

TOWN OF ST. JOHNSBURY, VERMONT

AUDIT REPORT

JUNE 30, 2018

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AUDIT REPORT
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Independent Auditor's Report

Board of Selectmen
Town of St. Johnsbury, Vermont
51 Depot Square
St. Johnsbury, Vermont 05819

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of St. Johnsbury, Vermont as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of St. Johnsbury, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of St. Johnsbury, Vermont, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Restatement

As described in Note III.D. to the financial statements of the governmental activities and Special Services Fund were restated resulting from an understatement of prepaid expenses. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 11, the budgetary comparison information for the General Fund, the Highway Fund and the Special Services Fund, the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Contributions for the Town's participation in VMERS and the Schedule of Funding Progress, the Schedule of Changes in Net Position Liability and Related Ratios, the Schedule of Employer Contributions and the Schedule of Investment Returns for the Pension Trust Fund presented in Schedules 1 through 9, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

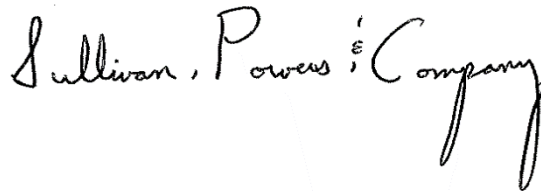
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of St. Johnsbury, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated October 3, 2018 on our consideration of the Town of St. Johnsbury, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of St. Johnsbury, Vermont's internal control over financial reporting and compliance.

October 3, 2018
Montpelier, Vermont
VT Lic. #92-000180

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

TOWN OF ST. JOHNSBURY, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Management of the Town of St. Johnsbury (the Town) offers readers of the basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. Please note that this section of the Basic Financial Statements is unaudited.

FINANCIAL HIGHLIGHTS

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$36,359,613 (net position). Of this amount, \$1,065,500 (unrestricted net position) may be used to meet the Town's ongoing obligations. The balance of net position is made up of \$33,927,850 net investment in capital assets and \$1,366,263 restricted for specific purposes.

The Town's total net position increased by \$2,764,616. Of this amount, net position attributable to governmental activities increased by \$2,182,782 and net position attributable to business-type activities increased by \$581,834.

At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,534,357, a decrease of \$382,412 over the prior year.

At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned and unassigned components of fund balance) for the general fund was \$1,241,685.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements which are presented in three sections: (1) government-wide financial statements (2) fund financial statements and (3) notes to the financial statements. In addition to the basic financial statements, this report also contains other and required supplementary information such as a general fund budget to actual comparison and combining financial statements.

It is important for the reader to understand that, although governmental accounting resembles private sector accounting, there are significant differences between the two. For readers versed in private sector accounting, the government-wide financial statements will be the most familiar. The readers should know that the financial activities of the government unit are recorded in funds. A fund, generally, is a separate set of books for each major activity. For example the Town operates a wastewater treatment facility and a water treatment plant. These operations are referred to as business-type activities, they are supported by user fees, and are recorded in enterprise funds separately from the general governmental activities, which are accounted for primarily in the general fund and supported in large part by property tax revenues.

Government-Wide Financial Statements

The government-wide financial statements provide a general overview of the operations of the Town presenting all data on the full accrual basis, similar to the way a private sector business would present its financial statements. There are two statements presented at the government-wide level; the Statement of Net Position and the Statement of Activities. Within each of these statements, the governmental activities are presented separately from business-type activities. The governmental activities reflect the Town's basic services; including general government, public safety, public works, health and social services, parks and recreation and development and cultural programs. Property taxes finance the majority of these services supplemented by program fees, grant revenues, and other revenues. The business-type activities reflect private-sector-type operations for which user fees recover all or a significant portion of costs. The business-type activities of the Town include the water and sewer operations.

The Statement of Net Position presents information on all of the Town's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities reports how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave).

The government-wide financial statements include not only the Town itself (referred to as the primary government) but also other legally separate entities for which the Town is financially accountable (referred to as component units). During the period under audit, the Town was not responsible for any entities that qualify as component units.

The government-wide financial statements can be found in Exhibits A and B of this report.

Fund Financial Statements

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. The funds of the Town are segregated into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund financial statements provide a detailed short-term view that helps the reader determine the level of financial resources that are available to finance the Town's programs in the near future. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided that reconciles the governmental fund financial statements to the government-wide statements explaining the relationship between the two.

The Town maintains six individual governmental funds, including the General Fund, three Special Revenue Funds, and two Permanent Funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Highway Fund, the Special Services Fund and the Grant Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found in Exhibits C through E of the report. The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement is provided in Schedule 1 for the purpose of demonstrating compliance with the duly appropriated budget.

Proprietary funds are used to account for a government's business – type activities. There are two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town maintains two enterprise funds; the Water Fund and the Sewer Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. At this time, the Town has no internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund and the Sewer Fund.

The proprietary fund financial statements of the Town may be found in Exhibits F through H.

Fiduciary funds, also known as trust and agency funds, account for resources for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the Town. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town has one fiduciary fund at this time, the Pension Trust Fund.

Notes to the Financial Statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes serve to explain, clarify and expand upon the financial data presented in the financial statements and provide some additional information as well. The notes can be found immediately following the basic financial statements.

In addition to the basic financial statements and accompanying notes, certain **Supplementary Information** is provided, including a budgetary comparison statement for the General Fund and the Town's progress in funding its obligation to provide pension benefits to its employees. The supplementary information can be found immediately following the notes to the financial statements in this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on the budget and pension.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary Statement of Net Position

	2018			2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities (As Restated)	Business-type Activities	Total
Current and Other Assets	\$ 2,959,620	\$ 2,610,727	\$ 5,570,347	\$ 3,330,732	\$ 3,345,510	\$ 6,676,242
Capital Assets	30,134,284	20,378,527	50,512,811	28,891,320	19,359,836	48,251,156
Total Assets	<u>33,093,904</u>	<u>22,989,254</u>	<u>56,083,158</u>	<u>32,222,052</u>	<u>22,705,346</u>	<u>54,927,398</u>
Deferred Outflows of Resources	<u>1,079,455</u>	<u>32,603</u>	<u>1,112,058</u>	<u>1,122,461</u>	<u>32,339</u>	<u>1,154,800</u>
Current Liabilities	121,381	863,704	985,085	758,733	740,322	1,499,055
Noncurrent Liabilities	8,748,464	10,337,885	19,086,349	9,841,676	10,772,589	20,614,265
Total Liabilities	<u>8,869,845</u>	<u>11,201,589</u>	<u>20,071,434</u>	<u>10,600,409</u>	<u>11,512,911</u>	<u>22,113,320</u>
Deferred Inflows of Resources	<u>729,933</u>	<u>34,236</u>	<u>764,169</u>	<u>353,305</u>	<u>20,576</u>	<u>373,881</u>
Net Position:						
Net Investment in Capital Assets	23,808,648	10,119,202	33,927,850	21,269,449	8,094,758	29,364,207
Restricted	1,366,263	0	1,366,263	1,779,958	0	1,779,958
Unrestricted/(Deficit)	(601,330)	1,666,830	1,065,500	(658,608)	3,109,440	2,450,832
Total Net Position	<u>\$ 24,573,581</u>	<u>\$ 11,786,032</u>	<u>\$ 36,359,613</u>	<u>\$ 22,390,799</u>	<u>\$ 11,204,198</u>	<u>\$ 33,594,997</u>

As noted earlier, net position serves as a useful indicator of a government's financial position over time. At the end of the most recent fiscal year, the Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$36,359,613. The Town's total net position is split between governmental activities net position of \$24,573,581 and business-type activities net position of \$11,786,032.

The largest portion of the Town's total net position reflects its investment in capital assets (construction in progress, equipment, land, buildings and infrastructure) net of any outstanding debt used to acquire or construct those assets. The Town uses the capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The Town strives on an ongoing basis to work reserves into the annual budget to provide for financial contingencies and reserves for a long-term capital plan.

The Town's total net assets also include \$1,366,263 of restricted net position. These are assets representing resources subject to external restriction as to how they may be used. The remaining balance of unrestricted net position equal to \$1,065,500 may be used to meet the government's ongoing financial obligations. Included in unrestricted net position are amounts that management has assigned for particular purposes, such as capital reserve funds and reserves for expenditures in subsequent years.

Summary Statement of Activities

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program Revenues:			
Charges for Services	\$ 547,560	\$ 2,799,480	\$ 3,347,040
Operating Grants and Contributions	382,603	20,000	402,603
Capital Grants and Contributions	2,384,408	654,596	3,039,004
General Revenues:			
Property Taxes	5,702,590	0	5,702,590
Penalties and Interest in Delinquent Tax	80,045	0	80,045
General State Grants	235,555	0	235,555
Gain on Sale of Equipment	8,154	0	8,154
Unrestricted Investment Earnings	25,115	773	25,888
Insurance Proceeds	41,881	0	41,881
Other Revenues	3,937	0	3,937
Total Revenues	9,411,848	3,474,849	12,886,697
Expenses:			
General Government	1,184,357	0	1,184,357
Public Safety	2,928,060	0	2,928,060
Public Works	2,696,205	0	2,696,205
Culture and Recreation	231,165	0	231,165
Community Development	90,759	0	90,759
Cemetery	5,991	0	5,991
Interest on Long-term Debt	92,529	0	92,529
Water	0	1,316,339	1,316,339
Sewer	0	1,576,676	1,576,676
Total Expenses	7,229,066	2,893,015	10,122,081
Change in Net Position	2,182,782	581,834	2,764,616
Beginning Net Position, As Restated	22,390,799	11,204,198	33,594,997
Ending Net Position	\$ 24,573,581	\$ 11,786,032	\$ 36,359,613

The prior year's statement of activities has not been presented because of the restatement described in Note III.D.

Governmental Activities

Governmental activities increased the Town's net position by \$2,182,782 for the year ended June 30, 2018 due to investments in capital assets. Business type activities increased the Town's net position by \$581,834 due to the investment in capital assets as well.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on current year revenue, expenditures and balances of spendable resources. Such information is useful in assessing the Town's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,534,357, a decrease of \$382,412 over the prior year. Of this total amount, \$18,847 is non-spendable (prepaid expenses and cemetery fund principal) and \$1,350,508 is restricted to indicate that it is not available for discretionary spending because it is otherwise restricted by grant agreements, statutes, or bond covenants. Of the remaining amount, \$897,504 has been assigned by the Town for various purposes and \$267,498 is unassigned.

The general fund is the chief operating fund of the Town. At the end of the year, total fund balance in the general fund was \$1,241,685, an increase of \$143,079 from the previous year. Of this amount, \$3,092 is non-spendable. The remaining amount of \$897,504 has been assigned as detailed in the footnotes and \$341,089 is unassigned. Included in the General Fund are two other funds that do not qualify as special revenue funds, the Parking Meter Fund and the Recreation Fund.

At the end of the year, the total fund balance in the Highway Fund was \$924,748, a decrease of \$404,057 from the balance of the previous year. The entire fund balance in Highway is restricted.

The Special Services Fund has an ending fund balance of \$245,943, a decrease of \$20,937 from the previous year. The entire fund balance in Special Services is restricted.

Proprietary Funds

The Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Total net position in the water fund is \$6,730,137, an increase of \$35,835 from the previous year. In the sewer fund, total net position is \$5,055,895, an increase of \$545,999 from the previous year.

BUDGETARY HIGHLIGHTS

The Town's budget for the year ended June 30, 2018 passed on the first vote in March of 2017 and there were no amendments made to the budget during the year. Notable variances are as follows:

General Fund:

- Revenues exceeded budget due to higher state payments, State readiness to serve payment and delinquent tax payments.
- The three year town wide reappraisal began in this fiscal year. Though this was an unbudgeted expense it is being funded out of restricted reserves previously set aside for this service.
- A new roof was installed on the public safety building and paid for from reserves.
- Two storm events flooded the Pomerleau building basement however these costs were offset by insurance reimbursements.

Highway Fund:

- Revenues exceeded budget due to higher state payments and department services.
- Repair and maintenance expenses on equipment and vehicles exceeded the budget but were partially offset by an insurance reimbursement for the sidewalk plow.
- A compressor and trailer were purchased and paid for with equipment and unassigned reserves.
- Winter overtime exceeded the budget due to the long and very cold winter.
- Depot Square expenses were funded by the construction reserves (as budgeted in the previous fiscal year).
- Two new plow trucks were purchased and funded through unassigned reserves.

Special Services:

- Revenue for no longer providing security services was offset by an increase in fingerprinting services.
- Donations from residents were received to fund a project at Arnold Park.
- Two vehicles were sold and proceeds used to help pay for the purchase of a used vehicle.
- Special Services had vacant positions during the fiscal year resulting in reduced personnel costs. The budgeted \$40,000 transfer from reserves to subsidize operations was therefore not necessary.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2018 were \$83,377,442 (before depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, roads and bridges, and water and wastewater distribution and collections systems.

Major capital asset events during the current fiscal year included the following: Water, Wastewater, Depot Square Enhancement and bridge projects. Additional information on the Town's capital assets can be found in Note IV.D of the notes to financial statements.

Long-term debt – At the end of the current year the Town had total long-term debt outstanding of \$16,584,961. Of this amount, \$9,615,099 represents bonded debt backed by the full faith and credit of the Town, \$6,874,553 represents revolving loans issued by the State of Vermont and \$95,309 represent capital lease agreements.

The Town's total debt decreased by \$2,328,551 during the year due to payoffs and a pollution control grant which reduced principal balances in the enterprise and governmental funds.

State statutes limit the amount of bonded debt any governmental entity may issue to 10 times its total assessed valuation. Bonds are issued through the Vermont Municipal Bond Bank. The Town issues no bonded debt on its own behalf and does not maintain its own credit rating.

Additional information on the Town's long-term debt can be found in note IV.I of the notes to financial statements.

Economic Factors and Next Year's Budget and Rates

The unemployment rate for the Town is currently 3.5 percent, down from 4.0 percent one year ago. This compares with 2.8 percent state-wide, down from 3.1 percent statewide one year ago.

The Town approved a General Fund budget for the 2018-19 fiscal year in the amount of \$3,098,865. This represents an increase of 1.4% over the approved budget excluding special appropriations for the previous year.

Economic Development remains a priority for the Town of St. Johnsbury for FY 2018-19 and Town Officials will continue to work with both the public and private sectors to stimulate economic development. The recent purchase of Depot Square Apartments required investment by the Town of St. Johnsbury, Housing Vermont, and key stakeholders all of whom were motivated to support economic development in St. Johnsbury. The Depot Square Housing Project is a multi-year, multi-million dollar revitalization project that is expected to catalyze additional private development within St. Johnsbury's Designated Downtown.

To incentivize development the Town of St. Johnsbury has hired a firm to determine whether Tax Increment Financing (TIF) is a useful development tool for St. Johnsbury. Receiving approval to use TIF is a long and arduous process, and if awarded St. Johnsbury will be able to leverage funds derived from the incremental increase in property taxes to pay for infrastructure improvements that support private development. If feasible, St. Johnsbury will apply for a TIF District in the spring of 2019 with expectations of breaking ground on several projects in 2020.

Other 2018-19 town development projects include the renovation of the former Glove factory on Railroad Street, the anticipated relocation of the St. Johnsbury Distillery from Barnet to downtown St. Johnsbury, the soon-to-open Fox Hill Kitchen's commercial bakery on Caledonia St., and the expansion of the Kingdom Taproom on Railroad Street.

During the 2018-19 fiscal year the Town Manager's Office will continue to work towards the long-range goals outlined in our Town Plan which include job creation, improved housing, accessible public transportation options, an emphasis on green energy initiatives, enhanced recycling programs, support of the creative economy, and revitalization of our vacant and underutilized downtown buildings and riverfront corridor.

Request for Information:

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Officer, Town Offices, 51 Depot Square, Suite 3, St. Johnsbury, VT 05819.

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 3,375,176	\$ 729,247	\$ 4,104,423
Investments	170,411	0	170,411
Receivables	426,528	855,299	1,281,827
Internal Balances	(1,026,181)	1,026,181	0
Prepaid Expenses	13,686	0	13,686
Capital Assets:			
Land	358,197	185,592	543,789
Construction in Progress	80,984	2,092,875	2,173,859
Other Capital Assets, (Net of Accumulated Depreciation)	29,695,103	18,100,060	47,795,163
Total Assets	<u>33,093,904</u>	<u>22,989,254</u>	<u>56,083,158</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	416,904	0	416,904
Deferred Outflows of Resources Related to the Town's Pension Plan	662,551	32,603	695,154
Total Deferred Outflows of Resources	<u>1,079,455</u>	<u>32,603</u>	<u>1,112,058</u>
<u>LIABILITIES</u>			
Accounts Payable	48,582	826,947	875,529
Accrued Payroll and Benefits Payable	65,475	1,803	67,278
Unearned Revenue	0	5,628	5,628
Tax Sale Overpayments	1,271	0	1,271
Accrued Interest Payable	6,053	29,326	35,379
Noncurrent Liabilities:			
Due Within One Year	338,828	537,522	876,350
Due in More than One Year	8,409,636	9,800,363	18,209,999
Total Liabilities	<u>8,869,845</u>	<u>11,201,589</u>	<u>20,071,434</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	18,382	0	18,382
Deferred Inflows of Resources Related to the Town's Participation in VMERS	15,799	0	15,799
Deferred Inflows of Resources Related to the Town's Pension Plan	695,752	34,236	729,988
Total Deferred Inflows of Resources	<u>729,933</u>	<u>34,236</u>	<u>764,169</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	23,808,648	10,119,202	33,927,850
Restricted For:			
Public Safety	245,943	0	245,943
Public Works	924,748	0	924,748
Cemetery	195,572	0	195,572
Unrestricted/(Deficit)	(601,330)	1,666,830	1,065,500
Total Net Position	<u>\$ 24,573,581</u>	<u>\$ 11,786,032</u>	<u>\$ 36,359,613</u>

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

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 1,184,357	\$ 238,609	\$ 47,557	\$ 11,046	\$ (887,145)	\$ 0	\$ (887,145)
Public Safety	2,928,060	298,116	66,622	78,775	(2,484,547)	0	(2,484,547)
Public Works	2,696,205	9,160	246,554	2,268,404	(172,087)	0	(172,087)
Culture and Recreation	231,165	0	0	26,183	(204,982)	0	(204,982)
Community Development	90,759	0	21,870	0	(68,889)	0	(68,889)
Cemetery	5,991	1,675	0	0	(4,316)	0	(4,316)
Interest on Long-term Debt	92,529	0	0	0	(92,529)	0	(92,529)
Total Governmental Activities	<u>7,229,066</u>	<u>547,560</u>	<u>382,603</u>	<u>2,384,408</u>	<u>(3,914,495)</u>	<u>0</u>	<u>(3,914,495)</u>
Business-type Activities:							
Water	1,316,339	1,314,867	20,000	16,970	0	35,498	35,498
Sewer	1,576,676	1,484,613	0	637,626	0	545,563	545,563
Total Business-type Activities	<u>2,893,015</u>	<u>2,799,480</u>	<u>20,000</u>	<u>654,596</u>	<u>0</u>	<u>581,061</u>	<u>581,061</u>
Total Primary Government	<u>\$ 10,122,081</u>	<u>\$ 3,347,040</u>	<u>\$ 402,603</u>	<u>\$ 3,039,004</u>	<u>(3,914,495)</u>	<u>581,061</u>	<u>(3,333,434)</u>
General Revenues:							
Property Taxes					5,702,590	0	5,702,590
Penalties and Interest on Delinquent Taxes					80,045	0	80,045
General State Grants					235,555	0	235,555
Unrestricted Investment Earnings					25,115	773	25,888
Gain on Sale of Equipment					8,154	0	8,154
Insurance Proceeds					41,881	0	41,881
Other Revenues					3,937	0	3,937
Total General Revenues					<u>6,097,277</u>	<u>773</u>	<u>6,098,050</u>
Change in Net Position					2,182,782	581,834	2,764,616
Net Position - July 1, 2017, As Restated					<u>22,390,799</u>	<u>11,204,198</u>	<u>33,594,997</u>
Net Position - June 30, 2018					<u>\$ 24,573,581</u>	<u>\$ 11,786,032</u>	<u>\$ 36,359,613</u>

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

TOWN OF ST. JOHNSBURY, VERMONT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2018

	General Fund	Highway Fund	Special Services Fund	Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 3,349,980	\$ 0	\$ 0	\$ 0	\$ 25,196	\$ 3,375,176
Investments	0	0	0	0	170,411	170,411
Receivables	382,905	0	1,666	41,957	0	426,528
Due from Other Funds	0	945,620	250,735	0	0	1,196,355
Prepaid Expenses	3,092	0	10,594	0	0	13,686
Total Assets	<u>\$ 3,735,977</u>	<u>\$ 945,620</u>	<u>\$ 262,995</u>	<u>\$ 41,957</u>	<u>\$ 195,607</u>	<u>\$ 5,182,156</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 19,105	\$ 5,664	\$ 2,246	\$ 21,567	\$ 0	\$ 48,582
Accrued Payroll and Benefits Payable	35,461	15,208	14,806	0	0	65,475
Due to Other Funds	2,154,409	0	0	68,092	35	2,222,536
Tax Sale Overpayments	1,271	0	0	0	0	1,271
Total Liabilities	<u>2,210,246</u>	<u>20,872</u>	<u>17,052</u>	<u>89,659</u>	<u>35</u>	<u>2,337,864</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Prepaid Property Taxes	18,382	0	0	0	0	18,382
Unavailable Property Taxes, Penalties and Interest	234,715	0	0	0	0	234,715
Unavailable Grants	5,949	0	0	25,889	0	31,838
Unavailable Miscellaneous Revenue	25,000	0	0	0	0	25,000
Total Deferred Inflows of Resources	<u>284,046</u>	<u>0</u>	<u>0</u>	<u>25,889</u>	<u>0</u>	<u>309,935</u>
<u>FUND BALANCES</u>						
Nonspendable	3,092	0	10,594	0	5,161	18,847
Restricted	0	924,748	235,349	0	190,411	1,350,508
Assigned	897,504	0	0	0	0	897,504
Unassigned/(Deficit)	341,089	0	0	(73,591)	0	267,498
Total Fund Balances/(Deficit)	<u>1,241,685</u>	<u>924,748</u>	<u>245,943</u>	<u>(73,591)</u>	<u>195,572</u>	<u>2,534,357</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,735,977</u>	<u>\$ 945,620</u>	<u>\$ 262,995</u>	<u>\$ 41,957</u>	<u>\$ 195,607</u>	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:						
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.						30,134,284
Other Assets are not Available to Pay for Current-Period Expenditures and, Therefore, are Deferred in the Funds.						291,553
Long-term and Accrued Liabilities, Including Bonds Payable and the Net Pension Liability, are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds.						(8,754,517)
Deferred Outflows and Inflows of Resources Related to the Town's Pension Plan and it's Participation in VMERS are Applicable to Future Periods and, Therefore, are not Reported in the Funds.						367,904
Net Position of Governmental Activities						<u>\$ 24,573,581</u>

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

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Highway Fund	Special Services Fund	Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$ 2,496,406	\$ 2,089,281	\$ 1,111,871	\$ 0	\$ 0	\$ 5,697,558
Penalties and Interest on Delinquent Taxes	80,045	0	0	0	0	80,045
Intergovernmental	209,581	324,874	63,442	450,099	0	1,047,996
Charges for Services	411,086	191,395	57,924	0	1,675	662,080
Permits, Licenses and Fees	129,180	0	0	0	0	129,180
Fines and Forfeits	13,205	0	8,330	0	0	21,535
Investment Income	25,050	0	0	0	65	25,115
Donations	0	0	13,500	0	0	13,500
Other	814	1,750	3,123	0	0	5,687
Total Revenues	3,365,367	2,607,300	1,258,190	450,099	1,740	7,682,696
Expenditures:						
General Government	1,166,025	0	0	16,230	0	1,182,255
Public Safety	1,581,360	0	1,100,444	29,273	0	2,711,077
Public Works	0	2,056,727	0	0	0	2,056,727
Culture and Recreation	213,670	0	0	0	0	213,670
Community Development	68,889	0	0	21,870	0	90,759
Cemetery	0	0	0	0	5,991	5,991
Capital Outlay:						
General Government	8,050	0	0	0	0	8,050
Public Safety	51,268	0	57,789	75,593	0	184,650
Public Works	0	430,117	0	552,827	0	982,944
Culture and Recreation	0	0	0	32,210	0	32,210
Debt Service:						
Principal	96,563	345,972	0	110,981	0	553,516
Interest	34,727	58,634	0	2,229	0	95,590
Total Expenditures	3,220,552	2,891,450	1,158,233	841,213	5,991	8,117,439
Excess/(Deficiency) of Revenues Over Expenditures	144,815	(284,150)	99,957	(391,114)	(4,251)	(434,743)
Other Financing Sources/(Uses):						
Proceeds from Sale of Equipment	0	0	10,450	0	0	10,450
Insurance Proceeds	13,510	28,371	0	0	0	41,881
Transfers In	170,000	0	38,656	294,868	0	503,524
Transfers Out	(185,246)	(148,278)	(170,000)	0	0	(503,524)
Total Other Financing Sources/(Uses)	(1,736)	(119,907)	(120,894)	294,868	0	52,331
Net Change in Fund Balances	143,079	(404,057)	(20,937)	(96,246)	(4,251)	(382,412)
Fund Balances - July 1, 2017, As Restated	1,098,606	1,328,805	266,880	22,655	199,823	2,916,769
Fund Balances - June 30, 2018	\$ 1,241,685	\$ 924,748	\$ 245,943	\$ (73,591)	\$ 195,572	\$ 2,534,357

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

TOWN OF ST. JOHNSBURY, VERMONT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	\$	(382,412)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,207,854) is allocated over their estimated useful lives and reported as depreciation expense (\$1,088,656). This is the amount by which capital outlays exceeded depreciation in the current period.		119,198
The net effect of various transactions involving capital assets (i.e., sales, losses on disposal of assets and trade-ins) is to reduce net position.		(21,184)
The effect of a capital grant for the construction of a Town bridge by the State of Vermont is to increase net position.		1,133,904
The effect of donated capital assets is to increase net position. The Town received six (6) benches during the year.		11,046
The issuance of long-term debt (\$0) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$553,516) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In addition, the Town recognized a forgiveness of debt in the amount of \$769,282. This is the net effect of these differences in the treatment of long-term debt and related items.		1,322,798
Governmental funds report employer pension contributions as expenditures (\$329,631). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$371,795) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(42,164)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		61,870
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(20,274)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>2,182,782</u></u>

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

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 347,776	\$ 381,471	\$ 729,247
Receivables	37,333	186,813	224,146
Unbilled Receivables	323,036	308,117	631,153
Due from Other Funds	<u>899,387</u>	<u>126,794</u>	<u>1,026,181</u>
Total Current Assets	<u>1,607,532</u>	<u>1,003,195</u>	<u>2,610,727</u>
Noncurrent Assets:			
Capital Assets:			
Land	135,894	49,698	185,592
Construction in Progress	365,751	1,727,124	2,092,875
Buildings and Building Improvements	5,157,096	14,348,564	19,505,660
Vehicles, Machinery and Equipment	827,444	742,923	1,570,367
Distribution and Collection Systems	13,014,547	8,336,384	21,350,931
Less: Accumulated Depreciation	<u>(8,096,833)</u>	<u>(16,230,065)</u>	<u>(24,326,898)</u>
Total Noncurrent Assets	<u>11,403,899</u>	<u>8,974,628</u>	<u>20,378,527</u>
Total Assets	<u>13,011,431</u>	<u>9,977,823</u>	<u>22,989,254</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Pension Plan			
	<u>32,603</u>	<u>0</u>	<u>32,603</u>
Total Deferred Outflows of Resources	<u>32,603</u>	<u>0</u>	<u>32,603</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	176,216	650,731	826,947
Accrued Payroll and Benefits Payable	1,803	0	1,803
Unearned Revenue	5,628	0	5,628
Accrued Interest Payable	17,809	11,517	29,326
Capital Lease Payable - Current Portion	0	11,060	11,060
General Obligation Bonds Payable - Current Portion	<u>244,362</u>	<u>282,100</u>	<u>526,462</u>
Total Current Liabilities	<u>445,818</u>	<u>955,408</u>	<u>1,401,226</u>
Noncurrent Liabilities:			
Compensated Absences Payable	6,667	0	6,667
Net Pension Liability	71,893	0	71,893
General Obligation Bonds Payable - Noncurrent Portion	<u>5,755,283</u>	<u>3,966,520</u>	<u>9,721,803</u>
Total Noncurrent Liabilities	<u>5,833,843</u>	<u>3,966,520</u>	<u>9,800,363</u>
Total Liabilities	<u>6,279,661</u>	<u>4,921,928</u>	<u>11,201,589</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources Related to the Town's Pension Plan			
	<u>34,236</u>	<u>0</u>	<u>34,236</u>
Total Deferred Inflows of Resources	<u>34,236</u>	<u>0</u>	<u>34,236</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	5,404,254	4,714,948	10,119,202
Unrestricted	<u>1,325,883</u>	<u>340,947</u>	<u>1,666,830</u>
Total Net Position	<u>\$ 6,730,137</u>	<u>\$ 5,055,895</u>	<u>\$ 11,786,032</u>

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

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for Services	\$ 1,312,491	\$ 1,480,925	\$ 2,793,416
Interest and Penalties	2,376	3,688	6,064
Total Operating Revenues	<u>1,314,867</u>	<u>1,484,613</u>	<u>2,799,480</u>
Operating Expenses:			
Salaries and Benefits	120,052	0	120,052
Administrative	228,316	138,068	366,384
Utilities	81,772	112,935	194,707
Distribution and Collection	255,600	622,682	878,282
Taxes	37,819	0	37,819
Depreciation	412,810	638,040	1,050,850
Total Operating Expenses	<u>1,136,369</u>	<u>1,511,725</u>	<u>2,648,094</u>
Operating Income/(Loss)	<u>178,498</u>	<u>(27,112)</u>	<u>151,386</u>
Non-Operating Revenues/(Expenses):			
Grant Income - Negative Interest	16,970	0	16,970
Investment Income	337	436	773
Asset Management Grant Income	20,000	0	20,000
Asset Management Grant Expense	(24,772)	0	(24,772)
Interest Expense	(155,198)	(64,951)	(220,149)
Total Non-Operating Revenues/(Expenses)	<u>(142,663)</u>	<u>(64,515)</u>	<u>(207,178)</u>
Net Income/(Loss) Before Capital Contributions	35,835	(91,627)	(55,792)
Capital Contributions	<u>0</u>	<u>637,626</u>	<u>637,626</u>
Change in Net Position	35,835	545,999	581,834
Net Position - July 1, 2017	<u>6,694,302</u>	<u>4,509,896</u>	<u>11,204,198</u>
Net Position - June 30, 2018	<u>\$ 6,730,137</u>	<u>\$ 5,055,895</u>	<u>\$ 11,786,032</u>

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

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 1,283,850	\$ 1,475,515	\$ 2,759,365
Payments for Goods and Services	(430,281)	(776,611)	(1,206,892)
Payments for Interfund Services	(193,419)	(103,566)	(296,985)
Payments for Wages and Benefits	(116,397)	0	(116,397)
	<u>543,753</u>	<u>595,338</u>	<u>1,139,091</u>
Net Cash Provided by Operating Activities			
Cash Flows From Noncapital Financing Activities:			
Asset Management Grant Income	20,000	0	20,000
Asset Management Grant Expense	(24,772)	0	(24,772)
(Increase)/Decrease in Due from Other Funds	315,211	549,521	864,732
	<u>310,439</u>	<u>549,521</u>	<u>859,960</u>
Net Cash Provided by Noncapital Financing Activities			
Cash Flows From Capital and Related Financing Activities:			
Proceeds from Long-term Debt	141,992	22,566	164,558
Acquisition and Construction of Capital Assets	(618,458)	(718,319)	(1,336,777)
Principal Paid on Long-term Debt	(242,096)	(408,251)	(650,347)
Interest Paid on Long-term Debt	(155,500)	(67,065)	(222,565)
	<u>(874,062)</u>	<u>(1,171,069)</u>	<u>(2,045,131)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities			
Cash Flows From Investing Activities:			
Receipt of Interest and Dividends	337	436	773
	<u>337</u>	<u>436</u>	<u>773</u>
Net Cash Provided by Investing Activities			
Net Increase/(Decrease) in Cash	(19,533)	(25,774)	(45,307)
Cash - July 1, 2017	367,309	407,245	774,554
Cash - June 30, 2018	<u>\$ 347,776</u>	<u>\$ 381,471</u>	<u>\$ 729,247</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:			
Operating Income/(Loss)	\$ 178,498	\$ (27,112)	\$ 151,386
Depreciation	412,810	638,040	1,050,850
(Increase)/Decrease in Receivables	(31,526)	(9,098)	(40,624)
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Pension Plan	(264)	0	(264)
Increase/(Decrease) in Accounts Payable	(20,193)	(6,492)	(26,685)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	92	0	92
Increase/(Decrease) in Unearned Revenue	509	0	509
Increase/(Decrease) in Compensated Absences Payable	1,076	0	1,076
Increase/(Decrease) in Net Pension Liability	(16,028)	0	(16,028)
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Pension Plan	18,779	0	18,779
	<u>543,753</u>	<u>595,338</u>	<u>1,139,091</u>
Net Cash Provided by Operating Activities			

The Town recognized a forgiveness of debt as a result of negative interest on a loan in the Water Fund in the amount of \$16,970 from the State of Vermont.

The Sewer Fund recognized a forgiveness of debt from the State of Vermont in the amounts of \$502,994.

There was \$91,036 of capital acquisitions in the Water Fund included in accounts payable at June 30, 2017.

There was \$174,369 of capital acquisitions in the Water Fund included in accounts payable at June 30, 2018.

There was \$649,431 of capital acquisitions in the Sewer Fund included in accounts payable at June 30, 2018.

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

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

	<u>Pension Trust Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 578,010
Investments	<u>9,750,361</u>
Total Assets	<u>10,328,371</u>
<u>LIABILITIES</u>	
Liabilities:	<u>0</u>
<u>NET POSITION</u>	
Held in Trust For:	
Employees' Pension Benefits	<u>10,328,371</u>
Total Net Position	<u>\$ 10,328,371</u>

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

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Pension Trust Fund
Additions:	
Employer Contributions	\$ 249,761
Employee Contributions	62,071
Investment Income	818,932
Total Additions	1,130,764
Deductions:	
Benefits - Pension	621,482
Investment Management Fee	91,062
Total Deductions	712,544
Change in Net Position	418,220
Net Position - July 1, 2017	9,910,151
Net Position - June 30, 2018	\$ 10,328,371

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

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

The Town of St. Johnsbury, Vermont, (herein the "Town") operates under a Manager/Board of Selectmen form of government and provides the following services as authorized by its charter: public safety, public works, sanitation, health and social services, culture and recreation, community/economic development, public improvements, planning and zoning, water, sewer and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

This report includes all of the activity of the Town of St. Johnsbury, Vermont. The financial reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other entities that should be combined with the financial statements of the Town.

B. Basis of Presentation

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole and present a longer-term view of the Town's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town and present a shorter-term view of how operations were financed and what remains available for future spending.

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Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each segment of the Town's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental funds:

General Fund – This is the Town's main operating fund. It accounts for all financial resources of the Town except those accounted for in another fund.

Highway Fund – This fund accounts for highway operations of the Town.

Special Services Fund – This fund accounts for the police operations of the Town.

Grant Fund – This fund account for the various grant activities of the Town.

The Town reports on the following major enterprise funds:

Water Fund – This fund accounts for the activities of the Water Department of the Town.

Sewer Fund – This fund accounts for the activities of the Sewer Department of the Town.

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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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Additionally, the Town reports the following fund type:

Pension Trust Fund – This fund accounts for monies contributed by the Town and its employees and the income on investments expended for the pensions of retired Town employees.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., total net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

D. Basis of Accounting

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

The government-wide, proprietary fund and fiduciary fund 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. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under capital leases and sales of capital assets are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town’s policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

E. Use of Estimates

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

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

1. Cash

Cash balances of Town funds are deposited with and invested by the Town Treasurer. The Town considers all short-term investments of ninety (90) days or less to be cash equivalents.

Excess cash of individual funds are shown as due from other funds and excess withdrawals are shown as due to other funds.

2. Investments

The Town 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.

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3. Receivables

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

4. Internal Balances

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as “advances from/to other funds”. All other outstanding balances between funds are reported as “due from/to other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

5. Pensions

For purposes of measuring the proportionate share of the net pension liability of the Vermont Municipal Employees’ Retirement System (VMERS) plan and the related deferred outflows/inflows of resources and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Prepaid Expenses

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

Reported prepaid expenses of governmental funds in the fund financial statements are offset by a nonspendable fund balance as these are not in spendable form.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

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8. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated acquisition value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Infrastructure assets are reported starting with fiscal year ended June 30, 2004. The Town has elected to not report major general infrastructure assets retroactively.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Estimated Service Life
Land	\$ 10,000	N/A
Land Improvements	\$ 10,000	10-50 Years
Buildings and Building Improvements	\$ 20,000	10-75 Years
Vehicles, Machinery and Equipment	\$ 1,000	3-25 Years
Infrastructure	\$ 10,000	3-75 Years
Distribution and Collection Systems	\$ 10,000	20-75 Years

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are acquired.

9. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused leave time. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental fund financial statements. Payments for unused compensated absences in the governmental funds are recorded as expenditures in the year they are paid.

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10. Long-term Liabilities

Long-term liabilities include bonds payable, capital leases and other obligations such as compensated absences, the Town's net pension liability and the Industrial Park liability. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those statements use the current financial resources measurement focus and only include current liabilities on their balance sheets.

11. Fund Equity

Fund equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in the government-wide and proprietary fund financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances of governmental funds are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Board of Selectmen's intended use of the resources); and unassigned.

**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS**

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, whereas government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as other financing sources, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report proceeds of long-term debt as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

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Pension-related differences arise because governmental funds report the current year's required employer contributions as current period expenditures if made after the measurement date, whereas government-wide statements report those transactions as deferred outflows of resources. In addition, the accrual for the Town's proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred outflows and inflows of resources.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Selectboard prepares an annual budget for the General Fund, the Highway Fund and the Special Services Fund. The annual budgets and other articles providing for the appropriation of funds are voted by Australian ballot at the annual Town meeting in March. Any amendments to the budget require voter approval. There were no amendments to the budget. The budgets presented herein are for the Town's "General Fund" only and does not include the Parking Meter Fund and Recreation Fund activity that is included with the General Fund and transfers to reserve accounts for the General Fund, Highway Fund and Special Services Fund.

B. Budgeted Deficits

The Town budgeted a current year's deficiency of revenues over expenditures in the Highway Fund and Special Services Fund in the amounts of \$118,340 and \$40,000, respectively, in order to utilize a portion of the previous year's surpluses. These are reflected as a budgeted deficiency of revenues over expenditures on Schedules 2 and 3.

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2018, expenditures in the General Fund, Highway Fund and Special Services Fund exceeded appropriations by \$6,666, \$408,919 and \$1,654, respectively. These over-expenditures were funded by excess revenues and available fund balance.

D. Restatement of Net Position

The net position of the governmental activities was restated as follows:

	Governmental Activities
Net Position - July 1, 2017, As Originally Reported	\$ 22,352,594
Understatement of Prepaid Expenses	<u>38,205</u>
Net Position - July 1, 2017, As Restated	<u>\$ 22,390,799</u>

The restatement of the governmental activities was the result of an understatement of prepaid expenses. The effect of this restatement on the governmental activities Statement of Net Position is to increase assets and net position by \$38,205. The effect on the 2017 Statement of Activities has not been determined.

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The fund balance in the following fund was restated as follows:

		Special Services Fund
Fund Balance - July 1, 2017, As Originally Reported	\$	228,675
Understatement of Prepaid Expenses		38,205
Fund Balance - July 1, 2017, As Restated	\$	266,880

The restatement of the Special Services Fund was the result of an understatement of prepaid expenses. The effect of this restatement on the Special Services Fund Balance Sheet is to increase assets and fund balance by \$38,205. The effect on the 2017 Statement of Revenues, Expenditures and Changes in Fund Balance has not been determined.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

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

Cash and Cash Equivalents:

Deposits with Financial Institutions		\$ 4,104,204
Money Market Mutual Fund – U.S. Government Securities		578,029
Cash on Hand		200
Total Cash and Cash Equivalents		4,682,433

Investments:

Certificate of Deposit		102,303
Municipal Bonds		122,924
Corporate Bonds		957,004
U.S. Treasury Notes		1,372,351
Common Stock		5,363,680
Mutual Funds – Mixed Holdings		2,002,510
Total Investments		9,920,772
Total Cash, Cash Equivalents and Investments		\$14,603,205

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Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the county-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit its exposure to custodial credit risk. The money market mutual fund, municipal bonds, corporate bonds, U.S. Treasury notes, common stock and mutual funds are in the name of the Town and are not exposed to custodial credit risk. The following table shows the custodial credit risk of the Town's cash and certificate of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC Insured	\$ 352,302	\$ 352,302
Uninsured, Collateralized by U.S. Government Securities Held by the Bank in the Town's Name	<u>3,854,205</u>	<u>4,005,191</u>
Total	<u>\$4,206,507</u>	<u>\$4,357,493</u>

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$4,104,204
Investments – Certificate of Deposit	<u>102,303</u>
Total	<u>\$4,206,507</u>

The investment policy for the Pension Trust Fund is as follows:

The primary objectives of this portfolio are:

Growth of capital, income generation, and capital preservation using high-quality investments.

The portfolio will contain equities, bonds and cash equivalents. The equity and fixed income portions of the investment portfolio are to be diversified in order to control risk by providing reasonable assurance that investments in either a single security or class of securities cannot have an excessive impact on the total portfolio. The investment objectives are long term rather than short term in nature. The overall investment return of the portfolio will be measured against those of a target portfolio based a benchmark comprised of 50% equities and 50% bonds.

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Asset Mix Table*

<i>Asset Class</i>	<i>Min Wt</i>	<i>Max Wt</i>	<i>Representative Index</i>
Total Equities	35%	65%	S&P 500
<i>Domestic Equities</i>	<i>85%</i>	<i>100%</i>	<i>% of Total Equities</i>
<i>Int'l Equities*</i>	<i>0%</i>	<i>15%</i>	<i>% of Total Equities</i>
Fixed Income	15%	65%	Lehman Int. Gov't/Credit Bond Index
Cash & Equivalents	0%	20%	

*International equities investments will be made only in an Exchange Traded Funds designed to replicate the MSCI-EAFE Index (symbol EFA).

Because security market conditions can vary greatly throughout a market cycle, the Fund's investment advisors are granted full discretion to change the asset mix, within the ranges above, for the purpose of increasing investment returns and/or reducing risk.

Investment Guidelines

Investments should be made consistent with the quality deemed appropriate in a relationship and to which a prudent investor would adhere. All assets must have readily ascertainable fiduciary market value and be easily marketable. The portfolio should be diversified to the extent a prudent investor might propose and to avoid any undue exposure to any segment of the economy or any industry segment.

The following are some general prohibited transactions or assets:

- Commodity trading, including future contracts;
- Purchase of lettered or restricted stock;
- Short selling;
- Option trading;
- Limited partnerships;
- Private placements;
- Derivative securities
- Acquiring securities of companies that have filed for Chapter 11 protection;

Equities

Equity investments are to be chosen from the New York Stock Exchange, American Stock Exchange, the regional exchanges, or the national over-the-counter market.

No more than 30% of the market value of the equity portion of the portfolio should be in any one industry and no more than 10% in any one security.

Fixed Income

Bonds should be of investment grade (meet or exceed a credit rating of BBB from Standard & Poor's and/or a Baa from Moody's). No more than 10% of the market value of the fixed income portion should be in any one issuer with the exception of the U.S. Government and its agencies.

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Fixed income securities with a maturity greater than 30 years are prohibited.

Fixed income or interest rate futures are prohibited.

Risky or volatile derivative securities as commonly defined by the financial industry are prohibited.

Zero coupon Treasury bonds are permitted as well as non-volatile CMO securities.

Cash reserves should be invested in interest bearing securities or in an appropriate money market fund.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's policy does not limit its exposure to interest rate risk. The Town's certificate of deposit and common stock are exempt from interest rate risk disclosure. The Town's mutual funds are open-ended and, therefore, are also exempt from interest rate risk disclosure.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity. The municipal bonds, corporate bonds, and U.S. Treasury notes are shown at their actual maturity.

Investment Type	Remaining Maturity		Total
	Less Than 1 Year	1 to 5 Years	
Municipal Bonds	\$ 0	\$ 122,924	\$ 122,924
Corporate Bonds	263,703	693,301	957,004
U.S. Treasury Notes	149,692	1,222,659	1,372,351
Total	\$ 413,395	\$ 2,038,884	\$ 2,452,279

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. These organizations look at a number of factors in order to evaluate the risk of an obligation and rate the risk. The rating allows the investor to make informed buying and selling decisions. The Town's pension plan investments are required to meet or exceed a credit rating of BBB from Standard & Poor's and/or a Baa rating from Moody's. The Town's certificate of deposit and common stock are not subject to credit risk disclosure. The Town's mutual funds are open-ended and, therefore, are also excluded from the credit risk analysis. The credit ratings for the municipal bonds, corporate bonds and U.S. Treasury notes are as follows:

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Investment Type	Standard and Poor's Rating as of June 30, 2018						Total
	AAA	AA+	A+	A	A-	BBB+	
Municipal Bonds	\$ 122,924	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 122,924
Corporate Bonds	0	148,180	89,673	420,735	151,005	147,411	957,004
U.S. Treasury Notes	0	1,372,351	0	0	0	0	1,372,351
Total	\$ 122,924	\$ 1,520,531	\$ 89,673	\$ 420,735	\$ 151,005	\$ 147,411	\$ 2,452,279

Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town, other than the Pension Trust Fund, does not have any limitations on the amount that can be invested in any one issuer. The Town's certificate of deposit, U.S. Treasury notes and common stock are exempt from concentration of credit risk analysis. The mutual funds are open-ended and, therefore, are also excluded from the concentration of credit risk analysis. The Town has \$122,924, (100%), of their municipal bonds invested in New York State Dormitory Authority. The Town has \$148,180, (16%), of their corporate bonds invested in Apple Inc., \$263,703, (28%), of their corporate bonds invested in Caterpillar Financial Services, \$147,411, (15%), of their corporate bonds invested in Goldman Sachs Group Inc., \$157,032, (16%), of their corporate bonds invested in Home Depot Inc., \$89,673, (9%), of their corporate bonds invested in Walt Disney Company, and \$151,005, (16%), of their corporate bonds invested in Wells Fargo Company.

B. Receivables

Receivables as of June 30, 2018, as reported in the statement of net position, are as follows:

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes Receivable	\$ 293,005	\$ 0	\$ 293,005
Penalties and Interest Receivable	40,125	0	40,125
Grants Receivable	54,572	134,632	189,204
Accounts Receivable	38,826	0	38,826
Billed Services	0	89,514	89,514
Unbilled Services	0	631,153	631,153
Total	\$ 426,528	\$ 855,299	\$ 1,281,827

C. Loans Receivable

Loans receivable as of June 30, 2018 are as follows:

Loan Receivable, Hilltop Family Housing Partnership, Interest at 2%, Deferred until August, 2030 at which time all Principal is Due, Secured by Mortgage	\$ 280,099
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Loan Receivable, Hilltop Family Housing Partnership, Interest at 2%, Deferred until July, 2044 at which time all Principal is Due, Secured by Mortgage	\$ 300,000
Loan Receivable, Caledonia Housing Partnership, Interest at 3%, Deferred until December, 2032 at which time all Principal is Due, Secured by Mortgage	650,000
Loan Receivable, Mountain View Street Jay Housing Limited Partnership, Interest at 0%, Deferred until October, 2033 at which time all Principal is Due, Secured by Real Estate and Personal Property	322,000
Loan Receivable, Dean Hale, LLC, Interest at 4%, Deferred until December, 2043 at which time all Principal is Due, Secured by Mortgage	41,000
Loan Receivable, Passumpsic View, Inc., Interest at 0%, Deferred until December, 2042 at which time all Principal is Due, Secured by Mortgage	447,000
Loan Receivable, Passumpsic View Commercial, Interest at 0%, Deferred until December, 2047 at which time all Principal is Due, Secured by Mortgage	250,000
Loan Receivable, Passumpsic Housing Limited Partnership, Interest at 0%, Deferred until December, 2039 at which time all Principal is Due, Secured by Real Estate and Personal Property	55,000
Loan Receivable, Northern Senior Housing Limited Partnership, Interest at 0%, Deferred until July, 2031 at which time all Principal is Due, Secured by Mortgage Receivable	<u>480,000</u>
Total	2,825,099
Less: Allowance for Doubtful Loans Receivable	<u>(2,825,099)</u>
Reported Value as of June 30, 2018	<u>\$ <u>0</u></u>

TOWN OF ST. JOHNSBURY, VERMONT
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D. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 339,665	\$ 18,532	\$ 0	\$ 358,197
Construction in Progress	<u>1,263,214</u>	<u>1,685,252</u>	<u>2,867,482</u>	<u>80,984</u>
Total Capital Assets, Not Being Depreciated	<u>1,602,879</u>	<u>1,703,784</u>	<u>2,867,482</u>	<u>439,181</u>
Capital Assets, Being Depreciated:				
Land Improvements	468,172	0	0	468,172
Buildings and Building Improvements	2,778,162	0	25,750	2,752,412
Vehicles, Machinery and Equipment	6,161,541	615,331	590,487	6,186,385
Infrastructure	<u>25,924,696</u>	<u>2,901,171</u>	<u>0</u>	<u>28,825,867</u>
Totals	<u>35,332,571</u>	<u>3,516,502</u>	<u>616,237</u>	<u>38,232,836</u>
Less Accumulated Depreciation for:				
Land Improvements	451,453	11,173	0	462,626
Buildings and Building Improvements	818,020	60,713	11,588	867,145
Vehicles, Machinery and Equipment	4,566,513	355,742	583,465	4,338,790
Infrastructure	<u>2,208,144</u>	<u>661,028</u>	<u>0</u>	<u>2,869,172</u>
Totals	<u>8,044,130</u>	<u>1,088,656</u>	<u>595,053</u>	<u>8,537,733</u>
Total Capital Assets, Being Depreciated	<u>27,288,441</u>	<u>2,427,846</u>	<u>21,184</u>	<u>29,695,103</u>
Governmental Activities Capital Assets, Net	<u>\$ 28,891,320</u>	<u>\$ 4,131,630</u>	<u>\$ 2,888,666</u>	<u>\$ 30,134,284</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 185,592	\$ 0	\$ 0	\$ 185,592
Construction in Progress	<u>1,376,796</u>	<u>1,618,894</u>	<u>902,815</u>	<u>2,092,875</u>
Total Capital Assets, Not Being Depreciated	<u>1,562,388</u>	<u>1,618,894</u>	<u>902,815</u>	<u>2,278,467</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	19,487,412	18,248	0	19,505,660
Vehicles, Machinery and Equipment	1,545,306	25,061	0	1,570,367
Distribution and Collection Systems	<u>20,040,778</u>	<u>1,310,153</u>	<u>0</u>	<u>21,350,931</u>
Totals	<u>41,073,496</u>	<u>1,353,462</u>	<u>0</u>	<u>42,426,958</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	15,836,807	593,139	0	16,429,946
Vehicles, Machinery and Equipment	1,345,853	25,553	0	1,371,406
Distribution and Collection Systems	<u>6,093,388</u>	<u>432,158</u>	<u>0</u>	<u>6,525,546</u>
Totals	<u>23,276,048</u>	<u>1,050,850</u>	<u>0</u>	<u>24,326,898</u>
Total Capital Assets, Being Depreciated	<u>17,797,448</u>	<u>302,612</u>	<u>0</u>	<u>18,100,060</u>
Business-type Activities Capital Assets, Net	<u>\$ 19,359,836</u>	<u>\$ 1,921,506</u>	<u>\$ 902,815</u>	<u>\$ 20,378,527</u>

TOWN OF ST. JOHNSBURY, VERMONT
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Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 76,355	Water	\$ 412,810
Public Safety	159,886	Sewer	<u>638,040</u>
Public Works	834,920		
Culture and Recreation	<u>17,495</u>		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-type Activities	
	<u>\$ 1,088,656</u>		<u>\$ 1,050,850</u>

E. Interfund Balances and Activity

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

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 2,154,409
Highway Fund	945,620	0
Special Services Fund	250,735	0
Grant Fund	0	68,092
Non-Major Governmental Funds	0	35
Water Fund	899,387	0
Sewer Fund	<u>126,794</u>	<u>0</u>
Total	<u>\$ 2,222,536</u>	<u>\$ 2,222,536</u>

Interfund transfers during the year ended June 30, 2018 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Recreation Fund	\$ 10,000	* Appropriation
General Fund	Grant Fund	33,380	Fund Grant Expenses
General Fund	Grant Fund	113,210	Fund Debt Service
Parking Meter Fund	General Fund	8,000	* Fund Parking Ticket Staff Expenses
Parking Meter Fund	Special Services Fund	38,656	* Fund Dispatching Staff Expenses
Highway Fund	Grant Fund	148,278	Fund Grant Expenses
Special Services Fund	General Fund	<u>170,000</u>	Fund Dispatch Services
Total		<u>\$ 521,524</u>	

* The transfer from the General Fund to the Recreation Fund and the transfer from the Parking Meter Fund to the General Fund are netted within the General Fund as these funds are consolidated within the General Fund and the transfer from the Parking Meter Fund to the Special Services Fund is included with the General Fund to comply with GASB Statement No. 54.

TOWN OF ST. JOHNSBURY, VERMONT
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F. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of \$9,284 from the difference between the expected and actual experience, \$106,297 from the difference between the projected and actual investment earnings, \$133,608 from changes in assumptions and \$76,139 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$91,576 of required employer pension contributions subsequent to the measurement date. It also includes \$219,083 from the difference between the expected and actual experience, \$221,246 from the difference between the projected and actual investment earnings and \$222,222 from changes in assumptions and related to the Town's single-employer defined benefit plan. Total deferred outflows of resources in the governmental activities is \$1,079,455.

Deferred outflows of resources in the Water Fund and business-type activities consists of \$10,781 from the difference between the expected and actual experience, \$10,887 from the difference between the projected and actual investment earnings and \$10,935 from changes in assumptions and related to the Town's single-employer defined benefit plan. Total deferred outflows of resources in the Water Fund and business-type activities are \$32,603.

G. Unearned Revenue

Unearned revenue in the Water Fund consists of \$5,628 of user fees received in advance.

H. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$18,382 of prepaid property taxes. It also includes \$15,799 from the difference between the expected and actual experience related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS), \$176,295 from the difference between the expected and actual experience, \$465,693 from the difference between the projected and actual investment earnings and \$53,764 from changes in assumptions related to the Town's single-employer defined benefit plan. Total deferred inflows of resources in the governmental activities is \$729,933.

Deferred inflows of resources in the Water Fund and business-type activities consists of \$8,675 from the difference between the expected and actual experience, \$22,916 from the difference between the projected and actual investment earnings and \$2,645 from changes in assumptions related to the Town's single-employer defined benefit plan. Total deferred inflows of resources in the Water Fund and business-type activities are \$34,236.

Deferred inflows of resources in the General Fund consists of \$234,715 of delinquent property taxes, penalties and interest on those taxes, \$5,949 of grant revenue and \$25,000 of miscellaneous revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$18,382 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$284,046.

Deferred inflows of resources in the Grant Fund consists of \$25,889 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

TOWN OF ST. JOHNSBURY, VERMONT
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I. Long-Term Liabilities

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital assets. General obligation bonds have been issued for both governmental and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 20 year bonds. Refunding bonds are issued for various terms based on the debt service of the debt refunded.

The Town enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even though they may include clauses that allow for cancellation of the lease in the event the Town does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date of the leases. Leases are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

The United States Department of Agriculture (USDA) offers a number of low interest loan programs for various purposes. The Town has borrowed money from the USDA, in the form of bonds, for capital projects.

The State of Vermont offers a number of no and negative interest revolving loan programs to utilize for predetermined purposes. The Town has borrowed money from the Vermont Special Environmental Revolving Fund for water and sewer projects.

The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries. The accrual for the Town's share of the net pension liability is recorded in the government-wide financial statements.

The Town entered into an agreement with the St. Johnsbury - Lyndonville Industrial Park to pay them for the tax liability over five (5) to eight (8) years through the performance of summer and winter maintenance on the roads within the Industrial Park.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Long-term liabilities outstanding as of June 30, 2018 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Welcome Center Improvements, Principal Payments of \$70,000 Payable on December 1 Annually, Interest Rates Ranging from 1.984% to 4.664% Payable on June 1 and December 1, Due December, 2031	\$1,050,000	\$ 0	\$ 70,000	\$ 980,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Principal Payment of \$240,842 in Total Paid on December 1, 2017. Principal Payments of \$174,812 in Total Payable December 1 Annually Beginning December 1, 2018, 0% Interest, Due December, 2036. The Town received a Pollution Control Grant in the amount of \$1,254,567 which was applied to the Outstanding balance during the Year. This is the Governmental Activities Portion of the Bond.	2,914,182	0	904,722	2,009,460
Bond Payable, U.S. Department of Agriculture, Westside Project, Principal and Interest Payments of \$102,832 in Total Payable on June 15 and December 15 Semi-Annually, Interest at 2.25%, Due December, 2041. This is the Governmental Activities Portion of the Bond.	2,430,058	0	75,314	2,354,744
Note Payable, Community National Bank, General Fund Deficit, Interest at 1.25%, Due and Paid August, 2017	26,563	0	26,563	0

TOWN OF ST. JOHNSBURY, VERMONT
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Principal and Interest Payments of \$69,219 in Total Payable December 1 Annually, Interest at -1.1%, Due December, 2046. The Town will Recognize Grant Income Annually for the Amount of Forgiven Principal as a Result of Negative Interest. This is the Governmental Activities Portion of the Bond.	\$ 933,548	\$ 0	\$ 36,365	\$ 897,183
Capital Lease Payable, New England Municipal Equipment Company, Vacuum Truck, Principal and Interest Payments of \$27,927 in Total Payable on January 15 and July 15 Semi-Annually, Interest at 1.99%, Due and Paid July, 2018. This is the Governmental Activities Portion of the Lease.	49,280	0	32,689	16,591
Capital Lease Payable, Ferrara Fire Apparatus, Inc., Fire Truck, Principal and Interest Payments of \$113,210 Payable on January 15 Annually, Interest at 1.99%, Due and Paid January, 2018	110,981	0	110,981	0
Capital Lease Payable, Chadwick-BaRoss, Sidewalk Plow, Principal and Interest Payments of \$35,251 Payable on September 1 Annually, Interest at 2.79%, Due September, 2019	100,115	0	32,457	67,658
Capital Lease Payable, Kansas State Bank, Grader, Principal and Interest Payments of \$34,469 Payable July 1 Annually, Interest at 2.26%, Due and Paid July, 2017	<u>33,707</u>	<u>0</u>	<u>33,707</u>	<u>0</u>
Total Governmental Activities	<u>\$7,648,434</u>	<u>\$ 0</u>	<u>\$1,322,798</u>	<u>\$6,325,636</u>

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Business-type Activities:

Water Fund:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Water System Expansion, Principal Payments Ranging from \$160,000 to \$255,000 in Total Payable on December 1 Annually, Interest Rates Ranging from 2% to 2.55% Payable on June 1 and December 1, Due December, 2024. This is the Water Fund Portion of the Bond.	\$ 882,300	\$ 0	\$ 127,500	\$ 754,800
Bond Payable, U.S. Department of Agriculture, Westside Project, Principal and Interest Payments of \$102,832 in Total Payable on June 15 and December 15 Semi-Annually, Interest at 2.25%, Due December, 2041. This is the Water Fund Portion of the Bond.	887,165	0	27,495	859,670
Bond Payable, U.S. Department of Agriculture, Phase II Water Construction, Principal and Interest Payments of \$15,384 Payable on June 21 and December 21 Semi-Annually, Interest at 2.5%, Due December, 2049	681,628	0	13,812	667,816
Bond Payable, U.S. Department of Agriculture, Phase I Water Construction, Principal and Interest Payments of \$11,149 Payable on May 2 and November 2 Semi-Annually, Interest at 4.25%, Due November, 2049	390,605	0	5,750	384,855
Bond Payable, U.S. Department of Agriculture, Phase I Water Construction, Principal and Interest Payments of \$47,338 Payable on May 2 and November 2 Semi-Annually, Interest at 4.25%, Due November, 2049	1,658,460	0	24,415	1,634,045

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Principal and Interest Payments of \$69,219 in Total Payable December 1 Annually, Interest at -1.1%, Due December, 2046. The Town will Recognize Grant Income Annually for the Amount of Forgiven Principal as a Result of Negative Interest. This is the Water Fund Portion of the Bond.	\$ 1,542,707	\$ 0	\$ 60,094	\$ 1,482,613
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water Planning Project, Authorized to \$270,900, Principal Payments of \$54,180 Payable on April 1 Annually Beginning April 1, 2023, 0% Interest, Due April, 2027	50,034	140,112	0	190,146
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water Planning Project, Authorized to \$29,700, Principal Payments of \$5,940 Payable on January 1 Annually Beginning January, 2021, 0% Interest, Due January, 2025	<u>23,820</u>	<u>1,880</u>	<u>0</u>	<u>25,700</u>
Total Water Fund	<u>6,116,719</u>	<u>141,992</u>	<u>259,066</u>	<u>5,999,645</u>

Sewer Fund:

Bond Payable, Vermont Municipal Bond Bank, Sewer System Expansion, Principal Payments Ranging from \$160,000 to \$255,000 in Total Payable on December 1 Annually, Interest Rates Ranging from 2% to 2.55% Payable on June 1 and December 1, Due December, 2024. This is the Sewer Fund Portion of the Bond.	847,700	0	122,500	725,200
Bond Payable, U.S. Department of Agriculture, Westside Project, Principal and Interest Payments of \$102,832 in Total Payable on June 15 and December 15 Semi-Annually, Interest at 2.25%, Due December, 2041. This is the Sewer Fund Portion of the Bond.	540,013	0	16,737	523,276

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Lease Payable, New England Municipal Equipment Company, Vacuum Truck, Principal and Interest Payments of \$27,927 Payable on January 15 and July 15 Semi-Annually, Interest at 1.99%, Due and Paid July, 2018. This is the Sewer Fund Portion of the Lease.	\$ 32,853	\$ 0	\$ 21,793	\$ 11,060
Bond Payable, State of Vermont Special Environmental Revolving Fund, Westside South Project, Principal Payments of \$56,676 Payable on August 1 Annually, 0% Interest, Due August, 2028	680,116	0	56,676	623,440
Bond Payable, U.S. Department of Agriculture, Sewer Construction, Interest at 4.13%. The Town Paid the Remaining Balance during the Year.	79,106	0	79,106	0
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer Planning Project, Authorized to \$449,110 but Eligible for \$106,144 Subsidy, Principal Payments of \$34,297 Payable on August 1 Annually Beginning August 1, 2021, 0% Interest, Due August, 2030. The Town Recognized \$7,440 of the Subsidy during the Year.	318,923	22,566	7,440	334,049
Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Principal Payment of \$240,842 in Total Paid on December 1, 2017. Principal Payments of \$174,812 in Total Payable December 1 Annually Beginning December 1, 2018, 0% Interest, Due December, 2036. The Town received a Pollution Control Grant in the amount of \$1,254,567 which was applied to the Outstanding balance during the Year. This is the Sewer Fund Portion of the Bond.	1,902,648	0	590,686	1,311,962

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, U.S. Department of Agriculture, Sewer Pump, Principal and Interest Payments of \$18,369 Payable on August 1 and February 1 Semi-Annually Beginning August 1, 2017, Interest at 2.75%, Due August 1, 2047	\$ <u>747,000</u>	\$ <u>0</u>	\$ <u>16,307</u>	\$ <u>730,693</u>
Total Sewer Fund	<u>5,148,359</u>	<u>22,566</u>	<u>911,245</u>	<u>4,259,680</u>
Total Business-type Activities	<u>\$11,265,078</u>	<u>\$164,558</u>	<u>\$1,170,311</u>	<u>\$10,259,325</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 7,327,788	\$ 0	\$ 1,086,401	\$ 6,241,387	\$ 278,874
Notes Payable	26,563	0	26,563	0	0
Capital Leases Payable	294,083	0	209,834	84,249	49,954
Compensated Absences Payable	165,979	30,578	0	196,557	0
Net Pension Liability - VMERS	560,984	77,225	0	638,209	0
Net Pension Liability - Town Pension Plan	1,914,105	0	453,098	1,461,007	0
Industrial Park Liability	<u>134,298</u>	<u>0</u>	<u>7,243</u>	<u>127,055</u>	<u>10,000</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 10,423,800</u>	<u>\$ 107,803</u>	<u>\$ 1,783,139</u>	<u>\$ 8,748,464</u>	<u>\$ 338,828</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 11,232,225	\$ 164,558	\$ 1,148,518	\$ 10,248,265	\$ 526,462
Capital Leases Payable	32,853	0	21,793	11,060	11,060
Compensated Absences Payable	5,591	1,076	0	6,667	0
Net Pension Liability - Town Pension Plan	<u>87,921</u>	<u>0</u>	<u>16,028</u>	<u>71,893</u>	<u>0</u>
Total Business-type Activities Long-term Liabilities	<u>\$ 11,358,590</u>	<u>\$ 165,634</u>	<u>\$ 1,186,339</u>	<u>\$ 10,337,885</u>	<u>\$ 537,522</u>

Compensated absences and required contributions to the pension plans are paid by the applicable fund where the employee is charged.

The change in the net pension liability is allocated to the function where the employee is charged.

TOWN OF ST. JOHNSBURY, VERMONT
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Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Capital Leases	Principal	Interest	Capital Leases
2019	\$ 278,874	\$ 83,909	\$ 52,007	\$ 526,462	\$ 204,042	\$ 11,171
2020	280,617	86,322	35,251	529,658	188,711	0
2021	282,399	82,294	0	532,954	173,913	0
2022	284,221	78,079	0	536,360	158,010	0
2023	286,085	73,696	0	544,292	142,798	0
2024-2028	1,459,890	297,470	0	2,153,457	572,252	0
2029-2033	1,443,227	166,993	0	1,514,633	534,061	0
2034-2038	1,117,119	84,248	0	1,386,410	408,289	0
2039-2043	564,172	19,732	0	1,143,110	261,204	0
2044-2048	104,384	0	0	939,457	118,296	0
2049-2050	0	0	0	209,455	8,156	0
Total	6,100,988	972,743	87,258	10,016,248	2,769,732	11,171
Less: Imputed Interest	0	0	(3,009)	0	0	(111)
Plus: Principal to be Forgiven (To be Converted to Grant)	140,399	0	0	232,017	0	0
Total	\$ 6,241,387	\$ 972,743	\$ 84,249	\$ 10,248,265	\$ 2,769,732	\$ 11,060

J. Fund Balances

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Board of Selectmen's intended use of the resources); and unassigned.

Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Town does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Town does not have any minimum fund balance policies.

TOWN OF ST. JOHNSBURY, VERMONT
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When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

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

Major Funds

General Fund:	
Nonspendable Prepaid Expenses	\$ 3,092
Special Services Fund:	
Nonspendable Prepaid Expenses	10,594

Non-Major Funds

Permanent Funds:	
Nonspendable Goss Hollow Cemetery Fund Principal	<u>5,161</u>
Total Nonspendable Fund Balances	<u>\$18,847</u>

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

Major Funds

Highway Fund:	
Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes and State Highway Aid)	\$ <u>924,748</u>
Special Services Fund:	
Restricted for Public Safety Expenditures by Charter (Source of Revenue is Property Taxes)	<u>235,349</u>

Non-Major Funds

Permanent Funds:	
Restricted for Goss Hollow Cemetery Expenses by Trust Agreement – Expendable Portion	1,170
Restricted for Grove Cemetery Expenses by Donations	<u>189,241</u>
Total Non-Major Funds	<u>190,411</u>
Total Restricted Fund Balances	<u>\$1,350,508</u>

TOWN OF ST. JOHNSBURY, VERMONT
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The fund balance in the following fund is assigned as follows:

Major Funds

General Fund:

Assigned for Fire Equipment Reserve	\$230,622
Assigned for Municipal Building Reserve	65,000
Assigned for Records Restoration Reserve	43,165
Assigned for Economic Development Reserve	109,033
Assigned for Fountain Fund Reserve	20,302
Assigned for Revaluation Reserve	226,054
Assigned for Dispatch Equipment	10,000
Assigned for Pomerleau Building Reserve	114,500
Assigned for Fire Department Catastrophic Reserve	25,000
Assigned for Dispatch Move Reserve	25,000
Assigned for Armory Reserve	10,000
Assigned for Parking Meter Equipment Reserve	9,400
Assigned for Recreation Department Reserve	<u>9,428</u>
Total Assigned Fund Balances	<u>\$897,504</u>

The unassigned deficit of \$73,591 in the Grant Fund will be funded with the collection of grant receivables and transfers from the Highway Fund.

K. Net Position

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

Governmental Activities:

Restricted for Highway Expenditures by Statute	\$ 924,748
Restricted for Public Safety Expenditures by Charter	245,943
Restricted for Goss Hollow Cemetery by Trust Agreement – Nonexpendable Portion	5,161
Restricted for Goss Hollow Cemetery by Trust Agreement – Expendable Portion	1,170
Restricted for Grove Cemetery by Donations	<u>189,241</u>
Total Governmental Activities	<u>\$1,366,263</u>

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

Business-type Activities:

Water Fund:

Designated for Water Capital	\$ <u>347,776</u>
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TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Sewer Fund:	
Designated for Sewer Capital	\$ 381,471
Designations in Excess of Unrestricted Net Position	<u>(40,524)</u>
Total Sewer Fund	<u>340,947</u>
Total Business-type Activities	<u>\$ 688,723</u>

V. OTHER INFORMATION

A. PENSION PLANS

Defined Benefit Plans

The Vermont Municipal Employees' Retirement System (VMERS)

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2018, the retirement system consisted of 423 participating employers.

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

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Pension Liability, Pension Expense and Deferred Outflows of Resources

As of June 30, 2017, the measurement date selected by the State of Vermont, VMERS was funded at 83.64% and had a plan fiduciary net position of \$619,510,342 and a total pension liability of \$740,665,894 resulting in a net position liability of \$121,155,552. As of June 30, 2018, the Town's proportionate share of this was 0.5268% resulting in a net pension liability of \$638,209. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. As of June 30, 2017, the Town's proportion of 0.5268% was an increase of 0.0909 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$186,116.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 9,284	\$ 15,799
Difference between projected and actual investment earnings on pension assets	106,297	0
Changes in assumptions	133,608	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	76,139	0
Town's required employer contributions made subsequent to the measurement date	91,576	0
	\$ 416,904	\$ 15,799

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$91,576 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Year Ending <u>June 30</u>	
2019	\$114,788
2020	143,686
2021	44,491
2022	<u>6,564</u>
Total	<u>\$309,529</u>

Summary of System Provisions

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

Creditable Service – Service as a member plus purchased service.

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

Service Retirement Allowance:

Eligibility – Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service. Groups C – Age 55 with five (5) years of service.

Amount – Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC.

Maximum benefit is 60% of AFC for Group B and 50% of AFC for Groups C. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Group B.

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members.

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

Amount – Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Disability Retirement Allowance:

Eligibility – Five (5) years of service and disability as determined by Retirement Board.

Amount – Immediate allowance based on AFC and service to date of disability.

Death Benefit:

Eligibility – Death after five (5) years of service.

Amount – For Groups B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death.

Optional Benefit and Death after Retirement – For Groups B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee.

Refund of Contribution – Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

Post-Retirement Adjustments – Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 3% for Groups B and C.

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

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

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

Significant Actuarial Assumptions and Methods

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

Salary increases: 5% per year.

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

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

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

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

TOWN OF ST. JOHNSBURY, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

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

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

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

Actuarial Value of Assets: A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from market value of assets by more than 20%.

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

Long-term Expected Rate of Return:

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

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

TOWN OF ST. JOHNSBURY, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

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

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

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$1,139,480	\$638,209	\$222,485

Additional Information

Additional information regarding the State of Vermont Municipal Employees’ Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

The Town of St. Johnsbury Retirement Plan

Plan Description

The Town of St. Johnsbury Retirement Plan is a single employer defined benefit pension plan administered by the Town of St. Johnsbury. The Town of St. Johnsbury Plan provides retirement, disability and death benefits to plan members and beneficiaries. The Town of St. Johnsbury established and may amend benefit provisions of the plan. The plan does not issue stand-alone financial statements. The plan covers all employees of the Town who work at least 1,000 hours on a twelve (12) month consecutive period and who agree to make minimum contributions. Effective July 1, 2016, the Town stopped allowing new participants to enter the plan.

Funding Policy

The Plan requires members of the Public Works Department to contribute 4% and members of the Police and Dispatch Departments to contribute 5% of base salary. The total actuarially determined contribution to the system for 2018 was \$230,812 which was computed through an actuarial valuation performed as of January 1, 2017, however the Town contributed of \$249,761.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

As of December 31, 2017, there were 24 active members, 3 inactive members and 40 retirees and beneficiaries. Additionally, there are 29 former employees with vested rights.

The market value of plan assets maintained at Peoples United Wealth Management is \$10,328,371 as of June 30, 2018.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

As of January 1, 2018, the measurement date selected by the Town of St. Johnsbury, the pension was funded at 87.30% and had a plan fiduciary net position of \$10,541,534 and a total pension liability of \$12,074,434 resulting in a net pension liability of \$1,532,900. The net pension liability was measured as of January 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2018, the Town recognized pension expense of \$215,873.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 229,864	\$ 184,970
Difference between projected and actual investment earnings on pension assets	232,133	488,609
Changes in assumptions	233,157	56,409
	\$ 695,154	\$ 729,988

The deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2019	\$ 5,924
2020	5,923
2021	(110,142)
2022	(72,793)
2023	21,347
Thereafter	114,907
Total	\$ (34,834)

TOWN OF ST. JOHNSBURY, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

Significant Actuarial Assumptions and Methods

The mortality assumption has been updated to the RP-2014 Static Annuitant and Nonannuitant tables adjusted to 2006 with scale MP-2014 and then projected generationally with scale MP2017.

The system uses the level dollar closed method to amortize the unfunded accrued liability over a twenty (20) year period. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are as follows:

Actuarial Cost Method	Individual Entry Age
Asset Valuation Method	Market Value
Investment Rate of Return	7%
Salary increases	3.75%
COLA Adjustment	None
Mortality Table	RP-2014 Static Annuitant and Nonannuitant tables adjusted to 2006 with scale MP-2014 and then projected generationally with scale MP2017.

Summary of Plan Provisions

Benefits

Normal Retirement Benefits

Normal Retirement Benefit	Benefit Formula: 2% per year of service times compensation Maximum total years of service: 35 IRC415 maximum annual benefit: \$210,000 Benefit limited to 100% of compensation
Compensation Definition	Highest consecutive 3 year average salary over all participation Annual salary up to \$265,000 considered
Vested Retirement Benefit	Vesting Schedule: Cliff vesting (100% after 5 years) Computation period: Plan years Based on periods of service rounded to the nearest year
Accrued Retirement Benefit	Units accrued to date

Form of Payment

The normal form of pension is a single life annuity with monthly payments commencing on the member's retirement date.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Early Retirement Benefit

Early Retirement Benefit

Accrued Retirement Benefit
Eligibility Requirements:
Minimum years of service: 10
Minimum age: 55

Benefit Commencement Date

Benefit Adjustment: The benefit is actuarially reduced for each year by which retirement age precedes normal retirement age, or if retirement is after normal retirement, the benefit is the greater of the in-service benefit as of the retirement date and the normal retirement benefit actuarially increased to the retirement date.

The Early Retirement Benefit is unreduced with 25 years of service

Termination Benefit

Termination of Employment

An employee who terminates from service prior to attaining retirement age, other than due to becoming disabled, shall be entitled to receive the vested portion of the accrued benefit upon meeting the requirements for early or normal retirement. A vested participant may elect to withdraw their employee contribution account on separation from service in return for a reduced accrued benefit payable at retirement age.

An employee who terminates from service prior to attaining retirement age and is not vested shall receive a distribution of their employee contribution account.

Death Benefit

Pre-Retirement Death Benefit

Lump sum payable on death of participant
Qualified pre-retirement survivor annuity payable to the surviving spouse, unless waived with spousal consent.

Benefit Amount

100% present value of accrued benefit

Disability Benefit

Disability Benefit

Monthly benefit for life
Benefit Amount: 1 times the current monthly accrued retirement benefit provided the participant has 10 years of service.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Investment Policy

The investment policy was approved by the Retirement Plan Committee. The investment policy is described in Note IV.A.

Discount Rate

The discount rate used to measure the total pension liability was 7% percent and represents the long-term expected rate of return on pension plan investments based on the current allocation of assets.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town's net pension liability calculated using the discount rate of 7 percent, as well as what the liability would be if it were calculated using a discount rate that is one percent lower (6%) or one percent higher (8%):

<u>1% Decrease (6%)</u>	<u>Discount Rate (7%)</u>	<u>1% Increase (8%)</u>
\$3,032,555	\$1,532,900	\$278,762

Changes in the Net Pension Liability

The change in the Net Pension Liability for the Plan is as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at January 1, 2017	\$ 11,670,327	\$ 9,668,301	\$ 2,002,026
Changes for the year:			
Normal cost	115,097	0	115,097
Interest	804,914	0	804,914
Difference between expected and actual experience	120,265	0	120,265
Changes in assumptions	(62,871)	0	(62,871)
Contributions - employer	0	249,761	(249,761)
Contributions - members	0	58,955	(58,955)
Net investment income	0	1,153,615	(1,153,615)
Administrative expenses	0	(15,800)	15,800
Benefit Payments, including refunds of member contributions	(573,298)	(573,298)	0
Net changes	<u>404,107</u>	<u>873,233</u>	<u>(469,126)</u>
Balances at December 31, 2017	<u>\$ 12,074,434</u>	<u>\$ 10,541,534</u>	<u>\$ 1,532,900</u>

B. CONTINGENT LIABILITIES

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

TOWN OF ST. JOHNSBURY, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

C. RISK MANAGEMENT

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

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

D. PROPERTY TAXES

The Town is responsible for assessing and collecting its own property taxes, as well as education taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. During the tax year ended June 30, 2018, taxes became due and payable on October 19, 2017 and March 19, 2018. The Town assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale. The tax rates for 2018 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	1.2067	1.4226
General	0.3803	0.3803
Appropriations	0.0724	0.0724
Highway	0.3787	0.3787
Special Services District	0.4524	0.4524
Local Agreement	<u>0.0018</u>	<u>0.0018</u>
Total	<u>2.4923</u>	<u>2.7082</u>

E. BUILDING LEASES

In April, 2012, the Town of St. Johnsbury entered into a lease agreement with Northern Community Investment Corporation Inc. (NCIC). The Town will lease the second floor of the Pomerleau building at 51 Depot Square to NCIC for ten (10) years with payments due monthly. NCIC will have the option to renew the lease at the end of the original term for one additional term of five (5) years. Building lease revenue during the year from NCIC was \$48,714.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Future building lease revenue from NCIC is as follows:

2019	\$ 48,714
2020	48,714
2021	50,175
2022	<u>50,175</u>
	<u>\$197,778</u>

F. PROPERTY TAX STABILIZATION AGREEMENTS

The Town enters into property tax stabilization agreements with local businesses pursuant to Section 2741 of Title 24, Vermont Statutes Annotated. The Board of Selectmen under certain conditions may enter into contracts with new and existing owners, lessees or operators of industrial and commercial real and personal property for the purpose, among others, of fixing and maintaining the valuation of the of the real personal property of such persons for a period of up to ten years to provide incentives to foster sustainable business development. The specific goals of the program are: 1) to create jobs, 2) increase the tax base 3) increase economic activity in the Town, and 4) address vacant and blighted property.

Stabilization shall be considered for:

1. Construction and/or renovation of new commercial or industrial property.
2. Occupying vacant commercial property.
3. Renovation of blighted or vacant property into industrial/commercial use.
4. New machinery and equipment only if it is considered "Real Property".

When considering a tax stabilization request, the Board of Selectmen shall review the following criteria:

1. The number of full time-permanent jobs to be created.
2. The number of part-time permanent jobs to be created.
3. The number of temporary full and part-time jobs to be created.
4. The total investment in buildings, machinery, and equipment by the business.
5. The impact to the overall tax base. Specifically, the increase in the Grand List for the potentially stabilized property.
6. The financial stability and condition of the applicant at the time of application.
7. Whether the project is new or existing property.
8. Whether the project addresses a vacant and/or blighted property.

Special Consideration: The Town of St. Johnsbury may offer special consideration to any businesses meeting the following criteria: 1) creating permanent full-time jobs, 2) offer wages and benefits at or above the average for that sector as determined by the latest data available through the Department of Employment and Training, 3) increase the grand list for the Town, 4) make improvements to vacant or blighted properties.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Annual reporting will be required by the company participating in a tax stabilization agreement to ensure that employment and economic impact thresholds are being met. Employment and economic impact threshold must be maintained in order to continue with the scheduled tax stabilization.

During the year ended June 30, 2018, the Town had one (1) active stabilization agreement. The total reduction of taxes was \$7,978.

G. SUBSEQUENT DEBT

On July 2, 2018, the Town approved a loan agreement with Passumpsic Savings Bank for a fire truck in the amount of \$138,914 with an interest rate of 1.62% and a maturity date of July 2, 2019.

The Town obtained a tax anticipation note with Passumpsic Savings Bank on July 16, 2018 for \$2,000,000 with an interest rate of 1.69% and a maturity date of March 15, 2019.

H. COMMITMENTS

The Town had three (3) major construction contracts in process as of June 30, 2018. The total of the contracts is \$3,728,359 with a balance of \$2,577,100 to be completed as of June 30, 2018.

TOWN OF ST. JOHNSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 2,497,787	\$ 2,496,406	\$ (1,381)
Delinquent Tax Penalties	30,000	42,882	12,882
Interest on Delinquent Taxes	30,000	37,163	7,163
Education Billing Fee	15,000	15,067	67
VT Pilot Payments	80,000	98,222	18,222
Hold Harmless VT Payments	35,000	39,954	4,954
State Parcel Payment	27,500	26,172	(1,328)
Beverage Licenses	4,000	4,185	185
Dog Licenses	3,500	3,896	396
Zoning Permits	5,000	1,750	(3,250)
Housing Fees	10,000	0	(10,000)
Vendor Permits	0	180	180
Solid Waste	7,000	0	(7,000)
Transfer Station Reimbursements	1,500	1,153	(347)
Dumpster Reimbursement	900	840	(60)
Overweight Permits	500	515	15
Dispatch Services	211,909	205,798	(6,111)
Fire Department Services	28,000	26,064	(1,936)
State Readiness to Serve Payment	0	30,000	30,000
Listers' Services	3,000	3,080	80
Town Clerk's Fees	63,000	65,392	2,392
Records Restoration	13,000	14,649	1,649
Insurance Proceeds	0	13,510	13,510
Interest and Dividends	26,000	25,050	(950)
Armory Parking Lot Rent	450	450	0
Pomerleau Building 2nd Floor Rent	48,714	48,714	0
Pomerleau Building 3rd Floor Rent	10,800	0	(10,800)
Planning Grant Revenue	6,000	0	(6,000)
Electric Vehicle Charging	0	169	169
Transfer to Town Manager	45,000	40,000	(5,000)
Transfer to Town Clerk	3,000	3,000	0
Transfer to Treasurer	78,000	78,000	0
Transfer to Dispatch	170,000	170,000	0
PACIF Equipment Grant Revenue	0	5,000	5,000
Public Safety Grant Revenue	0	7,153	7,153
Miscellaneous	0	814	814
	<u>3,454,560</u>	<u>3,505,228</u>	<u>50,668</u>
Total Revenues			

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures:			
Town Manager's Office:			
Regular Salaries	\$ 258,713	\$ 255,993	\$ 2,720
Social Security	19,792	19,529	263
Group Insurance	30,382	31,296	(914)
HBA Expense	6,000	6,796	(796)
Workman's Compensation	520	1,375	(855)
VMERS	14,876	14,376	500
Unemployment Compensation	1,876	1,479	397
Office Supplies	2,200	3,289	(1,089)
Training	1,000	1,369	(369)
Postage	200	250	(50)
Advertising	350	40	310
Printing	2,200	2,165	35
Gas, Oil, Mileage	1,000	159	841
Telephone	4,000	3,264	736
Contracted Services	2,500	2,479	21
Repair & Maintenance Services	100	8	92
Dues	350	346	4
	<u>346,059</u>	<u>344,213</u>	<u>1,846</u>
Total Town Manager's Office			
Town Clerk's Office:			
Regular Salaries	81,286	80,480	806
Overtime Pay	900	195	705
Social Security	6,287	6,289	(2)
Group Insurance	14,939	15,986	(1,047)
HBA Expense	2,400	793	1,607
Workman's Compensation	258	686	(428)
Retirement Contributions	3,771	3,694	77
VMERS	3,608	3,487	121
Unemployment Compensation	938	731	207
Recording Supplies	1,000	985	15
Training	500	345	155
Office Supplies	2,500	2,081	419
Postage	2,500	2,157	343
Advertising	100	150	(50)
New Equipment	500	491	9
Records Restoration Reserve	5,000	5,000	0
Gas, Oil & Mileage	350	370	(20)
Telephone	1,600	1,515	85
Contracted Services	22,000	20,826	1,174
Repair & Maintenance Services	500	335	165
Dues	75	48	27
	<u>151,012</u>	<u>146,644</u>	<u>4,368</u>
Total Town Clerk's Office			

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Treasurer's Office:			
Regular Salaries	\$ 81,286	\$ 80,333	\$ 953
Overtime Pay	900	127	773
Social Security	6,287	6,124	163
Group Insurance	14,939	13,986	953
HBA Expense	2,400	793	1,607
Workman's Compensation	258	686	(428)
Retirement Contributions	3,771	3,694	77
VMERS	3,608	3,487	121
Unemployment Compensation	938	731	207
Office Supplies	1,000	907	93
Training	550	387	163
Postage	3,000	1,755	1,245
Advertising	400	90	310
New Equipment	500	428	72
Gas, Oil & Mileage	300	79	221
Contracted Services	2,500	1,181	1,319
Repair & Maintenance Services	200	197	3
Dues	75	108	(33)
	<u>122,912</u>	<u>115,093</u>	<u>7,819</u>
Total Town Treasurer's Office			
Board of Civil Authority:			
Regular Salaries	1,000	305	695
Social Security	77	23	54
Office Supplies	100	91	9
Training	100	0	100
Postage	200	470	(270)
Advertising	100	0	100
Contracted Services	2,800	2,157	643
	<u>4,377</u>	<u>3,046</u>	<u>1,331</u>
Total Board of Civil Authority			

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TOWN OF ST. JOHNSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Assessor's Office:			
Regular Salaries	\$ 29,980	\$ 30,232	\$ (252)
Social Security	2,293	2,542	(249)
Workman's Compensation	130	344	(214)
VMERS	1,724	1,659	65
Unemployment Compensation	469	333	136
Office Supplies	250	253	(3)
Training	2,250	102	2,148
Postage	250	141	109
Advertising	200	230	(30)
New Equipment	5,120	1,050	4,070
Gas, Oil & Mileage	525	563	(38)
Transfer to Reappraisal Reserve	27,500	27,500	0
Reappraisal Services	0	49,079	(49,079)
Telephone	350	267	83
Contracted Services	8,300	10,575	(2,275)
Dues	250	0	250
	<u>79,591</u>	<u>124,870</u>	<u>(45,279)</u>
Total Assessor's Office			
Economic Development:			
Advertising	1,000	0	1,000
Printing/Supplies	1,000	489	511
Travel & Mileage	1,000	602	398
Contracted Services	0	3,500	(3,500)
Designated Downtown	12,500	12,500	0
Industrial Park Taxes	49,000	48,298	702
NVDA Dues	3,500	3,500	0
Transfer to Economic Development Reserve	15,000	15,000	0
	<u>83,000</u>	<u>83,889</u>	<u>(889)</u>
Total Economic Development			
Zoning Board & Planning Commission:			
Regular Salaries	45,000	40,420	4,580
Social Security	3,443	3,092	351
Group Insurance	12,838	0	12,838
HBA Expense	2,400	0	2,400
Workman's Compensation	130	531	(401)
VMERS	2,588	0	2,588
Unemployment Compensation	469	333	136
Office Supplies	300	529	(229)
Training	2,235	1,478	757
Postage	600	790	(190)
Advertising	3,000	3,098	(98)
Printing	150	107	43
Gas, Oil, Mileage	0	900	(900)
Telephone	636	616	20
Professional Services	4,295	2,798	1,497
Planning Grant Expense	6,000	5,949	51
	<u>84,084</u>	<u>60,641</u>	<u>23,443</u>
Total Zoning Board & Planning Commission			

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TOWN OF ST. JOHNSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Public Safety Building:			
Heating Fuel	\$ 9,375	\$ 7,383	\$ 1,992
Public Utility Services	10,000	11,073	(1,073)
Waste Disposal Services	3,200	2,700	500
Contracted Services	13,800	33,282	(19,482)
Repair & Maintenance Supplies	10,000	15,445	(5,445)
Public Safety Grant Expenses	0	7,775	(7,775)
Transfer to Public Safety Building Reserve	5,000	5,000	0
Total Public Safety Building	<u>51,375</u>	<u>82,658</u>	<u>(31,283)</u>
Community Center - Armory:			
Transfer to Armory Building Reserve	10,000	10,000	0
Repair & Maintenance	5,000	0	5,000
Total Community Center - Armory	<u>15,000</u>	<u>10,000</u>	<u>5,000</u>
Dog Control:			
Contracted Services	1,000	759	241
Total Dog Control	<u>1,000</u>	<u>759</u>	<u>241</u>
Board of Selectmen:			
Salaries	6,400	6,400	0
Social Security	490	490	0
Training	100	120	(20)
Total Board of Selectmen	<u>6,990</u>	<u>7,010</u>	<u>(20)</u>
Dispatch Center:			
Regular Salaries	267,208	257,446	9,762
Overtime Pay	16,000	29,786	(13,786)
Social Security	21,665	21,218	447
Group Insurance	57,614	54,714	2,900
HBA Expense	4,800	3,991	809
Workman's Compensation	910	2,315	(1,405)
Retirement Contributions	27,834	27,262	572
VMERS	9,390	9,768	(378)
Unemployment Compensation	3,283	2,598	685
Office Supplies	1,500	1,491	9
Training Supplies	200	21	179
Postage	100	51	49
New Equipment	5,000	11,335	(6,335)
Telephone	7,750	6,982	768
Contracted Services	10,629	8,715	1,914
Repair & Maintenance Services	6,000	398	5,602
Miscellaneous	0	987	(987)
Transfer to Dispatch Equipment Reserve	5,000	5,000	0
Total Dispatch Center	<u>444,883</u>	<u>444,078</u>	<u>805</u>

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TOWN OF ST. JOHNSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Fire Department:			
Regular Salaries	\$ 529,940	\$ 524,513	\$ 5,427
Overtime Pay	50,160	40,615	9,545
Social Security	44,378	41,676	2,702
Group Insurance	109,877	108,576	1,301
HBA Expense	15,600	21,336	(5,736)
Workman's Compensation	68,773	86,670	(17,897)
Retirement Contributions	78,308	76,699	1,609
VMERS	9,114	11,017	(1,903)
Unemployment Compensation	4,887	3,759	1,128
Office Supplies	1,500	1,081	419
Training Supplies	6,500	6,677	(177)
Postage	300	44	256
New Equipment	48,000	41,372	6,628
Gas, Oil & Mileage	8,500	7,282	1,218
Uniforms	6,800	6,667	133
Telephone	2,400	2,649	(249)
Heating Fuel	1,800	1,487	313
Public Utility Services	650	658	(8)
Contracted Services	15,000	13,868	1,132
Repair & Maintenance Services	19,000	18,592	408
Motor Vehicle Supplies	2,000	1,850	150
Alarm System Supplies	5,000	3,095	1,905
Enhanced Call Department	3,500	3,253	247
PACIF Equipment Grant Expenses	0	11,568	(11,568)
Transfer to Grant Fund	113,210	113,210	0
Transfer to Fire Department Equipment Reserve	20,000	20,000	0
Miscellaneous	0	150	(150)
Total Fire Department	1,165,197	1,168,364	(3,167)
Solid Waste:			
Advertising & Printing	200	205	(5)
Waste & Disposal Services	32,000	18,237	13,763
Contracted Services	5,000	1,753	3,247
Total Solid Waste	37,200	20,195	17,005

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TOWN OF ST. JOHNSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Pomerleau Building:			
Transfer to Town Office Reserve	\$ 10,000	\$ 10,000	\$ 0
Heating Fuel	12,000	8,184	3,816
Public Utility Services	14,800	11,074	3,726
Waste Disposal Services	2,100	2,044	56
Contracted Services	27,000	46,470	(19,470)
Bond Principal	70,000	70,000	0
Bond Interest	39,388	33,457	5,931
Repair & Maintenance Supplies	7,000	2,148	4,852
Building Taxes	16,250	16,226	24
	<u>198,538</u>	<u>199,603</u>	<u>(1,065)</u>
Total Pomerleau Building			
General Expenses:			
Public Utility Services	2,500	3,194	(694)
Internet Expense	21,524	21,405	119
Web Site Expense	7,000	7,228	(228)
IT Upgrades	1,338	0	1,338
Contracted Services	2,000	2,306	(306)
Audit	6,800	5,194	1,606
Legal Services	30,000	22,625	7,375
Legal Services - Tax Sale	0	598	(598)
Judgments & Losses	1,000	519	481
VLCT Dues	9,647	9,647	0
Community Justice Center	5,000	5,000	0
Property & Liability Insurance	71,772	70,047	1,725
Health Insurance Account Expense	2,300	2,503	(203)
County Taxes	61,779	61,779	0
Miscellaneous	0	721	(721)
Interest on Current Loans	0	1,270	(1,270)
Deficit Loan	31,118	26,563	4,555
Transfer to Recreation Fund	10,000	10,000	0
	<u>263,778</u>	<u>250,599</u>	<u>13,179</u>
Total General Expenses			

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TOWN OF ST. JOHNSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Special Appropriations:			
Area Agency on Aging	\$ 7,200	\$ 7,200	\$ 0
Caledonia Home Health Care and Hospice	18,382	18,382	0
Caledonia - Essex Area Ambulance Service	110,244	110,244	0
Catamount Arts	5,000	5,000	0
Fairbanks Museum	63,000	63,000	0
Kiwanis Club Swimming Pool	19,900	19,900	0
NEK Human Services	7,983	7,983	0
NEK Youth Services	5,500	5,500	0
St. Johnsbury Athenaeum	115,000	115,000	0
St. Johnsbury Town Band	770	770	0
St. Johnsbury Nutritional Center	6,750	6,750	0
Umbrella Inc.	9,500	9,500	0
VT Association for the Blind	675	675	0
Retired Senior Volunteer Program	810	810	0
Rural Community Transportation	13,050	13,050	0
American Red Cross	1,800	1,800	0
Good Living Senior Center	12,000	12,000	0
Kingdom Animal Shelter	2,000	2,000	0
	<u>399,564</u>	<u>399,564</u>	<u>0</u>
Total Special Appropriations	<u>399,564</u>	<u>399,564</u>	<u>0</u>
Total Expenditures	<u>3,454,560</u>	<u>3,461,226</u>	<u>(6,666)</u>
Excess of Revenues Over Expenditures	<u>\$ 0</u>	44,002	<u>\$ 44,002</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Parking Meter Fund Income		51,649	
Parking Meter Fund Expenses		(3,416)	
Parking Meter Fund - Transfer to Equipment Reserve		1,000	
Parking Meter Fund Transfer Out		(47,656)	
Recreation Fund Transfer In		10,000	
Recreation Fund Expenses		(10,000)	
Transfer to Records Restoration Reserve		5,000	
Transfer to Reappraisal Reserve		27,500	
Transfer to Economic Development Reserve		15,000	
Transfer to Public Safety Building Reserve		5,000	
Transfer to Armory Building Reserve		10,000	
Transfer to Dispatch Equipment Reserve		5,000	
Transfer to Fire Department Equipment Reserve		20,000	
Transfer to Town Office Reserve		<u>10,000</u>	
Net Change in Fund Balance		143,079	
Fund Balance - July 1, 2017		<u>1,098,606</u>	
Fund Balance - June 30, 2018		<u>\$ 1,241,685</u>	

The reconciling items are due to combining two (2) funds, the Parking Meter Fund and the Recreation Fund, with the General Fund in order to comply with GASB Statement No. 54 and transfers to reserve accounts.

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 2,089,234	\$ 2,089,281	\$ 47
VT Pilot Payment	48,000	52,776	4,776
Hold Harmless VT Payment	22,000	25,544	3,544
State Aid Class I Highways	53,000	52,997	(3)
State Aid Class II Highways	46,000	45,892	(108)
State Aid Class III Highways	125,000	125,143	143
State Aid Lane Mileage	250	247	(3)
Highway Department Services	0	7,410	7,410
Transfer from Water Fund	136,919	136,919	0
Transfer from Sewer Fund	47,066	47,066	0
Better Back Roads Grant Revenue	20,000	19,944	(56)
PACIF Equipment Grant Revenue	0	2,331	2,331
Insurance Reimbursement	0	28,371	28,371
Miscellaneous	0	1,750	1,750
	<u>2,587,469</u>	<u>2,635,671</u>	<u>48,202</u>
Expenditures:			
Highway Garage & Equipment:			
Regular Salaries	49,090	51,890	(2,800)
Overtime Pay	4,100	7,095	(2,995)
Social Security	4,534	4,194	340
Group Insurance	17,270	17,424	(154)
HBA Expense	2,400	5,697	(3,297)
Workman's Compensation	3,354	3,638	(284)
Retirement Contributions	9,943	9,739	204
Unemployment Compensation	394	298	96
Office Supplies	1,200	1,885	(685)
Training	2,500	1,309	1,191
New Equipment	4,000	41,739	(37,739)
New Tools	5,000	3,034	1,966
Gas & Oil for Equipment	80,000	95,493	(15,493)
Uniforms	5,000	5,599	(599)
Telephone	3,200	2,796	404
Heating Fuel	8,850	5,102	3,748
Public Utility Services	8,500	8,313	187
Waste Disposal Services	4,250	3,533	717
Contracted Services	1,500	2,438	(938)
Repairs to Equipment	40,000	72,737	(32,737)
Maintenance Supplies	46,000	43,597	2,403
Outside Repairs	25,000	18,545	6,455
Repairs to Garage	10,000	2,265	7,735
PACIF Equipment Grant Expense	0	4,665	(4,665)
Transfer to Equipment Reserve	25,000	25,000	0
	<u>361,085</u>	<u>438,025</u>	<u>(76,940)</u>

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TOWN OF ST. JOHNSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Summer Maintenance:			
Regular Salaries	\$ 316,474	\$ 306,924	\$ 9,550
Overtime Pay	14,000	15,440	(1,440)
Social Security	25,281	23,508	1,773
Group Insurance	75,422	75,193	229
HBA Expense	12,000	30,526	(18,526)
Workman's Compensation	23,481	26,509	(3,028)
Retirement Contributions	41,902	41,041	861
VMERS	6,218	5,789	429
Unemployment Compensation	2,761	2,370	391
Contracted Services	85,000	57,601	27,399
Stormwater Permit Fee - ANR	2,400	0	2,400
Materials & Supplies	130,000	132,747	(2,747)
Maintenance (Paving)	25,000	17,360	7,640
Total Summer Maintenance	<u>759,939</u>	<u>735,008</u>	<u>24,931</u>
Winter Maintenance:			
Regular Salaries	316,474	320,604	(4,130)
Overtime Pay	52,200	74,030	(21,830)
Social Security	28,204	29,135	(931)
Group Insurance	75,422	77,110	(1,688)
HBA Expense	12,000	9,972	2,028
Workman's Compensation	23,481	26,509	(3,028)
Retirement Contributions	41,902	41,041	861
VMERS	6,218	7,504	(1,286)
Unemployment Compensation	2,760	2,361	399
Contracted Services	1,250	1,291	(41)
Materials & Supplies	170,000	163,905	6,095
Total Winter Maintenance	<u>729,911</u>	<u>753,462</u>	<u>(23,551)</u>
Street Safety & Traffic:			
Public Utility Services	92,000	88,935	3,065
Railroad St. Parking Lot	771	771	0
Contracted Services	8,500	4,380	4,120
Repair & Maintenance Services	2,000	689	1,311
Materials & Supplies	9,000	7,069	1,931
Total Street Safety & Traffic	<u>112,271</u>	<u>101,844</u>	<u>10,427</u>

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TOWN OF ST. JOHNSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
HIGHWAY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway Fund:			
Advertising	\$ 400	\$ 20	\$ 380
Audit	6,800	5,194	1,606
Legal Services	500	2,688	(2,188)
Health Insurance Account Expense	1,900	1,677	223
Engineering Services	2,000	0	2,000
Route 5 Bike Path Construction	0	4,785	(4,785)
Goss Holl Bridge	0	7,003	(7,003)
State Stormwater Operating Fee	1,700	1,678	22
Transfer to Sidewalk Reserve	20,000	20,000	0
Transfer to Construction Reserve	30,000	30,000	0
Property & Liability Insurance	33,781	33,712	69
Industrial Park Taxes	47,000	48,094	(1,094)
S. Main St. Bridge - Transfer to Grant Fund	60,750	60,750	0
Interest - Westside USDA 93/15	54,255	54,254	1
Principal - Westside USDA 93/15	75,313	75,314	(1)
CSO Payment	168,439	171,805	(3,366)
Vac-con Expense	33,513	33,513	0
Grader Expense	34,469	34,469	0
Sidewalk Plow	35,251	35,251	0
New Truck	96,000	388,522	(292,522)
Local Share - Railroad St. Enhancement	38,340	1,637	36,703
Local Share - Depot Square	0	72,860	(72,860)
Internet Expense	2,102	1,920	182
IT Upgrades	90	0	90
NBRC Bike Path	0	1,243	(1,243)
	<u>742,603</u>	<u>1,086,389</u>	<u>(343,786)</u>
Total Highway Fund			
Total Expenditures	<u>2,705,809</u>	<u>3,114,728</u>	<u>(408,919)</u>
Excess/(Deficiency) of Revenues			
Over Expenditures	<u>\$ (118,340)</u>	(479,057)	<u>\$ (360,717)</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Transfer to Equipment Reserve		25,000	
Transfer to Sidewalk Reserve		20,000	
Transfer to Construction Reserve		<u>30,000</u>	
Net Change in Fund Balance		(404,057)	
Fund Balance - July 1, 2017		<u>1,328,805</u>	
Fund Balance - June 30, 2018		<u>\$ 924,748</u>	

The reconciling items are due to transfers to reserve accounts.

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TOWN OF ST. JOHNSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
SPECIAL SERVICES FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 1,111,979	\$ 1,111,871	\$ (108)
VT Pilot Payments	16,000	18,776	2,776
Hold Harmless VT Payments	250	283	33
District Court Fines	14,500	8,330	(6,170)
Report Revenue	1,750	1,522	(228)
Police Department Services	8,800	7,747	(1,053)
Fingerprinting Services	19,000	33,360	14,360
Mountain View Security	27,300	15,295	(12,005)
SIU Revenue	30,000	30,000	0
Governor's Highway Safety Grant - Equipment	5,000	3,650	(1,350)
Governor's Highway Safety Grant - Salaries	20,000	10,733	(9,267)
Transfer from Parking Meter Fund	42,000	38,656	(3,344)
Donations	0	13,500	13,500
Sale of Police Equipment	0	10,450	10,450
Miscellaneous	0	3,123	3,123
	<u>1,296,579</u>	<u>1,307,296</u>	<u>10,717</u>
Total Revenues			
Expenditures:			
Police Department:			
Regular Salaries	669,643	566,625	103,018
Overtime Pay	68,000	101,114	(33,114)
Social Security	56,430	50,528	5,902
Group Insurance	99,133	92,998	6,135
HBA Expense	4,032	15,356	(11,324)
Workman's Compensation	40,720	48,516	(7,796)
Retirement Contributions	35,618	34,887	731
VMERS	34,748	34,268	480
Unemployment Compensation	6,430	5,238	1,192
Office Supplies	3,500	4,026	(526)
Training	0	5,925	(5,925)
Postage	540	372	168
Advertising	0	871	(871)
Printing	900	145	755
New Equipment	3,600	28,301	(24,701)
New Vehicle	0	19,696	(19,696)
Gas, Oil & Mileage	19,000	18,022	978
Uniforms	4,000	3,639	361
Uniform Cleaning	150	0	150
Telephone	3,500	3,104	396
Heating Fuel	3,000	2,683	317
Public Utility Services	4,000	3,691	309
Waste Disposal Services	900	808	92
Contracted Services	2,000	3,328	(1,328)
Ammunition	2,200	2,097	103
Repairs to Equipment	2,000	988	1,012
Dues	400	460	(60)
Repairs to Cruisers	11,000	15,434	(4,434)
Investigation Supplies	2,000	1,445	555

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
SPECIAL SERVICES FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Police Department/(Cont'd):			
Governor's Highway Safety Grant Expenditures	\$ 5,000	\$ 3,788	\$ 1,212
Transfer to Equipment Reserve	<u>10,000</u>	<u>10,000</u>	<u>0</u>
Total Police Department	<u>1,092,444</u>	<u>1,078,353</u>	<u>14,091</u>
Parks & Trees:			
Repair & Maintenance Services	1,500	2,651	(1,151)
Fountain Fund	0	17,139	(17,139)
Portland Street Rink	<u>0</u>	<u>80</u>	<u>(80)</u>
Total Parks & Trees	<u>1,500</u>	<u>19,870</u>	<u>(18,370)</u>
Beautification Committee:			
Salaries	2,000	2,500	(500)
Social Security	153	153	0
Operating Supplies	4,000	4,668	(668)
Contracted Services	0	967	(967)
Repair & Maintenance Services	<u>1,500</u>	<u>553</u>	<u>947</u>
Total Beautification Committee	<u>7,653</u>	<u>8,841</u>	<u>(1,188)</u>
Special Services Fund:			
Audit	6,800	5,194	1,606
Legal Services	0	2,764	(2,764)
Health Insurance Account Expense	1,000	820	180
Property & Liability Insurance	49,285	47,733	1,552
Internet Expense	7,184	4,658	2,526
IT Upgrades	713	0	713
Transfer to Dispatch Services	<u>170,000</u>	<u>170,000</u>	<u>0</u>
Total Special Services Fund	<u>234,982</u>	<u>231,169</u>	<u>3,813</u>
Total Expenditures	<u>1,336,579</u>	<u>1,338,233</u>	<u>(1,654)</u>
Excess/(Deficiency) of Revenues			
Over Expenditures	\$ <u>(40,000)</u>	(30,937)	\$ <u>9,063</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Transfer to Equipment Reserve		<u>10,000</u>	
Net Change in Fund Balance		(20,937)	
Fund Balance - July 1, 2017, As Restated		<u>266,880</u>	
Fund Balance - June 30, 2018		\$ <u>245,943</u>	

The reconciling item is due to the transfer to the reserve account.

See Disclaimer in Accompanying Independent Auditor's Report.

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

	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.5268%	0.4359%	0.3934%	0.3111%
Town's Proportionate Share of the Net Pension Liability	\$ 638,209	\$ 560,984	\$ 303,298	\$ 28,395
Town's Covered Employee Payroll	\$ 1,434,846	\$ 1,342,806	\$ 1,046,350	\$ 888,649
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	44.4793%	41.7770%	28.9863%	3.1953%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.64%	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

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

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

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 91,576	\$ 86,026	\$ 66,250	\$ 55,038
Contributions in Relation to the Actuarially Determined Contributions	<u>91,576</u>	<u>86,026</u>	<u>66,250</u>	<u>55,038</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 1,434,846	\$ 1,342,806	\$ 1,046,350	\$ 888,649
Contributions as a Percentage of Town's Covered Employee Payroll	6.382%	6.406%	6.332%	6.193%

Notes to Schedule

Valuation Date: June 30, 2017

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

TOWN OF ST. JOHNSBURY, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 PENSION TRUST FUND
 JUNE 30, 2018

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess/ (Deficiency) of Assets Over AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess/ (Deficiency) as a Percentage of Covered Payroll (a-b/c)
1/1/2012	7,743,245	9,912,347	(2,169,102)	78%	1,969,862	-110.1%
1/1/2013	8,208,221	10,075,608	(1,867,387)	81%	1,593,018	-117.2%
1/1/2014	9,217,480	10,311,956	(1,094,476)	89%	1,525,618	-71.7%
1/1/2015	9,362,798	10,800,376	(1,437,578)	87%	1,474,283	-97.5%
1/1/2016	9,117,722	11,282,205	(2,164,483)	81%	1,487,309	-145.5%
1/1/2017	9,668,301	11,670,327	(2,002,026)	83%	1,408,393	-142.1%
1/1/2018	10,541,534	12,074,434	(1,532,900)	87%	1,314,736	-117%

GASB No. 67 required supplementary information is not available for years prior to 2012. Data for future years will be added prospectively.

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 PENSION TRUST FUND
 JUNE 30, 2018

	2017	2016	2015	2014
Total Pension Liability:				
Normal Cost	\$ 115,097	\$ 123,154	\$ 115,139	\$ 168,300
Interest	804,914	770,068	766,804	862,671
Difference Between Expected and Actual Experience	120,265	(220,202)	154,539	0
Changes in Assumptions	(62,871)	277,567	0	0
Benefit Payments, Including Refunds of Member Contributions	(573,298)	(562,465)	(554,653)	(542,551)
Net Change in Total Pension Liability	404,107	388,122	481,829	488,420
Total Pension Liability, January 1	11,670,327	11,282,205	10,800,376	10,311,956
Total Pension Liability, December 31	12,074,434	11,670,327	11,282,205	10,800,376
Plan Fiduciary Net Position:				
Contributions - Employer	249,761	255,115	307,593	171,300
Contributions - Members	58,955	47,723	35,703	20,023
Net Investment Income	1,153,615	878,054	64,102	606,957
Administrative Expenses	(15,800)	(67,848)	(97,821)	(110,411)
Benefit Payments, Including Refunds of Member Contributions	(573,298)	(562,465)	(554,653)	(542,551)
Net Change in Fiduciary Net Position	873,233	550,579	(245,076)	145,318
Plan Fiduciary Net Position, January 1	9,668,301	9,117,722	9,362,798	9,217,480
Plan Fiduciary Net Position, December 31	10,541,534	9,668,301	9,117,722	9,362,798
Net Pension Liability, December 31	\$ 1,532,900	\$ 2,002,026	\$ 2,164,483	\$ 1,437,578
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.30%	82.85%	80.82%	86.69%
Covered Employee Payroll	\$ 1,314,736	\$ 1,408,393	\$ 1,474,283	\$ 1,525,618
Net Pension Liability as a Percentage of Covered Employee Payroll	116.59%	142.15%	146.82%	94.23%

Notes to Schedule

Benefit Changes: None

Changes in Assumptions: The mortality assumption has been updated to the RP-2014 Static Annuitant and Nonannuitant tables adjusted to 2006 with scale MP-2014 and then projected generationally with scale MP2017.

GASB No. 67 required supplementary information is not available for years prior to 2014. Data for future years will be added prospectively.

TOWN OF ST. JOHNSBURY, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 PENSION TRUST FUND
 JUNE 30, 2018

	2018	2017	2016 (18 Months)	2014	2013	2012
Actuarially Determined Contribution	\$ 230,812	\$ 255,115	\$ 362,938	\$ 168,300	\$ 280,984	\$ 405,212
Contributions in Relation to the Actuarially Determined Contribution	<u>249,761</u>	<u>255,115</u>	<u>307,593</u>	<u>171,300</u>	<u>280,984</u>	<u>405,212</u>
Contribution Deficiency/(Excess)	<u>\$ (18,949)</u>	<u>\$ 0</u>	<u>\$ 55,345</u>	<u>\$ (3,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-Employee Payroll	\$ 1,314,736	\$ 1,408,393	\$ 1,474,283	\$ 1,525,618	\$ 1,593,018	\$ 1,969,862
Contribution as a Percentage of Covered-Employee Payroll	19.00%	18.11%	20.86%	11.22%	15.75%	20.57%

Notes to Schedule

Valuation Date: January 1, 2018

Actuarially determined contribution rates are calculated as of January 1 of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed Method
Asset Valuation Method	Market Value
Salary Increases	3.75%
Investment Rate of Return	7.00%
Retirement Age	60 with 25 Years of Service but no later than 65
Mortality	RP-2014 Static Annuitant RP-2014 Static Annuitant and Nonannuitant tables adjusted to 2006 with scale MP-2014 and then projected generationally with scale MP2017.

GASB No. 67 required supplementary information is not available for years prior to 2012. Data for future years will be added prospectively.

TOWN OF ST. JOHNSBURY, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS
 PENSION TRUST FUND
 JUNE 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	12.11%	9.02%	(0.36%)	5.49%	14.82%

GASB No. 67 required supplementary information is not available for years prior to 2012. Data for future years will be added prospectively.

TOWN OF ST. JOHNSBURY, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Permanent Funds		Total
	Goss Hollow Cemetery Fund	Grove Cemetery Fund	
<u>ASSETS</u>			
Cash	\$ 6,349	\$ 18,847	\$ 25,196
Investments	0	170,411	170,411
Total Assets	\$ 6,349	\$ 189,258	\$ 195,607
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to Other Funds	\$ 18	\$ 17	\$ 35
Total Liabilities	18	17	35
Fund Balances:			
Nonspendable	5,161	0	5,161
Restricted	1,170	189,241	190,411
Total Fund Balances	6,331	189,241	195,572
Total Liabilities and Fund Balances	\$ 6,349	\$ 189,258	\$ 195,607

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Permanent Funds		Total
	Goss Hollow Cemetery Fund	Grove Cemetery Fund	
Revenues:			
Charges for Services	\$ 0	\$ 1,675	\$ 1,675
Investment Income	<u>7</u>	<u>58</u>	<u>65</u>
Total Revenues	<u>7</u>	<u>1,733</u>	<u>1,740</u>
Expenditures:			
Cemetery	<u>18</u>	<u>5,973</u>	<u>5,991</u>
Total Expenditures	<u>18</u>	<u>5,973</u>	<u>5,991</u>
Net Change in Fund Balances	(11)	(4,240)	(4,251)
Fund Balances - July 1, 2017	<u>6,342</u>	<u>193,481</u>	<u>199,823</u>
Fund Balances - June 30, 2018	<u>\$ 6,331</u>	<u>\$ 189,241</u>	<u>\$ 195,572</u>

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

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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"

Board of Selectmen
Town of St. Johnsbury, Vermont
51 Depot Square
St. Johnsbury, Vermont 05819

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of St. Johnsbury, Vermont, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of St. Johnsbury, Vermont's basic financial statements, and have issued our report thereon dated October 3, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

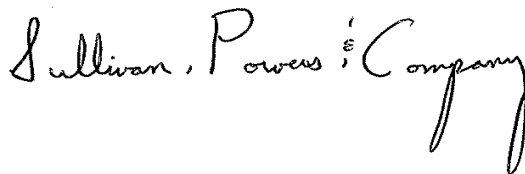
Compliance and Other Matters

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

Purpose of this Report

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

October 3, 2018
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized 'S' and 'C'.