to defend, indemnify and save harmless Colchester, its officers, agents, employees and representatives from and against all losses, claims, demands payments, suits, actions, recoveries and judgments of every nature and description arising out of the performance of this agreement by CFD#3, its employees, subcontractors or agents. Based upon the amounts and types of insurance specified in paragraph 6 (Insurance), and subject to standard policy conditions contained within those required insurance policies, the following Indemnification Provision is limited to the insurance/indemnity proceeds. Any agreement to limit indemnification will be voided should parties to this contract fail to maintain the required insurances/indemnity coverage.

Notwithstanding the foregoing agreement to indemnify, CFD#3 shall have no obligation to indemnify in the event Colchester directs the specific means and methods for activities not generally considered "firefighting."

8. LIABILITY OF CFD#3: Without waiving the limitations of liability set forth in Title 20 V.S.A. Section 2962, it is understood and agreed by the parties hereto that CFD#3 shall provide

only such fire fighting, first aid, security and related services as are deemed usual and customary based upon the capabilities and/or limitations of CFD#3 personnel and equipment resources.

9. INDEPENDENT STATUS: In no event while performing its obligation under this Agreement shall CFD#3 or its representatives be authorized to act as the agent of Colchester; but, on the contrary, shall be deemed for all purposes to be an independent contractor. The operations of CFD#3 shall be entirely under the direction and within the discretion of CFD#3, but not in conflict with the terms and conditions of this Agreement.

10. DEFAULT: In the event either party fails to perform as required hereunder, the party alleging default shall notify the other party as required in paragraph (11(d)). A ten day (10) notice to cure the default shall be given before any action at law or in equity may be commenced. If any proceedings against the other for breach of this Agreement are commenced, all expenses, including attorney's fees, court or arbitration costs shall be awarded to the substantially prevailing party. In addition to the above the non-defaulting party has a right to terminate this contract after such notice and opportunity to cure has passed.

11. MISCELLANEOUS:

- (a) Waiver: It is agreed and understood that any failure to strictly enforce any provision hereof shall not constitute a waiver of right to demand strict performance of that or any other provision hereof at any time hereafter.
- (b) Severable Terms: The terms and condition of this Agreement are separate and severable, and if for any reason any court of law or administrative agency should deem any provisions hereof invalid or inoperative, the remaining provisions of this Agreement shall remain valid and in full force and effect.
- (c) Modification: It is understood that the terms of this Agreement may be changed from time to time by mutual agreement of the parties hereto expressed only in the form of a Letter of Agreement signed by the authorized officials of the respective parties hereto and in addition, all service level changes shall be summarized in such annual Letter of Agreement.
- (d) Notices: Any notice required to be given pursuant to the provisions of this Agreement shall be given in writing by registered mail return receipt requested, enclosing such notice in a postage prepaid envelope addressed as follows:

Colchester: Colchester Selectboard
 P.O. Box 55
 Colchester, Vermont 05446

CCVFC: Colchester Fire District #3
 Prudential Committee
 PO Box 2091/428 Main St.
 Colchester, Vermont 05446

or to such other address as either party hereto shall designate by such notice. Any such notice shall be effective as of the date it is deposited in the United States mail.

e. Previous Agreements: This agreement supersedes any previous agreement or understanding, whether verbal or otherwise, with relation hereto.

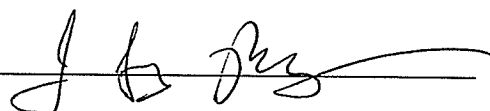
f. Assignment: This Agreement shall not be transferable or assignable and shall not be assigned without Colchester's prior written consent. Any assignment of this Agreement without Colchester's prior written consent shall be void *ab initio*.

g. Titles: The titles of the paragraphs of this Agreement are solely for the convenience of the parties and are not to be construed as an aid to interpretation of this instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year first above written.

CFD#3

A Municipal Corporation

By: 

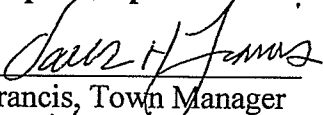
Jay Riedinger, Chair CFD#3 Prudential Committee

Date: 11/4/16

Town of Colchester

A Municipal Corporation

Clerk

By: 

Dawn Francis, Town Manager

Date: 11/4/16

Attest: 

Date: 11/4/16

Attachment C-2 to Appendix C

	2017-2018	2016-2017	2015-2016
BUILDING MAINT	51,427.52	19,770.98	141,285.63
BLDG-GAS-OIL-WATER	5,650.11	6,083.92	9,178.71
BLDG-ELECTRIC	10,153.33	9,687.69	8,459.47
BLDG-SNOW & TRASH	6,734.16	7,727.69	3,863.80
BLDG SUPPLIES	578.51	1,919.47	1,955.92
VEHICLE MAINT	21,201.11	3,295.03	11,793.03
VEH-MAINT-401	0.00	0.00	6,695.09
VEH-MAINT-402	911.87	913.99	-52,312.05
VEH-MAINT-403	15,281.84	3,527.35	8,743.39
VEH-MAINT-404	7,603.58	13,652.53	1,354.58
VEH-MAINT-405	1,725.37	2,896.99	1,975.31
VEH-MAINT-406	0.00	0.00	
VEH-MAINT-407	2,762.53	11,793.04	221.50
VEH-MAINT-408	0.00	0.00	719.90
VEH-MAINT-409	0.00	1,617.67	90.00
VEH-MAINT-410	0.00	0.00	0.00
VEH-MAINT-4Car 1	0.00	132.40	416.51
VEH-MAINT-412	0.00		452.49
VEH-MAINT-441	10,355.36	9,412.51	5,225.64
INSURANCE	33,362.00	34,070.00	37,688.00
FIRE-FIGHT-SUPPLIES	936.00	0.00	827.25
FIRE-FIGHT-MAINT	16,800.40	5,738.04	22,165.39
PERSONAL GEAR	43,626.85	3,595.04	2,104.98
FIRE EQUIP/HOSE&FITTINGS	11,676.65	21,813.88	1,281.58
FIRE EQUIP/AIR PACKS	6,910.37	8,650.24	4,063.63
FIRE EQUIP/FIRE GEAR	4,434.91	26,202.07	35,030.31
FIRE EQUIP/ MEDICAL SUPP	5,274.24	314.71	1,323.38
FIRE EQUIP/HEAVY RSQ	1,280.27	0.00	401.15
FIRE EQUIP/TOOLS	6,459.63	15,058.32	1,543.89
FIRE EQUIP/TIC	524.99	0.00	3,599.99
COMMUNICATIONS	95.00	3,916.94	939.41
COMM-PHONE	2,223.42	3,186.54	3,340.35
COMM-MAINT-RADIO	0.00	0.00	0.00
TRAINING	2,517.38	1,925.14	2,885.90
TRAINING TRAVEL	0.00	0.00	367.09
FUEL-CCVFC	6,496.59	4,858.81	4,779.34
FUEL-SMFD	5,911.98	4,742.59	5,239.63
TRAINING / CALLS	16,232.00	25,896.00	22,964.00
DUTY NIGHT	7,120.00	18,329.00	5,630.00
OVERNIGHT STATION COV	3,650.00	3,950.00	
INTEREST	7,752.18	9,631.24	18,896.45
OFFICE-EXPENSE	2,257.43	2,324.14	2,161.26
OFFICE-POSTAGE	218.00	208.86	98.00

LEGAL & PROFESSIONAL	3,463.48	892.95	1,402.25
BACKGROUND CHECKS	0.00	20.00	60.00
OFFICE-SUPPLIES	2,648.61	2,924.93	3,209.68
MISCELLANEOUS	3,686.20	529.75	3,386.52
MISC-TECH CONSUL	0.00	0.00	0.00
MISC-OFFICER'S EXP	0.00	0.00	53.17
MISC-DUES & SUB	6,077.86	4,842.84	3,587.95
FIRE PREVENTION	2,310.98	173.18	0.00
FIRE PREV-TOWN	0.00	0.00	0.00
MISC-TRAVEL	0.00	0.00	0.00
MISC- ENTERTAIN	3,726.78	2,636.72	2,440.12
MISC-FOOD & BEV	2,452.48	2,147.97	2,348.93
MISC-ANNUAL BANQUET	7,714.82	1,695.61	14,629.18
HEP/B	0.00	0.00	0.00
PHYSICALS	0.00	0.00	0.00
BANK SERVICE CHARG	85.46	0.00	35.00
WILDFIRE REIMBURSEMENT	0.00	5,271.00	0.00
REFUND TO TOWN	0.00		0.00
DISCOUNTS	-465.51	-627.54	-139.19
OPERATING EXPENSES	351,846.74	307,350.23	358,463.51
DEPRECIATION EXP			197,685.10
CAPITAL EXPEND BLDG			
CAPITAL EXP FURNITUR			
CAPITAL EXP FF EQUIP			
CAPITAL EXP TRUCKS			
DEBT PRINCIPAL	87,200.00	87,200.00	55,000.00
TOTAL EXPENSES	439,046.74	394,550.23	413,463.51

BUILDING MAINT	74,543.63	45,189.75	164,743.53
VEHICLE MAINT	59,841.66	47,241.51	-14,624.61
INSURANCE	33,362.00	34,070.00	37,688.00
FIREFIGHT EQUIP	97,924.31	81,372.30	72,341.55
COMMUNICATIONS	2,318.42	7,103.48	4,279.76
TRAINING	2,517.38	1,925.14	3,252.99
OFFICE EXPENSE	5,209.50	5,457.93	5,503.94
FOOD & BEV	6,179.26	4,784.69	4,789.05
DUES & SUBCRIPTIONS	6,077.86	4,842.84	3,587.95
MISCELLANEOUS	11,401.02	7,496.36	18,068.87
GAS & FUEL	12,408.57	57,776.40	38,612.97
TRAINING / CALLS	16,232.00		
DUTY NIGHT	7,120.00		
OVERNIGHT STATION COV	3,650.00		
FIRE PREVENTION	2,310.98	173.18	0.00
LEGAL & PROFESSIONAL	3,463.48	912.95	1,462.25
DEBT SERVICE	94,952.18	96,831.24	73,896.45
HEP/B PHYSICALS	0	0.00	0.00
DISCOUNTS	-465.51	-627.54	-139.19
	439,046.74	394,550.23	413,463.51

Colors show combined accounts from first 2 pages to arrive at current page.

Attachment C-3 to Appendix C

COLCHESTER CENTER VOL FIRE CO CAPITAL EQUIPMENT PLAN

ESTIMATED REPLACEMENT COST ►

ID #	TYPE OF EQUIPMENT	DATE PURCHASED	ORIGINAL COST	ESTIMATE LIFE	ESTIMATE REPLACEMENT YEAR	2017	2018	2019	2020	2021	2025	2027	2030	2035	2040
4U7	UTILITY PICKUP	1997	44765	15	2012	\$25,000	\$25,000	\$75,000	\$6,667	\$6,667					
4ET5	PUMPER	1997	226055	25	2020	\$149,948	\$149,948	\$149,948	\$599,791	\$39,280					
4Car1	COMMAND CAR	2015	45000	10	2025	\$73,300	\$73,300	\$73,300	\$73,300	\$73,300	\$73,300				
4ET3	PUMPER	2004	340275	25	2025	\$88,944	\$88,944	\$88,944	\$88,944	\$88,944	\$800,500				
Standby Generator		2011	25860	15	2027	\$4,887	\$4,887	\$4,887	\$4,887	\$4,887		\$53,761			
4ET4	PUMPER	2007	401633	25	2030	\$64,286	\$64,286	\$64,286	\$64,286	\$64,286			\$900,000		
4T41	TOWER	2011	1009000	25	2035	\$86,842	\$86,842	\$86,842	\$86,842	\$86,842				\$1,650,000	
4 TANK2	TANKER	2015	284000	25	2040	\$31,042	\$31,042	\$31,042	\$31,042	\$31,042					\$745,000
AIR PACKS						\$60,000	\$60,000	\$60,000	\$60,000	\$300,000					
HYD TOOLS						\$8,000	\$8,000	\$8,000	\$8,000	\$40,000					
debt serv						\$592,249	\$592,249	\$592,249	\$573,916	\$463,248					

	2017-2018		
	Budget	Acutual	Diff
Building Maintenance	46,000.00	74,543.63	-28,543.63
Vehicle Maintenance	45,000.00	59,841.66	-14,841.66
Insurance	39,000.00	33,362.00	5,638.00
Fire Fighting Equipment	69,000.00	97,924.31	-28,924.31
Communications	13,800.00	2,318.42	11,481.58
Training	7,000.00	2,517.38	4,482.62
Office Expense	4,800.00	5,209.50	-409.50
Food & Beverage	6,700.00	6,179.26	520.74
Dues & Subcriptions	3,800.00	6,077.86	-2,277.86
Miscellaneous	11,000.00	11,401.02	-401.02
Gas & Fuel	54,000.00	12,408.57	41,591.43
Fire Prevention	4,400.00	2,310.98	2,089.02
Legal & Professional	6,800.00	3,463.48	3,336.52
Note Principal	162,200.00	87,200.00	75,000.00
Interest		7,752.18	-7,752.18
Capital Reserve		46,539.01	-46,539.01
Hep/B & Physicals	500.00	0.00	500.00
Per diem	20,000.00	54,450.74	-34,450.74
Salaries	0.00		0.00
Benefits	0.00		0.00
Town Audit	\$4,500.00		4,500.00
			0.00
To replensih Capital equipment account	\$15,000.00	0.00	15,000.00
	\$513,500.00	513,500.00	0.00

	2019-2020	2018-2019	Diff
Building Maintenance	46,000.00	46,000.00	0.00
Vehicle Maintenance	50,100.00	47,000.00	3,100.00
Insurance	38,000.00	38,000.00	0.00
Fire Fighting Equipment	82,000.00	75,000.00	7,000.00
Communications	19,800.00	19,800.00	0.00
Training	5,000.00	5,000.00	0.00
Office Expense	5,400.00	5,400.00	0.00
Food & Beverage	5,600.00	5,600.00	0.00
Dues & Subcriptions	4,500.00	4,000.00	500.00
Miscellaneous	12,500.00	10,000.00	2,500.00
Gas & Fuel	13,500.00	48,000.00	-34,500.00
Fire Prevention	2,100.00	2,100.00	0.00
Legal & Professional	8,800.00	8,800.00	0.00
Note Principal	55,000.00	87,200.00	-32,200.00
Interest	4,125.00	7,752.00	-3,627.00
Capital Reserve	78,675.00	82,048.00	-3,373.00
Hep/B & Physicals	5,100.00	1,800.00	3,300.00
Per diem	25,000.00	25,000.00	0.00
Payroll	43,000.00		43,000.00
Salaries	45,000.00		45,000.00
Benefits	25,000.00		25,000.00
Workers Comp increase	7,500.00		7,500.00
Total	\$581,700.00	\$518,500.00	\$63,200.00

We are looking at replacing the tile floor in the kitchen and meeting room.

We do not have estimates yet.

Last year expenses included new FDC \$2400, Paving \$10893 1/2 of Heat pump \$4790 to replace original storage heaters that failed, New kitchen appliances \$7094, replace roof on old staion \$7000 (used by Food Shelf)

Vehicle expenses, no major plans but things do break and they need to be fixed.

Last year 4Engine 3 replace steering box \$1463, Rear springs \$3963, 4Engine 5 new radiator \$11770, 4Engine4 water pump, \$1730, 4Tower41 \$9122 new control board upgrade replacement due to intermitent problems

Hose testing \$4563 to 4 members which saves \$1500 if we had to pay for a contractor to do the work like most other departments due. This is a yearly expense to maintain our ISO rating.



781 Blakely Road • Colchester, Vermont • 05446 • 802.264.5500

www.colchestervt.gov

VIA CERTIFIED MAIL – R.R.R.

April 25, 2019

NOTICE OF DEFAULT
INTERLOCAL AGREEMENT

Jay Reidinger
Prudential Committee Chairman
Colchester Fire District #3
428 Main Street
Colchester, VT 05446

Dear Jay,

This purpose of this letter is to notify you that Colchester Fire District #3 (“CFD#3”) is in default of the Interlocal Agreement with an effective date of July 1, 2016 between the Town of Colchester and CFD#3. The specific details of the default are outlined in the Town’s March 13, 2019 letter to you regarding the Contract for Fire Prevention and Suppression Services. The Town’s concerns in that letter are with respect to Audit Requirements, Budgeting Requirements and Contractual Requirements which I am repeating below for you:

Interlocal Agreement, Section 2. Consideration

1. The most recent CFD#3 audit is FY 17 (year ended June 30, 2017) which is a year behind. Audit findings have had no responses from Management. It is unclear, what if anything is being done to address the findings outlined in your last audit by your Auditor.
2. Fire Department Budget is not approved by CFD #3 Prudential Committee as required.
3. 5-year capital plan for the Colchester Center Volunteer Fire Company (CCVFC) was not provided for FY 20.
 - a) Information supplied to the Selectboard regarding the 2020 budget related items that could have been planned in advance including: \$10,893 in paving; \$7,094 in kitchen appliances; and \$7,000 for replacement of the Colchester Food Shelf (your

tenant) roof. This information is after the fact reporting vs. pro-active future planning.

4. Townwide planning for human resources is not being done as required by the Contract. See Page 1. CFD#3 is not collaborating/communicating with CFD#2 on paid daytime firefighters despite an effort to locate a team of three (3) in a central location to serve the entire Town.
 - a) The Contract requires that "CFD#3 will cooperate with the Town agencies to develop a coordinated community safety service delivery system. This includes working with other town community safety and emergency operations departments, committees and/or boards for the coordination and development of plans for maintaining, improving and delivering services that include financial resources, human resources and equipment."
5. Detailed call data for Saint Michaels College Fire (a battalion of the department) has not been provided to the Town per a Public Records request to Chief Ladd on March 13, 2019.
 - a) This is important to the Town as Saint Michaels College does not provide a Payment in Lieu of Taxes but rather as not for profit, Saint Michaels Fire and Rescue provides fire and rescue services to the Town. The Town is extremely satisfied with this relationship, but would like to quantify it by having detailed information about the calls taken by Saint Michael Fire as it does for Saint Michaels Rescue.
 - b) CCFVC counts Saint Michaels Fire responses as CCFVC responses as part of CCFVC's annual call volume of 786. CCFVC expresses concern that 137 calls were not answered from the CCFVC Main Street station and that such lack of response represents a deficit in response availability. Without information on whether Saint Michaels Fire responded to these calls, and whether another department of agency was the primary responder to the call, it is not possible to determine if there is a deficit in coverage in the Town.

Interlocal Agreement, Section 3. Increased Compensation and Services

1. For increased funding by CFD#3, which has been requested annually, more detailed and accurate supporting information should be supplied including budget to actuals, and comparison with at least five (5) prior year's actual expenditures based on accurate line item budgeting and coding should be provided. As noted in the audit concerns, the Town does not believe expense reporting is being done appropriately.

Interlocal Agreement, Section 5, Services (x) Dispatch

1. CFD#3 has not been willing to consider a joint emergency software review as required by July 1, 2017. This results in the Town operating two such systems (IM Responding and Active 911) which increases the likelihood of failure in an emergency, complicates



the Town's dispatch operations, and makes coordinating across Fire Departments more difficult.

Pursuant to Section 10 of the Agreement, CFD#3 has ten (10) days to cure the above-stated areas of default. Failure to cure the defaults as reference above by providing the Town with documentation showing that the defaults have been cured will result in the Town's right to terminate this Agreement at the end of the term of the Agreement - June 30, 2019. The Town will provide a new contract with different terms for your consideration if the defaults are not cured.

Thank you for your attention to this Notice. Please feel free to contact me or Town Manager Aaron Frank to discuss this further.

Sincerely,

A handwritten signature in black ink, appearing to be "Nadine Scibek", written over a horizontal line.

Nadine Scibek
Selectboard Chair

A handwritten signature in black ink, appearing to be "Thomas Mulcahy", written over a horizontal line.

Thomas Mulcahy
Vice-Chair

A handwritten signature in black ink, appearing to be "Jeffrey Bartley", written over a horizontal line.

Jeffrey Bartley
Clerk

A handwritten signature in black ink, appearing to be "Herbert Downing", written over a horizontal line.

Herbert Downing
Selectboard Member

A handwritten signature in black ink, appearing to be "Jacki Murphy", written over a horizontal line.

Jacki Murphy
Selectboard Member

CC: Chief Sandy Ladd

Marianne Terrien, CFD#3 Treasurer

Edward G. Adrian (Of Counsel)

Christian Chorba

James F. Conway, III*

Steven R. Ducham


Brian P. Monaghan

Claudine C. Safar*

*Also licensed in New Hampshire
and Maine

*Also licensed in Massachusetts

Memorandum

To: Colchester Selectboard
From: Brian P. Monaghan, Esq. 
Date: April 9, 2019
Re: Colchester Fire Service Changes

Colchester Fire District #2 (CFD #2) and Colchester Fire District #3 (CFD #3) are municipal corporations (together, the "Fire Districts"). Both Fire Districts currently provide fire protection services to the entire Town through inter-municipal agreements whereby the Town funds the fire protection services. Both Fire Districts also provide water system services to portions of the Town which are funded by water service fees to their customers.

Given the Selectboard's goal of creating a single Town-wide fire department (outlined in letters to CFD #2 dated March 21st, 2019 and to CFD #3 dated March 26th, 2019), we have described options by which a single Town-wide fire department could be created from the two departments as outlined in those letters. There are two processes through which this could be accomplished: 1) a merger of the fire districts for fire protection and water services; and 2) a transfer of fire protection services to the Town.

1. Merger of Fire Districts

There are two methods under Vermont law to combine fire districts. The first is by using the fire district statute, 20 V.S.A. §§ 2481 *et seq.*, to alter the boundaries of the fire district. The other is by the merger of municipalities statute at 24 V.S.A. §§ 1482 *et seq.*

Under either method of merger, the districts could maintain their separate sources of water (Burlington and Champlain Water District); and if desired, could maintain separate billing rates and fees in two separate service areas. The districts already share a crew and administrator for water line maintenance, whereby CFD#3 contracts with CFD#2 for these services. Under the merger, a single district administrator could report to the new prudential Committee to oversee administration, billing, capital planning and construction, as well as operations in one or two service areas.

Combining via the Fire District Statute - Not Recommended

The statute on combining Fire Districts, 20 V.S.A. § 2481(a), is antiquated and requires a majority of the landowners in the district to agree to change the district. Municipalities no longer restrict the right to vote to only landowners, and as such no longer keep voter registration by landowner because some landowners do not live in voting districts, but also because not all registered voters are landowners. So, this method is not recommended.

Combining via the Merger of Municipalities Statute - Recommended

Generally, any municipal entity can merge with any other municipal entity. In this instance, CFD #3 could merge with CFD #2. The merger statute, codified at 24 V.S.A. §§ 1482-1485, authorizes the merger. These statutes describe the planning and approval process.

The specific steps of a merger plan would be as follows:

1. The Fire Districts would prepare a merger plan including structure, organization, functions, operation, finance, and property of the fire districts. The plan would outline the transfer of equipment, property, and debt of each district, as well as the administrative and structural implications of the merger. Each Prudential Committee would have to approve the plan before the voters of the respective Fire Districts could vote on it. 24 V.S.A. §§ 1482, 1485(b).
2. Each Fire District Prudential Committee, not less than 30 days' prior to the meetings referenced below, must post plans of the merger in three or more public places in each district, hold two public hearings at intervals of two weeks in each district, and advertise notice of the hearings in at least three issues of a newspaper of general circulation, pursuant to 24 V.S.A. § 1484.
3. Each Fire District Prudential Committee would warn a meeting of each district to vote on merging. If a majority of the voters voting in each Fire District approves the merger plan, it would be submitted to the Legislature for approval. The approved plan would become the charter of the consolidated Fire District under 24 V.S.A. § 1485(c).

2. Transfer of Fire Protection services to the Town

The Town has proposed an alternative whereby one or both Fire Districts could transfer the fire protection services to the Town, leaving CFD #2 and or CFD #3 to provide exclusively water system services.

In this scenario, CFD #2 and/or CFD #3 would enter into an Asset Purchase Agreement with the Town with ancillary agreements including Warranty Deeds for transfer of real property, bills of sale for transfer of assets, assignments of contracts and leases, and agreements relative to the Fire Districts' outstanding debt. The Asset Purchase agreement could:

- 1) Transfer all fire protection services equipment, including, but not limited to, fire trucks, fire apparatus, and boats to the Town, understanding that some equipment, due to bonds, loans or lease purchase agreements, may have to be provided to the Town for possession, use and control, under an interlocal agreement, until the equipment is paid off;
- 2) Transfer all leases and contracts for services which may be necessary for ongoing fire protection services to the Town;
- 3) Transfer any full-time employment relationships related to fire protection services to the Town;
- 4) Transfer any fire district accounts, including any capital reserve funds, to the Town;
- 5) Contain an agreement that the Selectboard would include funding to service any outstanding fire protection related debt in the Town's proposed annual budget, and require that the Fire Districts continue to make payments, as applicable;
- 6) Transfer, as appropriate, necessary real property, including, but not limited to, the CFD #2 station at 844 Church Road and the CFD #3 fire stations located at 428 Main Street, 245 Main Street, and 227 Clay Point Road.

The Town would not acquire the water system services from the Fire Districts, which includes, but is likely not limited to, all water lines, easements for water lines, fire hydrants, and equipment related to the water system services.

Fire District Approval

Having reviewed the Fire Districts' Bylaws and/or Rules and Regulations, I see nothing prohibiting a transfer of services or assets as outlined above. To transfer the real property, the Fire District Prudential Committees would need to post public notices for the real property transfers through the procedures set forth in 24 V.S.A. § 1061, which allow for a transfer by the Prudential Committee unless 5% of the registered voters in the district file a petition, in which case the transfer of property

would require approval by a vote of the voters of the District, rather than an act of the Prudential Committee.

Municipal Approval

The Town Selectboard does not need additional approval to accept property, buildings or improvements, or to agree to propose a budget including debt service for another organization as proposed above. Operation of a fire department is a regular municipal function and the Town is already paying for fire protection services including providing funding for equipment under debt (bond, loan, or lease-purchase). Here, the ultimate responsibility to make the debt payment would remain with the original borrowing entities.

Asset Purchase Agreement

The Asset Purchase Agreement (“APA”) will finalize the terms and conditions related to the purchase and sale of the Fire Districts’ fire protection service assets. The Agreement will lay out the details of the transaction including the purchase price, the assets to be acquired, the assets to be excluded, the liabilities to be assumed, representations and warranties, closing conditions, and any ancillary agreements.

The ancillary agreements in this transaction may include bills of sale, deeds for real property, assignments of contracts, assignments of leases, and any agreements necessary relative to the outstanding bond debt. As the Fire Districts will retain ownership of the water lines and fire hydrants, the Fire Districts must also provide easements to the Town for access to the fire hydrants for fire protection service use.

Given that the Town will not be contractually assuming any bond debt, there will be no need to obtain any approval from any secured lenders. Nevertheless, should either borrower fail to continue debt service payments, it is possible the Town would have to deal with this issue in the future.


The APA will provide for the assignment of title of all vehicles to the extent that such transfer of title is approved by any lender of record. If any such lender denies approval of the proposed title transfer, the parties may agree to enter a lease agreement whereby the Fire District shall lease the subject vehicle to the Town and the Town shall agree to service the remaining debt, as outlined above.

The APA can be negotiated and executed prior to any necessary approvals by the Fire District and Town. The APA would include mutual rights to terminate prior to any ultimate closing, should the transaction not be approved by the Fire District or Town. The closing date will be set out in the APA for a future date at which time all transfers will take place.

Edward G. Adrian (Of Counsel)
Christian Chorba
James F. Conway, III*
Steven R. Ducham
Brian P. Monaghan
Claudine C. Safar**Also licensed in New Hampshire
and Maine

*Also licensed in Massachusetts

Memorandum

To: Colchester Selectboard
From: Brian P. Monaghan, Esq. 
Date: June 3, 2019
Re: Colchester Fire District No. 2 and/or No. 3 Transfer of Fire Services to the
Town of Colchester

Introduction

This memo addresses the necessary steps to properly convey Colchester Fire District No. 2 and/or No. 3's (CFD #2 and/or #3) fire protection assets and liabilities to the Town of Colchester. This transaction would be structured as an asset purchase agreement, which enables the parties to select which assets and liabilities will be conveyed as part of the transaction. Under this option, the Fire District Prudential Committee could choose to have the Town acquire the Fire District's fire protection assets, such as fire trucks, firefighting equipment and apparatus, and real estate such as fire stations. Along with these assets, the related liabilities would also be transferred, including Fire District debt, such as loans, or lease purchase agreements related to firefighting.

Asset Purchase Agreement

The best vehicle for CFD #2 and/or #3 to transfer fire protection assets to the Town of Colchester would be an Asset Purchase Agreement (APA), together with ancillary agreements including Warranty Deeds for transfer of real property, bills of sale for transfer of assets, assignments of contracts and leases, and agreements relative to the Fire Districts' outstanding debt. I expect the Town and CFD #2 and/or #3 staff would develop an APA outline to be considered by the Prudential Committee and Selectboard, and by counsel for each organization.

Required Approvals

Once the Prudential Committee and the Selectboard have come to an agreement, the CFD #2 and/or #3 Prudential Committee would meet to vote and approve the APA, as would the Town's Selectboard. The Town Selectboard does not need additional approval (i.e., voter approval) to accept property, buildings, or improvements. Operation of a fire department is a regular municipal function and the Town is already appropriating funds for fire protection services including providing funding for equipment directly to CFD #2 and/or #3 and other fire districts. There is

nothing in CFD #2 and/or #3's Bylaws and/or Rules and Regulations that would impact this proposed transaction.

If the Town will be acquiring debt that was initially incurred by CFD #2 and/or #3 and approved by its constituent voters, any debt acquisition would need to be approved by the voters of the Town at a special or annual meeting pursuant to 24 V.S.A. § 1786a. Accordingly, voter approval will be required in connection with any debt acquisition by the Town.

To transfer the real property, the CFD #2 and/or #3 Prudential Committees would need to post public notices for the real property transfers through the procedures set forth in 24 V.S.A. § 1061, which allow for a transfer by the Prudential Committee unless 5% of the registered fire district voters file a petition, in which case the transfer would require approval by a vote of the voters of the District, rather than an act of the Prudential Committee.

Asset Purchase Agreement Provisions

The Asset Purchase agreement could:

- 1) Transfer all fire protection services equipment, including, but not limited to, fire trucks, fire apparatus, and boats to the Town, understanding that some equipment, due to bonds, loans or lease purchase agreements, may have to be provided to the Town for possession, use and control, under an interlocal agreement, until the equipment is paid off. We can evaluate this issue in connection with reviewing any loan documents on CFD #2 and/or #3 assets;
- 2) Transfer all leases and contracts for services which may be necessary for ongoing fire protection services to the Town, such as vendors which presently provide services or products to CFD #2 and/or #3. Those vendors might include property maintenance services, communications services, training services, etc.;
- 3) My understanding is that CFD #2 and/or #3 have no actual employees who provide fire protection services. Nevertheless, if there are any employment relationships related to fire protection services the Town desires to take on, the Town can incorporate that into the Asset Purchase Agreement;
- 4) Transfer any fire district accounts, including any capital reserve funds, to the Town. This conveyance would be in recognition of the fact that general taxpayer dollars have already been committed to fire protection services by Town taxpayers and conveyed to CFD #2 and/or #3 for that purpose, those dollars must remain attached to the fire protection service provider;

- 5) Address debt and lease purchase payments through one of three means:
- a. Continue to fund debt service through annual appropriations to CFD #2 and/or #3. Under this option, the APA would contain an agreement that the Selectboard would include funding to service any outstanding fire protection-related debt or lease purchase payments in the Town's proposed annual budget, and require that the Fire Districts continue to make payments, as applicable. Any assets which were pledged against loans would be transferred to the Town proportionally as funding for loan payments are made from the Town to CFD #2 and/or #3, with title transfer occurring at the last payment. If necessary to satisfy lenders, CFD#2 and/or #3 could lease the equipment and facility to the Town.
 - b. Acquire the CFD #2 and/or #3 debt and lease purchase payment responsibilities directly, subject to lender approval. For the Town to directly acquire debt that was initially incurred by CFD #2 and/or #3 and approved by CFD #2 and/or #3's constituent voters, any debt acquisition would require approval by the voters of the Town at a special or annual meeting pursuant to 24 V.S.A. § 1786a.
 - c. Initially agree to pay debt under option a, and then, following the Town's commencement of fire service operations, move forward with option b.
- 6) Transfer, as appropriate, necessary real property, including, but not limited to, the CFD #2 station at 844 Church Road and/or the CFD #3 station at 428 Main Street. This transfer would occur by Warranty Deed, and would require that the CFD #2 and/or #3 Prudential Committees first approve the transaction, and then post notice of the proposed conveyance(s) in accordance with 24 V.S.A. § 1061.

Under the current proposal, the Town would not acquire any water system services from CFD #2 and/or #3, such as water lines, easements for water lines, fire hydrants, and equipment related to the water system services.

Further, the APA will finalize the terms and conditions related to the purchase and sale of CFD #2 and/or #3's fire protection assets. The APA will lay out the details of the transaction including the purchase price, the assets to be acquired, the assets to be excluded, the liabilities to be assumed, representations and warranties, closing conditions, and any ancillary agreements.

The ancillary agreements in this transaction may include bills of sale, deeds for real property, assignments of contracts, assignments of leases, and any agreements

necessary relative to outstanding indebtedness. As the Fire Districts will retain ownership of the water lines and fire hydrants, the Fire Districts must also provide easements to the Town for access to the fire hydrants for fire protection service use.

The APA will provide for the assignment of title of all vehicles to the extent that such transfer of title is approved by any lender of record.

Closing the Transaction

The closing date will be set out in the APA for a future date on which all transfers will take place, which, as I understand it, is proposed for July 1, 2020. To ensure we can close this transaction by that date, and to create time for Fire District or Town voter approval if needed, we will need to explore debt and lease purchase issues with the lenders soon. Given that the Selectboard has asked the Fire District to consider options, once the Prudential Committee is comfortable with an option, it would be beneficial for the Prudential Committee to move to declare their support for a preferred option and direct Fire District staff to work with Town staff to develop an outline of an APA for Prudential Committee and Selectboard consideration.