

TOWN OF ST. JOHNSBURY, VERMONT

AUDIT REPORT

JUNE 30, 2017

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AUDIT REPORT
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77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
www.sullivanpowers.com

Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
VT Lic. #92-000180

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, 2017, 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, 2017, 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.C. to the financial statements, the governmental activities were restated resulting from an understatement of deferred outflows of resources and an overstatement of deferred inflows of resources related to the Town's pension plan. 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.

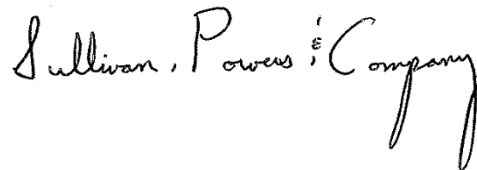
Other Information

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 September 14, 2017 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.

September 14, 2017
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned to the right of the date and address information.

**TOWN OF ST. JOHNSBURY, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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, 2017. 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 \$33,556,792 (net position). Of this amount, \$2,412,627 (unrestricted net position) may be used to meet the Town's ongoing obligations. The balance of net position is made up of \$29,364,207 net investment in capital assets and \$1,779,958 restricted for specific purposes.

The Town's total net position increased by \$1,752,165. Of this amount, net position attributable to governmental activities increased by \$1,706,060 and net position attributable to business-type activities increased by \$46,105.

At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,706,060, an increase of \$203,313 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 \$1,098,606.

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, conservation and development and cultural. 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 and the Special Services 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

	2017			2016		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 3,292,527	\$ 3,345,510	\$ 6,638,037	\$ 3,065,921	\$ 2,931,741	\$ 5,997,662
Capital Assets	28,891,320	19,359,836	48,251,156	27,701,303	19,208,751	46,910,054
Total Assets	<u>32,183,847</u>	<u>22,705,346</u>	<u>54,889,193</u>	<u>30,767,224</u>	<u>22,140,492</u>	<u>52,907,716</u>
Deferred Outflows of Resources	<u>1,122,461</u>	<u>32,339</u>	<u>1,154,800</u>	<u>824,564</u>	<u>0</u>	<u>824,564</u>
Current Liabilities	758,733	740,322	1,499,055	828,391	656,196	1,484,587
Noncurrent Liabilities	9,841,676	10,772,589	20,614,265	10,102,988	10,290,663	20,393,651
Total Liabilities	<u>10,600,409</u>	<u>11,512,911</u>	<u>22,113,320</u>	<u>10,931,379</u>	<u>10,946,859</u>	<u>21,878,238</u>
Deferred Inflows of Resources	<u>353,305</u>	<u>20,576</u>	<u>373,881</u>	<u>13,875</u>	<u>35,540</u>	<u>49,415</u>
Net Position:						
Net Investment in Capital Assets	21,269,449	8,094,758	29,364,207	19,705,659	8,428,803	28,134,462
Restricted	1,779,958	0	1,779,958	1,743,600	0	1,743,600
Unrestricted	(696,813)	3,109,440	2,412,627	(802,725)	2,729,290	1,926,565
Total Net Position	<u>\$ 22,352,594</u>	<u>\$ 11,204,198</u>	<u>\$ 33,556,792</u>	<u>\$ 20,646,534</u>	<u>\$ 11,158,093</u>	<u>\$ 31,804,627</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 exceeded liabilities by \$33,556,792. The Town's total net position is split between governmental activities net position of \$22,352,594 and business-type activities net position of \$11,204,198.

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 \$1,779,958 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 \$2,412,627 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 of the Statement of Activities

	2017		
	Governmental Activities	Business-type Activities	Total
Revenues:			
Program Revenues:			
Charges for Services	\$ 494,784	\$ 2,777,047	\$ 3,271,831
Operating Grants and Contributions	447,201	19,988	467,189
Capital Grants and Contributions	1,568,504	28,605	1,597,109
General Revenues:			
Property Taxes	5,633,553	0	5,633,553
Penalties and Interest in Delinquent Tax	70,541	0	70,541
General State Grants	217,420	0	217,420
Unrestricted Investment Earnings	32,875	319	33,194
Transfer of Grove Cemetery Investments	194,828	0	194,828
Other Revenues	7,901	0	7,901
Total Revenues	8,667,607	2,825,959	11,493,566
Expenses:			
General Government	1,463,166	0	1,463,166
Public Safety	2,742,167	0	2,742,167
Public Works	2,532,122	0	2,532,122
Culture and Recreation	47,920	0	47,920
Community Development	70,852	0	70,852
Cemetery	4,566	0	4,566
Interest on Long-term Debt	100,754	0	100,754
Water	0	1,240,488	1,240,488
Sewer	0	1,539,366	1,539,366
Total Expenses	6,961,547	2,779,854	9,741,401
Change in Net Position	1,706,060	46,105	1,752,165
Beginning Net Position	20,646,534	11,158,093	31,804,627
Ending Net Position	\$ 22,352,594	\$ 11,204,198	\$ 33,556,792

Only one year is shown as the prior period was for eighteen (18) months.

Governmental Activities

Governmental activities increased the Town's net position by \$1,706,060 for the year ended June 30, 2017 due to investments in capital assets. Business type activities increased the Town's net position by \$46,105 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 \$2,878,564 an increase of \$203,313 over the prior year. Of this total amount, \$49,766 is non-spendable (prepaid expenses and cemetery fund principal) and \$1,774,797 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, \$833,456 has been assigned by the Town for various purposes and \$220,545 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 \$1,098,606, an increase of \$156,133 from the previous year. Of this amount, \$44,605 is non-spendable. The remaining amount of \$833,456 has been assigned as detailed in the footnotes and \$220,545 is unassigned. Included in the General Fund are two funds that no longer qualify to be 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 \$1,328,805, a decrease of \$126,199 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 \$228,675, a decrease of \$15,088 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 \$6,694,302, an increase of \$92,861 from the previous year. In the sewer fund, total net position is \$4,509,896, a decrease of \$46,756 from the previous year.

BUDGETARY HIGHLIGHTS

The Town's budget for the year ended June 30, 2017 passed on the first vote in March of 2016 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 and increased interest payments on cash balances.
- The Town's computer server was moved offsite due to ongoing technical difficulties. This was an unbudgeted expense which was absorbed by savings in other line items.
- Savings in heating fuel and gas/diesel were realized in all the funds due to decreased pricing.

Highway Fund:

- Revenues exceeded budget due to higher state payments.
- Savings in energy costs were absorbed by excessive repair and maintenance expenses on equipment including plow trucks and the vac con vehicle.
- An unbudgeted payment was made on the Industrial Park taxes.

Special Services

- Special Services had a vacant position during the fiscal year resulting in reduced personnel costs. The budgeted \$40,000 transfer from reserves to subsidize operations was therefore not necessary.
- A new truck was purchased and paid for with equipment reserves.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2017 were \$79,571,334 (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, Railroad Street and 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 \$18,913,512. Of this amount, \$10,220,598 represents bonded debt backed by the full faith and credit of the Town, \$8,365,978 represents revolving loans issued by the State of Vermont and \$326,936 represent capital lease agreements.

The Town's total debt increased by \$80,258 during the year due to capital projects in the enterprise and highway 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.H of the notes to financial statements.

Economic Factors and Next Year's Budget and Rates

The unemployment rate for the Town is currently 4.0 percent, down from 4.4 percent one year ago. This compares with 3.1 percent state-wide, down from 3.4 percent statewide one year ago.

The Town approved a general fund budget for the 2017-18 fiscal year in the amount of \$3,054,996. This represents an increase of 2.66% over the approved budget for the previous year.

During the 2016-17 fiscal year the following developments took place in St. Johnsbury:

Business Growth and Recruitment - State, regional, and local efforts to attract Canadian businesses to the area have been effective. St. Johnsbury & Lyndonville have successfully recruited two Canadian companies to the community (BHS Composites and GilbertTech Inc.). Northeastern Vermont Development Association (NVDA), continues to work to recruit businesses through the Vermont-Quebec Enterprise Initiative. NVDA's main office is located in St. Johnsbury.

Our Tax stabilization program, which was initiated in 2016, is supporting growth primarily in the car industry sector. \$11M has been invested in 3 separate projects on Route 5 by the St. J. Auto Group. Once construction is complete 50+ new jobs will have been created from these investments. Two of the three St. J. Auto projects participated in our tax stabilization program.

Shippee Family Eyecare also successfully used St. Johnsbury's Tax Stabilization Program to assist with the development of a new 10,000s/f family eye care facility on Hospital Drive in St. Johnsbury. This multimillion dollar facility opened in February of 2017.

Recently, NSA Industries, LLC, a leader in machining and sheet metal fabrication, purchased another facility in the St. Johnsbury/Lyndonville Industrial Park. NSA continues to grow in St. Johnsbury and expects to add 35 new jobs this year with the potential for 35 more jobs over the next several years. Currently, NSA Industries employs 260 people in its St. Johnsbury facility.

Recent business challenges include the relocation of 80 state employees from our downtown due to contamination in three buildings. These jobs were relocated to a facility one mile outside of the downtown. The contamination has also discouraged investment in available property near the contaminated buildings. Town officials continue to work with property owners, state officials, and regional economic development organizations to find resources and develop strategies to get these buildings remediated and occupied.

Tax Increment Financing- In February of 2017 the Town of St. Johnsbury joined a consortium made up of several other Vermont towns to lobby to lift the moratorium on the creation of Tax Increment Financing (TIF) Districts. These efforts were successful, and the State lifted the cap allowing the creation of six new TIF Districts in the state. St. Johnsbury is working on identifying potential TIF District sites with expectations of submitting an application to the Vermont Economic Progress Council for a new TIF District within the next 12 months.

Tax Revenue- although the number of brick and mortar stores have declined in our downtown the Vermont Tax Department is reporting a 2.3% increase in retail sales taxes collected for St. Johnsbury for the first quarter of 2017. Rooms and meals tax revenue remains flat YOY during this same period with small increases in meals revenue and small decreases in beverage revenue (rooms tax revenue was not reported due to the small sample size).

Housing- St. Johnsbury is in the final stages of the St. Johnsbury Housing Study and Needs Assessment project that began in January of 2017. The information in this report will base-line our housing inventory, identify housing deficiencies, and provide strategies to fill our housing gaps. The study will also provide strategies to improve the quality of the existing housing stock along with strategies to deal with vacant and blighted properties.

Riverfront Development -St. Johnsbury was recently awarded \$425,000 from Northern Borders Regional Commission (NBRC) to build a trailhead center and recreation path connecting the downtown with the Lamoille Valley Rail Trail. This connection is expected to bring thousands of bikers and outdoor enthusiasts to downtown St. Johnsbury thus supporting our downtown retail and hospitality sector. The Town and Chamber are co-applicants on this project and the total cost of the project is \$540,153.

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, 2017

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 4,564,461	\$ 774,554	\$ 5,339,015
Investments	173,994	0	173,994
Receivables	400,380	680,043	1,080,423
Internal Balances	(1,890,913)	1,890,913	0
Prepaid Expenses	44,605	0	44,605
Capital Assets:			
Land	339,665	185,592	525,257
Construction in Progress	1,263,214	1,376,796	2,640,010
Other Capital Assets, (Net of Accumulated Depreciation)	27,288,441	17,797,448	45,085,889
Total Assets	<u>32,183,847</u>	<u>22,705,346</u>	<u>54,889,193</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	418,420	0	418,420
Deferred Outflows of Resources Related to the Town's Pension Plan	704,041	32,339	736,380
Total Deferred Outflows of Resources	<u>1,122,461</u>	<u>32,339</u>	<u>1,154,800</u>
<u>LIABILITIES</u>			
Accounts Payable	108,106	120,868	228,974
Accrued Payroll and Benefits Payable	59,389	1,711	61,100
Accrued Interest Payable	9,114	31,742	40,856
Noncurrent Liabilities:			
Due Within One Year	582,124	586,001	1,168,125
Due in More than One Year	9,841,676	10,772,589	20,614,265
Total Liabilities	<u>10,600,409</u>	<u>11,512,911</u>	<u>22,113,320</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	16,785	0	16,785
Prepaid/Overpayment of Utility Bills	0	5,119	5,119
Deferred Inflows of Resources Related to the Town's Pension Plan	336,520	15,457	351,977
Total Deferred Inflows of Resources	<u>353,305</u>	<u>20,576</u>	<u>373,881</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	21,269,449	8,094,758	29,364,207
Restricted For:			
Public Safety	228,675	0	228,675
Public Works	1,328,805	0	1,328,805
Cemetery	199,823	0	199,823
Other	22,655	0	22,655
Unrestricted/(Deficit)	(696,813)	3,109,440	2,412,627
Total Net Position	<u>\$ 22,352,594</u>	<u>\$ 11,204,198</u>	<u>\$ 33,556,792</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, 2017

	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	\$ 1,463,166	\$ 163,521	\$ 147,737	\$ 0	\$ (1,151,908)	\$ 0	\$ (1,151,908)
Public Safety	2,742,167	328,305	52,110	175,149	(2,186,603)	0	(2,186,603)
Public Works	2,532,122	1,908	247,354	1,330,045	(952,815)	0	(952,815)
Culture and Recreation	47,920	0	0	0	(47,920)	0	(47,920)
Community Development	70,852	0	0	0	(70,852)	0	(70,852)
Cemetery	4,566	1,050	0	63,310	59,794	0	59,794
Interest on Long-term Debt	100,754	0	0	0	(100,754)	0	(100,754)
Total Governmental Activities	<u>6,961,547</u>	<u>494,784</u>	<u>447,201</u>	<u>1,568,504</u>	<u>(4,451,058)</u>	<u>0</u>	<u>(4,451,058)</u>
Business-type Activities:							
Water	1,240,488	1,310,228	19,988	2,966	0	92,694	92,694
Sewer	1,539,366	1,466,819	0	25,639	0	(46,908)	(46,908)
Total Business-type Activities	<u>2,779,854</u>	<u>2,777,047</u>	<u>19,988</u>	<u>28,605</u>	<u>0</u>	<u>45,786</u>	<u>45,786</u>
Total Primary Government	<u>\$ 9,741,401</u>	<u>\$ 3,271,831</u>	<u>\$ 467,189</u>	<u>\$ 1,597,109</u>	<u>(4,451,058)</u>	<u>45,786</u>	<u>(4,405,272)</u>
General Revenues:							
Property Taxes					5,633,553	0	5,633,553
Penalties and Interest on Delinquent Taxes					70,541	0	70,541
General State Grants					217,420	0	217,420
Unrestricted Investment Earnings					32,875	319	33,194
Gain on Sale of Equipment					3,120	0	3,120
Insurance Proceeds					1,465	0	1,465
Transfer of Grove Cemetery Investments					194,828	0	194,828
Other Revenues					3,316	0	3,316
Total General Revenues					<u>6,157,118</u>	<u>319</u>	<u>6,157,437</u>
Change in Net Position					1,706,060	46,105	1,752,165
Net Position - July 1, 2016, As Restated					<u>20,646,534</u>	<u>11,158,093</u>	<u>31,804,627</u>
Net Position - June 30, 2017					<u>\$ 22,352,594</u>	<u>\$ 11,204,198</u>	<u>\$ 33,556,792</u>

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

TOWN OF ST. JOHNSBURY, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Highway Fund	Special Services Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 4,538,632	\$ 0	\$ 0	\$ 25,829	\$ 4,564,461
Investments	0	0	0	173,994	173,994
Receivables	316,479	0	9,405	74,496	400,380
Due from Other Funds	0	1,346,815	236,328	37,807	1,620,950
Prepaid Expenses	44,605	0	0	0	44,605
Total Assets	\$ 4,899,716	\$ 1,346,815	\$ 245,733	\$ 312,126	\$ 6,804,390
<u>LIABILITIES</u>					
Accounts Payable	\$ 9,501	\$ 3,404	\$ 5,553	\$ 89,648	\$ 108,106
Accrued Payroll and Benefits Payable	33,278	14,606	11,505	0	59,389
Due to Other Funds	3,511,863	0	0	0	3,511,863
Total Liabilities	3,554,642	18,010	17,058	89,648	3,679,358
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Prepaid Property Taxes	16,785	0	0	0	16,785
Unavailable Property Taxes, Penalties and Interest	229,683	0	0	0	229,683
Total Deferred Inflows of Resources	246,468	0	0	0	246,468
<u>FUND BALANCES</u>					
Nonspendable	44,605	0	0	5,161	49,766
Restricted	0	1,328,805	228,675	217,317	1,774,797
Assigned	833,456	0	0	0	833,456
Unassigned	220,545	0	0	0	220,545
Total Fund Balances	1,098,606	1,328,805	228,675	222,478	2,878,564
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,899,716	\$ 1,346,815	\$ 245,733	\$ 312,126	
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.					28,891,320
Other Assets are not Available to Pay for Current-Period Expenditures and, Therefore, are Deferred in the Funds.					229,683
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.					(10,432,914)
Deferred Outflows 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.					1,122,461
Deferred Inflows of Resources Related to the Town's Pension Plan are Applicable to Future Periods and, Therefore, are not Reported in the Funds.					(336,520)
Net Position of Governmental Activities					\$ 22,352,594

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, 2017

	General Fund	Highway Fund	Special Services Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 2,439,543	\$ 2,038,594	\$ 1,105,733	\$ 0	\$ 5,583,870
Penalties and Interest on Delinquent Taxes	70,541	0	0	0	70,541
Intergovernmental	156,316	319,192	75,150	931,284	1,481,942
Charges for Services	449,609	185,748	55,293	1,050	691,700
Permits, Licenses and Fees	90,669	0	0	0	90,669
Fines and Forfeits	0	0	9,255	0	9,255
Investment Income	30,150	0	0	2,725	32,875
Donations	0	0	1,104	0	1,104
Other	3,316	3,445	814	0	7,575
Total Revenues	3,240,144	2,546,979	1,247,349	935,059	7,969,531
Expenditures:					
General Government	1,356,061	0	0	114,882	1,470,943
Public Safety	1,396,515	0	1,076,052	11,340	2,483,907
Public Works	0	1,923,583	0	0	1,923,583
Culture and Recreation	30,425	0	0	0	30,425
Community Development	70,852	0	0	0	70,852
Cemetery	0	0	0	4,566	4,566
Capital Outlay:					
General Government	10,042	0	0	11,680	21,722
Public Safety	72,683	0	45,948	165,213	283,844
Public Works	0	211,856	0	961,992	1,173,848
Debt Service:					
Principal	116,943	171,298	8,442	108,796	405,479
Interest	33,060	62,582	115	4,414	100,171
Total Expenditures	3,086,581	2,369,319	1,130,557	1,382,883	7,969,340
Excess/(Deficiency) of Revenues Over Expenditures	153,563	177,660	116,792	(447,824)	191
Other Financing Sources/(Uses):					
Proceeds from Sale of Equipment	0	0	3,120	0	3,120
Proceeds from Long-term Debt	0	3,709	0	0	3,709
Insurance Proceeds	0	1,465	0	0	1,465
Transfer of Grove Cemetery Investments	0	0	0	194,828	194,828
Transfers In	170,000	0	35,000	441,463	646,463
Transfers Out	(167,430)	(309,033)	(170,000)	0	(646,463)
Total Other Financing Sources/(Uses)	2,570	(303,859)	(131,880)	636,291	203,122
Net Change in Fund Balances	156,133	(126,199)	(15,088)	188,467	203,313
Fund Balances - July 1, 2016	942,473	1,455,004	243,763	34,011	2,675,251
Fund Balances - June 30, 2017	\$ 1,098,606	\$ 1,328,805	\$ 228,675	\$ 222,478	\$ 2,878,564

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, 2017

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)	\$	203,313
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,479,414) is allocated over their estimated useful lives and reported as depreciation expense (\$1,041,894). This is the amount by which capital outlays exceeded depreciation in the current period.		437,520
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.		(1,188)
The effect of a capital grant for the construction of a Town bridge by the State of Vermont is to increase net position.		690,375
The effect of donated capital assets is to increase net position. The Town received land and equipment related to the Grove Cemetery.		63,310
The issuance of long-term debt (\$3,709) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$405,479) 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 \$3,102. This is the net effect of these differences in the treatment of long-term debt and related items.		404,872
Governmental funds report employer pension contributions as expenditures (\$329,937). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$472,837) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(142,900)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		38,861
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>11,897</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>1,706,060</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, 2017

	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 367,309	\$ 407,245	\$ 774,554
Receivables	189,124	196,750	385,874
Unbilled Receivables	139,719	154,450	294,169
Due from Other Funds	1,214,598	676,315	1,890,913
Total Current Assets	<u>1,910,750</u>	<u>1,434,760</u>	<u>3,345,510</u>
Noncurrent Assets:			
Capital Assets:			
Land	135,894	49,698	185,592
Construction in Progress	231,908	1,144,888	1,376,796
Buildings and Building Improvements	5,151,845	14,335,567	19,487,412
Vehicles, Machinery and Equipment	827,444	717,862	1,545,306
Distribution and Collection Systems	12,451,850	7,588,928	20,040,778
Less: Accumulated Depreciation	<u>(7,684,023)</u>	<u>(15,592,025)</u>	<u>(23,276,048)</u>
Total Noncurrent Assets	<u>11,114,918</u>	<u>8,244,918</u>	<u>19,359,836</u>
Total Assets	<u>13,025,668</u>	<u>9,679,678</u>	<u>22,705,346</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Pension Plan			
	<u>32,339</u>	<u>0</u>	<u>32,339</u>
Total Deferred Outflows of Resources	<u>32,339</u>	<u>0</u>	<u>32,339</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	113,076	7,792	120,868
Accrued Payroll and Benefits Payable	1,711	0	1,711
Accrued Interest Payable	18,111	13,631	31,742
Capital Lease Payable - Current Portion	0	22,342	22,342
General Obligation Bonds Payable - Current Portion	<u>253,696</u>	<u>309,963</u>	<u>563,659</u>
Total Current Liabilities	<u>386,594</u>	<u>353,728</u>	<u>740,322</u>
Noncurrent Liabilities:			
Compensated Absences Payable	5,591	0	5,591
Net Pension Liability	87,921	0	87,921
Capital Lease Payable - Noncurrent Portion	0	10,511	10,511
General Obligation Bonds Payable - Noncurrent Portion	<u>5,863,023</u>	<u>4,805,543</u>	<u>10,668,566</u>
Total Noncurrent Liabilities	<u>5,956,535</u>	<u>4,816,054</u>	<u>10,772,589</u>
Total Liabilities	<u>6,343,129</u>	<u>5,169,782</u>	<u>11,512,911</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid/Overpayment of Utility Bills			
	5,119	0	5,119
Deferred Inflows of Resources Related to the Town's Pension Plan			
	<u>15,457</u>	<u>0</u>	<u>15,457</u>
Total Deferred Inflows of Resources	<u>20,576</u>	<u>0</u>	<u>20,576</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets			
Unrestricted	<u>4,998,199</u>	<u>3,096,559</u>	<u>8,094,758</u>
	<u>1,696,103</u>	<u>1,413,337</u>	<u>3,109,440</u>
Total Net Position	<u>\$ 6,694,302</u>	<u>\$ 4,509,896</u>	<u>\$ 11,204,198</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, 2017

	Water Fund	Sewer Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
Charges for Services	\$ 1,304,742	\$ 1,458,123	\$ 2,762,865
Interest and Penalties	3,012	8,696	11,708
Other	2,474	0	2,474
	<u> </u>	<u> </u>	<u> </u>
Total Operating Revenues	1,310,228	1,466,819	2,777,047
	<u> </u>	<u> </u>	<u> </u>
Operating Expenses:			
Salaries and Benefits	52,684	0	52,684
Administrative	224,707	132,416	357,123
Utilities	88,394	106,750	195,144
Distribution and Collection	249,037	635,770	884,807
Taxes	36,771	0	36,771
Depreciation	401,505	603,436	1,004,941
	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	1,053,098	1,478,372	2,531,470
	<u> </u>	<u> </u>	<u> </u>
Operating Income/(Loss)	257,130	(11,553)	245,577
	<u> </u>	<u> </u>	<u> </u>
Non-Operating Revenues/(Expenses):			
Investment Income	167	152	319
Asset Management Grant Income	19,988	0	19,988
Asset Management Grant Expense	(24,250)	0	(24,250)
Interest Expense	(163,140)	(60,994)	(224,134)
	<u> </u>	<u> </u>	<u> </u>
Total Non-Operating Revenues/(Expenses)	(167,235)	(60,842)	(228,077)
	<u> </u>	<u> </u>	<u> </u>
Net Income/(Loss) Before Capital Contributions	89,895	(72,395)	17,500
	<u> </u>	<u> </u>	<u> </u>
Capital Contributions	2,966	25,639	28,605
	<u> </u>	<u> </u>	<u> </u>
Change in Net Position	92,861	(46,756)	46,105
	<u> </u>	<u> </u>	<u> </u>
Net Position - July 1, 2016	6,601,441	4,556,652	11,158,093
	<u> </u>	<u> </u>	<u> </u>
Net Position - June 30, 2017	\$ 6,694,302	\$ 4,509,896	\$ 11,204,198
	<u> </u>	<u> </u>	<u> </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, 2017

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 1,334,266	\$ 1,502,796	\$ 2,837,062
Payments for Goods and Services	(400,117)	(784,888)	(1,185,005)
Payments for Interfund Services	(193,419)	(103,566)	(296,985)
Payments for Wages and Benefits	(112,044)	0	(112,044)
Net Cash Provided by Operating Activities	<u>628,686</u>	<u>614,342</u>	<u>1,243,028</u>
Cash Flows From Noncapital Financing Activities:			
Asset Management Grant Income	19,988	0	19,988
Asset Management Grant Expense	(24,250)	0	(24,250)
(Increase)/Decrease in Due from Other Funds	112,573	80,462	193,035
Net Cash Provided by Noncapital Financing Activities	<u>108,311</u>	<u>80,462</u>	<u>188,773</u>
Cash Flows From Capital and Related Financing Activities:			
Proceeds from Long-term Debt	25,359	909,574	934,933
Acquisition and Construction of Capital Assets	(107,502)	(957,488)	(1,064,990)
Principal Paid on Long-term Debt	(199,333)	(221,865)	(421,198)
Interest Paid on Long-term Debt	(163,522)	(53,025)	(216,547)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(444,998)</u>	<u>(322,804)</u>	<u>(767,802)</u>
Cash Flows From Investing Activities:			
Receipt of Interest and Dividends	167	152	319
Net Cash Provided by Investing Activities	<u>167</u>	<u>152</u>	<u>319</u>
Net Increase in Cash	292,166	372,152	664,318
Cash - July 1, 2016	75,143	35,093	110,236
Cash - June 30, 2017	<u>\$ 367,309</u>	<u>\$ 407,245</u>	<u>\$ 774,554</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:			
Operating Income/(Loss)	\$ 257,130	\$ (11,553)	\$ 245,577
Depreciation	401,505	603,436	1,004,941
(Increase)/Decrease in Receivables	21,537	35,977	57,514
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Pension Plan	(32,339)	0	(32,339)
Increase/(Decrease) in Accounts Payable	5,373	(13,518)	(8,145)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	(1,128)	0	(1,128)
Increase/(Decrease) in Compensated Absences Payable	620	0	620
Increase/(Decrease) in Net Pension Liability	(9,048)	0	(9,048)
Increase/(Decrease) in Prepaid/Overpayment of Utility Bills	2,501	0	2,501
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Pension Plan	(17,465)	0	(17,465)
Net Cash Provided by Operating Activities	<u>\$ 628,686</u>	<u>\$ 614,342</u>	<u>\$ 1,243,028</u>

The Water Fund and Sewer Fund recognized a forgiveness of debt from the State of Vermont in the amounts of \$2,966 and \$25,639, respectively.

The Water Fund disposed of capital assets with a cost and accumulated depreciation of \$1,014.

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

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, 2017

	<u>Pension Trust Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 420,859
Investments	<u>9,489,292</u>
Total Assets	<u>9,910,151</u>
<u>LIABILITIES</u>	
Liabilities:	<u>0</u>
<u>NET POSITION</u>	
Held in Trust For:	
Employees' Pension Benefits	<u>9,910,151</u>
Total Net Position	<u>\$ 9,910,151</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, 2017

	Pension Trust Fund
Additions:	
Employer Contributions	\$ 255,115
Employee Contributions	49,039
Investment Income	1,047,064
Total Additions	1,351,218
Deductions:	
Benefits - Pension	569,238
Investment Management Fee	68,908
Total Deductions	638,146
Change in Net Position	713,072
Net Position - July 1, 2016	9,197,079
Net Position - June 30, 2017	\$ 9,910,151

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

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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.

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.

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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.

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.

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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 most 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.

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".

TOWN OF ST. JOHNSBURY, VERMONT
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5. Pensions

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

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 fair 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.

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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:

	<u>Capitalization Threshold</u>	<u>Estimated Service Life</u>
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.

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.

TOWN OF ST. JOHNSBURY, VERMONT
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**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.

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.

TOWN OF ST. JOHNSBURY, VERMONT
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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 \$308,000 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. Restatement of Net Position

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

	Governmental Activities
Net Position - July 1, 2016, As Originally Reported	\$ 19,363,875
Understatement of Deferred Outflows of Resources Related to the Town's Pension Plan	580,709
Overstatement of Deferred Inflows of Resources Related to the Town's Pension Plan	<u>701,950</u>
Net Position - July 1, 2016, As Restated	<u>\$ 20,646,534</u>

The restatement of the governmental activities were the result of an understatement of deferred outflows of resources related to the Town's pension plan and an overstatement of deferred inflows of resources related to the Town's pension plan. The effect of this restatement on the governmental activities Statement of Net Position is to increase deferred outflows of resources by \$580,709, decrease deferred inflows of resources by \$701,950 and increase net position by \$1,282,659. The effect on the 2016 Statement of Activities has not been determined.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2017 consisted of the following:

Cash:

Deposits with Financial Institutions	\$ 5,337,739
Deposits with Investment Company	420,859
Cash on Hand	<u>1,276</u>
Total Cash	<u>5,759,874</u>

Investments:

Certificates of Deposit	206,044
Municipal Bonds	125,779
Corporate Bonds	1,072,423
U.S. Treasury Notes	950,746
Common Stock	4,573,043
Mutual Funds – Mixed Holdings	<u>2,735,251</u>
Total Investments	<u>9,663,286</u>

Total Cash and Investments	<u>\$15,423,160</u>
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TOWN OF ST. JOHNSBURY, VERMONT
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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 counterparty (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 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 certificates of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$ 706,044	\$ 706,044
Uninsured, Collateralized by U.S. Government Securities Held by the Bank in the Town's Name	5,087,739	5,350,665
Uninsured, Uncollateralized	<u>170,859</u>	<u>170,859</u>
Total	<u>\$5,964,642</u>	<u>\$6,227,568</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	\$5,337,739
Cash – Deposits with Investment Company	420,859
Investments – Certificates of Deposit	<u>206,044</u>
Total	<u>\$5,964,642</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.

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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.

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 certificates 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	5 to 10 Years	
Municipal Bonds	\$ 0	\$ 125,779	\$ 0	\$ 125,779
Corporate Bonds	204,342	868,081	0	1,072,423
U.S. Treasury Notes	200,252	555,188	195,306	950,746
Total	\$ 404,594	\$ 1,549,048	\$ 195,306	\$ 2,148,948

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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 certificates 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.

Investment Type	Standard and Poor's Rating as of June 30, 2017					Total
	AAA	AA+	A+	A	BBB+	
Municipal Bonds	\$ 125,779	\$ 0	\$ 0	\$ 0	\$ 0	\$ 125,779
Corporate Bonds	0	153,281	92,905	441,118	385,119	1,072,423
U.S. Treasury Notes	0	950,746	0	0	0	950,746
Total	\$ 125,779	\$ 1,104,027	\$ 92,905	\$ 441,118	\$ 385,119	\$ 2,148,948

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 certificates 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 \$125,779, (100%), of their municipal bonds invested in New York State Dormitory Authority. The Town has \$153,281, (14%), of their corporate bonds invested in Apple Inc., \$204,342, (19%), of their corporate bonds invested in Bank of America Corporation, \$277,798, (26%), of their corporate bonds invested in Caterpillar Financial Services, \$92,905, (9%), of their corporate bonds invested in Walt Disney Company, \$163,320, (15%), of their corporate bonds invested in Home Depot Inc. and \$180,777, (17%), of their corporate bonds invested in Verizon Communications Inc.

B. Receivables

Receivables as of June 30, 2017, as reported in the statement of net position, are as follows:

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes Receivable	\$ 270,633	\$ 0	\$ 270,633
Penalties and Interest Receivable	37,680	0	37,680
Grants Receivable	77,482	0	77,482
Accounts Receivable	14,585	0	14,585
Billed Services	0	385,874	385,874
Unbilled Services	0	294,169	294,169
Total	\$ 400,380	\$ 680,043	\$ 1,080,423

TOWN OF ST. JOHNSBURY, VERMONT
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C. Loans Receivable

Loans receivable as of June 30, 2017 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
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, 2017	<u>\$ 0</u>

TOWN OF ST. JOHNSBURY, VERMONT
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D. Capital Assets

Capital asset activity for the year ended June 30, 2017 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	\$ 269,255	\$ 70,410	\$ 0	\$ 339,665
Construction in Progress	417,879	1,545,141	699,806	1,263,214
Total Capital Assets, Not Being Depreciated	<u>687,134</u>	<u>1,615,551</u>	<u>699,806</u>	<u>1,602,879</u>
Capital Assets, Being Depreciated:				
Land Improvements	468,172	0	0	468,172
Buildings and Building Improvements	2,773,762	4,400	0	2,778,162
Vehicles, Machinery and Equipment	5,947,831	505,922	292,212	6,161,541
Infrastructure	25,117,664	807,032	0	25,924,696
Totals	<u>34,307,429</u>	<u>1,317,354</u>	<u>292,212</u>	<u>35,332,571</u>
Less Accumulated Depreciation for:				
Land Improvements	440,280	11,173	0	451,453
Buildings and Building Improvements	756,839	61,181	0	818,020
Vehicles, Machinery and Equipment	4,522,984	334,553	291,024	4,566,513
Infrastructure	1,573,157	634,987	0	2,208,144
Totals	<u>7,293,260</u>	<u>1,041,894</u>	<u>291,024</u>	<u>8,044,130</u>
Total Capital Assets, Being Depreciated	<u>27,014,169</u>	<u>275,460</u>	<u>1,188</u>	<u>27,288,441</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,701,303</u>	<u>\$ 1,891,011</u>	<u>\$ 700,994</u>	<u>\$ 28,891,320</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	315,975	1,060,821	0	1,376,796
Total Capital Assets, Not Being Depreciated	<u>501,567</u>	<u>1,060,821</u>	<u>0</u>	<u>1,562,388</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	19,485,212	3,214	1,014	19,487,412
Vehicles, Machinery and Equipment	1,453,315	91,991	0	1,545,306
Distribution and Collection Systems	20,040,778	0	0	20,040,778
Totals	<u>40,979,305</u>	<u>95,205</u>	<u>1,014</u>	<u>41,073,496</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	15,244,814	593,007	1,014	15,836,807
Vehicles, Machinery and Equipment	1,343,473	2,380	0	1,345,853
Distribution and Collection Systems	5,683,834	409,554	0	6,093,388
Totals	<u>22,272,121</u>	<u>1,004,941</u>	<u>1,014</u>	<u>23,276,048</u>
Total Capital Assets, Being Depreciated	<u>18,707,184</u>	<u>(909,736)</u>	<u>0</u>	<u>17,797,448</u>
Business-type Activities Capital Assets, Net	<u>\$ 19,208,751</u>	<u>\$ 151,085</u>	<u>\$ 0</u>	<u>\$ 19,359,836</u>

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

Governmental Activities:		Business-type Activities:	
General Government	\$ 80,566	Water	\$ 401,505
Public Safety	172,418	Sewer	<u>603,436</u>
Public Works	771,415		
Culture and Recreation	<u>17,495</u>		
 Total Depreciation Expense - Governmental Activities	 <u>\$ 1,041,894</u>	 Total Depreciation Expense - Business-type Activities	 <u>\$ 1,004,941</u>

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2017 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 3,511,863
Highway Fund	1,346,815	0
Special Services Fund	236,328	0
Non-Major Governmental Funds -		
Grant Fund	37,807	0
Water Fund	1,214,598	0
Sewer Fund	<u>676,315</u>	<u>0</u>
 Total	 <u>\$ 3,511,863</u>	 <u>\$ 3,511,863</u>

Interfund transfers during the year ended June 30, 2017 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Recreation Fund	\$ 10,000	* Appropriation
General Fund	Grant Fund	19,220	Fund Grant Expenses
General Fund	Grant Fund	113,210	Fund Debt Service
Parking Meter Fund	General Fund	12,000	* Fund Parking Ticket Staff Expenses
Parking Meter Fund	Special Services Fund	35,000	* Fund Dispatching Staff Expenses
Highway Fund	Grant Fund	309,033	Fund Grant Expenses
Special Services Fund	General Fund	<u>170,000</u>	Fund Dispatch Services
 Total		 <u>\$ 668,463</u>	

* The transfer from the General Fund to the Recreation Fund and the transfers from the Parking Meter Fund to the General Fund and Special Services Fund are netted within the General Fund as these funds are consolidated within 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 \$11,524 from the difference between the expected and actual experience, \$90,092 from changes in assumptions, \$181,899 from the difference between the projected and actual investment earnings and \$48,879 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 \$86,026 of required employer pension contributions subsequent to the measurement date. It also includes \$126,986 from the difference between the expected and actual experience, \$244,148 from changes in assumptions and \$332,907 from the difference between the projected and actual investment earnings related to the Town's single-employer defined benefit plan. Total deferred outflows of resources in the governmental activities is \$1,122,461.

Deferred outflows of resources in the Water Fund and business-type activities consists of \$5,833 from the difference between the expected and actual experience, \$11,214 from changes in assumptions and \$15,292 from the difference between the projected and actual investment earnings related to the Town's single-employer defined benefit plan. Total deferred outflows of resources in the Water Fund and business-type activities are \$32,339.

G. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$16,785 of prepaid property taxes. It also includes \$193,690 from the difference between the expected and actual experience and \$142,830 from the difference between the projected and actual investment earnings related to the Town's single-employer defined benefit plan. Total deferred inflows of resources in the governmental activities is \$353,305.

Deferred inflows of resources in the Water Fund and business-type activities consists of \$8,896 from the difference between the expected and actual experience and \$6,561 from the difference between the projected and actual investment earnings related to the Town's single-employer defined benefit plan. It also includes \$5,119 of prepaid/overpaid utility bills. Total deferred inflows of resources in the Water Fund and business-type activities are \$20,576.

Deferred inflows of resources in the General Fund consists of \$229,683 of delinquent property taxes, penalties and interest on those taxes not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$16,785 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$246,468.

H. 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.

TOWN OF ST. JOHNSBURY, VERMONT
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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.

Long-term liabilities outstanding as of June 30, 2017 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.	\$1,120,000	\$ 0	\$ 70,000	\$1,050,000

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, Authorized to \$5,016,830 in Total but Eligible for \$200,000 Subsidy, Principal Payments of \$240,842 in Total Payable December 1 Annually Beginning December 1, 2017, 0% Interest, Due December, 2036. The Town Recognized \$2,160 of the Subsidy during the Year. This is the Governmental Activities Portion of the Bond.	\$2,912,712	\$2,777	\$ 1,307	\$2,914,182
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.	2,503,705	0	73,647	2,430,058
Note Payable, Community National Bank, General Fund Deficit, Interest at 1.25%, Due and Paid August, 2017	57,662	0	31,099	26,563
Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Authorized to \$2,626,255 in Total but Eligible for \$150,000 Subsidy, Principal and Interest Payments of \$69,219 in Total Payable December 1 Annually Beginning December 1, 2017, Interest at -1.1%, Due December, 2046. The Town Recognized \$4,761 of the Subsidy during the Year. 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.	934,411	932	1,795	933,548

TOWN OF ST. JOHNSBURY, VERMONT
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	<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 in Total Payable on January 15 and July 15 Semi-Annually, Interest at 1.99%, Due July, 2018. This is the Governmental Activities Portion of the Lease.	\$ 81,326	\$ 0	\$ 32,046	\$ 49,280
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 January, 2018	219,777	0	108,796	110,981
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	131,692	0	31,577	100,115
Capital Lease Payable, Cisco Systems Capital Corporation, Computer Equipment, Principal and Interest Payments of \$2,141 Payable Monthly, Interest at 2.5%, Due and Paid June, 2017	25,351	0	25,351	0
Capital Lease Payable, Kansas State Bank, Grader, Principal and Interest Payments of \$34,469 Payable July 1 Annually, Interest at 2.26%, Due July, 2017	<u>66,670</u>	<u>0</u>	<u>32,963</u>	<u>33,707</u>
Total Governmental Activities	<u>\$8,053,306</u>	<u>\$3,709</u>	<u>\$408,581</u>	<u>\$7,648,434</u>

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.	\$ 1,012,350	\$ 0	\$ 130,050	\$ 882,300

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, 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.	\$ 914,052	\$ 0	\$ 26,887	\$ 887,165
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	695,101	0	13,473	681,628
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	396,118	0	5,513	390,605
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	1,681,870	0	23,410	1,658,460
Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Authorized to \$2,626,255 in Total but Eligible for \$150,000 Subsidy, Principal and Interest Payments of \$69,219 in Total Payable December 1 Annually Beginning December 1, 2017, Interest at -1.1%, Due December, 2046. The Town Recognized \$4,761 of the Subsidy during the Year. 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.	1,544,134	1,539	2,966	1,542,707

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, State of Vermont Special Environmental Revolving Fund, Water Planning Project, Authorized to \$55,300, Principal Payments of \$11,060 Payable on January 1 Annually Beginning January 1, 2020, 0% Interest, Due January, 2024	\$ 50,034	\$ 0	\$ 0	\$ 50,034
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>0</u>	<u>23,820</u>	<u>0</u>	<u>23,820</u>
Total Water Fund	<u>6,293,659</u>	<u>25,359</u>	<u>202,299</u>	<u>6,116,719</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.	972,650	0	124,950	847,700
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.	556,378	0	16,365	540,013
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 July, 2018. This is the Sewer Fund Portion of the Lease.	54,217	0	21,364	32,853

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, Westside South Project, Principal Payments of \$56,678 Payable on August 1 Annually, 0% Interest, Due August, 2028	\$ 736,794	\$ 0	\$ 56,678	\$ 680,116
Bond Payable, U.S. Department of Agriculture, Sewer Construction, Principal and Interest Payments of \$2,924 Payable on March 15 and September 15 Semi-Annually, Interest at 4.13%, Due March, 2037	81,614	0	2,508	79,106
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 \$24,786 of the Subsidy during the Year.	182,948	160,761	24,786	318,923
Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Authorized to \$5,016,830 in Total but Eligible for \$200,000 Subsidy, Principal Payments of \$240,842 in Total Payable December 1 Annually Beginning December 1, 2017, 0% Interest, Due December, 2036. The Town Recognized \$2,160 of the Subsidy during the Year. This is the Sewer Fund Portion of the Bond.	1,901,688	1,813	853	1,902,648
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>0</u>	<u>747,000</u>	<u>0</u>	<u>747,000</u>
Total Sewer Fund	<u>4,486,289</u>	<u>909,574</u>	<u>247,504</u>	<u>5,148,359</u>
Total Business-type Activities	<u>\$10,779,948</u>	<u>\$934,933</u>	<u>\$449,803</u>	<u>\$11,265,078</u>

TOWN OF ST. JOHNSBURY, VERMONT
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Changes in long-term liabilities during the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 7,470,828	\$ 3,709	\$ 146,749	\$ 7,327,788	\$ 317,118
Notes Payable	57,662	0	31,099	26,563	26,563
Capital Leases Payable	524,816	0	230,733	294,083	216,443
Compensated Absences Payable	161,077	4,902	0	165,979	0
Net Pension Liability	2,370,812	104,277	0	2,475,089	0
Industrial Park Liability	151,680	0	17,382	134,298	22,000
Total Governmental Activities Long-term Liabilities	\$ 10,736,875	\$ 112,888	\$ 425,963	\$ 10,423,800	\$ 582,124
Business-type Activities					
General Obligation Bonds Payable	\$ 10,725,731	\$ 934,933	\$ 428,439	\$ 11,232,225	\$ 563,659
Capital Leases Payable	54,217	0	21,364	32,853	22,342
Compensated Absences Payable	4,971	620	0	5,591	0
Net Pension Liability	96,969	0	9,048	87,921	0
Total Business-type Activities Long-term Liabilities	\$ 10,881,888	\$ 935,553	\$ 458,851	\$ 11,358,590	\$ 586,001

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.

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
2018	\$ 343,681	\$ 88,982	\$ 216,443	\$ 563,659	\$ 221,899	\$ 22,342
2019	318,822	83,909	52,007	566,864	207,169	11,171
2020	320,565	86,322	35,251	570,174	191,724	0
2021	322,347	82,294	0	573,587	176,809	0
2022	324,169	78,079	0	609,388	160,782	0
2023-2027	1,649,660	321,594	0	2,304,056	606,697	0
2028-2032	1,701,817	192,345	0	1,685,176	564,721	0
2033-2037	1,410,151	96,718	0	1,585,181	438,172	0
2038-2042	681,991	31,482	0	1,188,816	291,597	0
2043-2047	130,480	0	0	991,259	146,357	0
2048-2050	0	0	0	345,078	20,272	0
Total	7,203,683	1,061,725	303,701	10,983,238	3,026,199	33,513
Less: Imputed Interest	0	0	(9,618)	0	0	(660)
Plus: Principal to be Forgiven (To be Converted to Grant)	150,668	0	0	248,987	0	0
Total	\$ 7,354,351	\$ 1,061,725	\$ 294,083	\$ 11,232,225	\$ 3,026,199	\$ 32,853

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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I. 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.

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	\$44,605
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Non-Major Funds

Permanent Funds:

Nonspendable Goss Hollow Cemetery Fund Principal	<u>5,161</u>
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Total Nonspendable Fund Balances	<u>\$49,766</u>
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TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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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>\$1,328,805</u>
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Special Services Fund:

Restricted for Public Safety Expenditures by Charter (Source of Revenue is Property Taxes)	<u>228,675</u>
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Non-Major Funds

Special Revenue Fund:

Restricted for Grant Expenditures by Grant Agreements (Source of Revenue is Grant Revenue)	<u>22,655</u>
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Permanent Funds:

Restricted for Goss Hollow Cemetery Expenses by Trust Agreement – Expendable Portion	1,181
Restricted for Grove Cemetery Expenses by Donations	<u>193,481</u>

Total Permanent Funds	<u>194,662</u>
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Total Non-Major Funds	<u>217,317</u>
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Total Restricted Fund Balances	<u>\$1,774,797</u>
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The fund balances in the following fund is assigned as follows:

Major Funds

General Fund:

Assigned for Fire Equipment Reserve	\$210,622
Assigned for Municipal Building Reserve	60,000
Assigned for Records Restoration Reserve	38,165
Assigned for Economic Development Reserve	77,533
Assigned for Fountain Fund Reserve	22,175
Assigned for Revaluation Reserve	247,633
Assigned for Dispatch Equipment	5,000
Assigned for Pomerleau Building Reserve	104,500
Assigned for Fire Department Catastrophic Reserve	25,000
Assigned for Dispatch Move Reserve	25,000
Assigned for Parking Meter Equipment Reserve	8,400
Assigned for Recreation Department Reserve	<u>9,428</u>

Total Assigned Fund Balances	<u>\$833,456</u>
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TOWN OF ST. JOHNSBURY, VERMONT
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J. Net Position

The restricted net position of the governmental activities as of June 30, 2017 consisted of the following:

Governmental Activities:

Restricted for Highway Expenditures by Statute	\$1,328,805
Restricted for Public Safety Expenditures by Charter	228,675
Restricted for Grant Expenditures by Grant Agreements	22,655
Restricted for Goss Hollow Cemetery by Trust Agreement – Nonexpendable Portion	5,161
Restricted for Goss Hollow Cemetery by Trust Agreement – Expendable Portion	1,181
Restricted for Grove Cemetery by Donations	<u>193,481</u>
Total Governmental Activities	<u>\$1,779,958</u>

In the Water and Sewer Funds, \$367,309 and \$407,245, respectively, of the net position has been designated for capital reserves.

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, 2017, the retirement system consisted of 441 participating employers.

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

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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.

Pension Liability, Pension Expense and Deferred Outflows of Resources

As of June 30, 2016, the measurement date selected by the State of Vermont, VMERS was funded at 80.95% and had a plan fiduciary net position of \$547,015,114 and a total pension liability of \$675,711,281 resulting in a net position liability of \$128,696,167. As of June 30, 2017, the Town's proportionate share of this was 0.4359% resulting in a net pension liability of \$560,984. The net pension liability was measured as of June 30, 2016, 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, 2016, the Town's proportion of 0.4359% was an increase of 0.0425 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$169,147.

As of June 30, 2017, the Town reported deferred outflows of resources from the following sources:

		<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$	11,524
Changes in assumptions		90,092
Difference between projected and actual investment earnings on pension assets		181,899
Changes in proportion and differences between employer contributions and proportionate share of contributions		48,879
Town's required employer contributions made subsequent to the measurement date		<u>86,026</u>
	\$	<u>418,420</u>

TOWN OF ST. JOHNSBURY, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$86,026 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2018	\$ 92,835
2019	92,835
2020	115,340
2021	<u>31,384</u>
Total	<u>\$332,394</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.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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”.

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

The actuarial assumptions regarding the incidence of mortality, terminations, retirements and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014.

Interest Rate: 7.95% per annum.

Salary increases: 5% per year.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Deaths: Groups B and C – RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 60% Blue collar and 40% White collar adjustment.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.8% per annum for members of Groups B and C.

Actuarial Cost Method: Projected benefit cost method. The unfunded accrued liability is amortized in installments increasing 5% per year.

Asset Valuation Method: Invested assets are reported at fair value.

Note – For funding purposes – 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 the market value of assets by more than 20%.

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% per year.

Long-term Expected Rate of Return:

The long-term expected rate of return on investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	8.54%
Fixed Income	2.36%
Alternatives	8.35%
Multi-strategy	4.90%

Nominal long-term expected rates of return for these asset classes are equal to the sum of the expected long-term real rates and the expected long-term inflation rate of 3.0%.

TOWN OF ST. JOHNSBURY, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

Discount Rate - The discount rate used to measure the total pension liability was 7.95%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.95 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%):

<u>1% Decrease (6.95%)</u>	<u>Discount Rate (7.95%)</u>	<u>1% Increase (8.95%)</u>
\$931,290	\$560,984	\$250,929

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 2017 was \$255,115 which was computed through an actuarial valuation performed as of January 1, 2016.

As of December 31, 2016, there were 25 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 \$9,910,151 as of June 30, 2017.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

As of January 1, 2017, the measurement date selected by the Town of St. Johnsbury, the pension was funded at 82.85% and had a plan fiduciary net position of \$9,668,301 and a total pension liability of \$11,670,327 resulting in a net pension liability of \$2,002,026. The net pension liability was measured as of January 1, 2017, 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, 2017, the Town recognized pension expense of \$316,200.

As of June 30, 2017, 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	\$ 132,819	\$ 202,586
Changes in assumptions	255,362	0
Difference between projected and actual investment earnings on pension assets	348,199	149,391
	\$ 736,380	\$ 351,977

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

Year Ending <u>June 30</u>	
2018	\$94,168
2019	94,168
2020	94,168
2021	(21,898)
2022	15,449
Thereafter	<u>108,348</u>
Total	<u>\$384,403</u>

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 MP2016.

TOWN OF ST. JOHNSBURY, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

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 MP2016.

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.

Early Retirement Benefit

Early Retirement Benefit	Accrued Retirement Benefit Eligibility Requirements: Minimum years of service: 10 Minimum age: 55
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TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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>
\$3,526,435	\$2,002,026	\$736,703

Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at January 1, 2016	\$ 11,282,205	\$ 9,117,722	\$ 2,164,483
Changes for the year:			
Normal cost	123,154	0	123,154
Interest	770,068	0	770,068
Differences between actual and expected experience	(220,202)	0	(220,202)
Changes in assumptions	277,567	0	277,567
Contributions - employer	0	255,115	(255,115)
Contributions - members	0	47,723	(47,723)
Net investment income	0	878,054	(878,054)
Administrative expenses	0	(67,848)	67,848
Benefit Payments, including refunds of member contributions	(562,465)	(562,465)	0
Net changes	388,122	550,579	(162,457)
Balances at December 31, 2016	\$ 11,670,327	\$ 9,668,301	\$ 2,002,026

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, 2017

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 Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

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, 2017, taxes became due and payable on October 28, 2016 and March 28, 2017. 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 2017 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	1.2182	1.4465
General	0.3834	0.3834
Appropriations	0.0651	0.0651
Highway	0.3689	0.3689
Special Services District	0.4464	0.4464
Local Agreement	<u>0.0017</u>	<u>0.0017</u>
Total	<u>2.4837</u>	<u>2.7120</u>

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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 period from NCIC was \$47,295.

Future building lease revenue from NCIC is as follows:

2018	\$ 48,714
2019	48,714
2020	48,714
2021	50,175
2022	<u>50,175</u>
	<u>\$246,492</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.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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 fiscal year ended June 30, 2017, the Town entered into three (3) stabilization contracts which will take effect for the 2018 fiscal year. There were no active agreements during fiscal year 2017.

G. SUBSEQUENT EVENTS

On July 24, 2017, the Town approved a grant and loan offer from USDA Rural Development for the Wastewater Phase 2 and Oak Street Projects with a loan in the amount of \$3,163,000 and grant in the amount of \$2,587,000.

On August 14, 2017, the Town approved a loan agreement with the State of Vermont Special Environmental Revolving Fund in the amount of \$185,300.

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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 2,479,001	\$ 2,439,543	\$ (39,458)
Delinquent Tax Penalties	30,000	41,072	11,072
Interest on Delinquent Taxes	35,000	29,469	(5,531)
Education Billing Fee	0	15,207	15,207
VT Pilot Payments	65,000	86,838	21,838
Hold Harmless VT Payments	28,000	38,347	10,347
State Parcel Payment	30,000	29,203	(797)
Beverage Licenses	5,200	3,635	(1,565)
Dog Licenses	4,000	4,138	138
Zoning Permits	1,500	1,840	340
Housing Fees	10,000	0	(10,000)
Vendor Permits	0	255	255
Transfer Station Reimbursements	800	1,400	600
Dumpster Reimbursement	600	420	(180)
Overweight Permits	500	450	(50)
Dispatch Services	178,060	176,484	(1,576)
Fire Department Services	25,000	29,485	4,485
Listers' Services	200	0	(200)
Town Clerk's Fees	60,000	64,254	4,254
Records Restoration	13,000	14,236	1,236
Sale of Glebe Lease Land	200	0	(200)
Interest and Dividends	10,000	30,150	20,150
Armory Parking Lot Rent	400	450	50
Pomerleau Building 2nd Floor Rent	47,295	47,295	0
Pomerleau Building 3rd Floor Rent	10,800	9,900	(900)
Planning Grant Revenue	6,000	0	(6,000)
Electric Vehicle Charging	0	41	41
Transfer to Town Manager	35,000	35,000	0
Transfer to Town Clerk	12,000	12,000	0
Transfer to Treasurer	78,000	78,000	0
Transfer to Dispatch	170,000	170,000	0
PACIF Equipment Grant Revenue	0	1,928	1,928
Miscellaneous	0	3,316	3,316
Total Revenues	<u>3,335,556</u>	<u>3,364,356</u>	<u>28,800</u>

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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures:			
Town Manager's Office:			
Regular Salaries	\$ 249,902	\$ 251,048	\$ (1,146)
Social Security	19,118	19,234	(116)
Group Insurance	18,992	21,577	(2,585)
HBA Expense	2,240	1,112	1,128
Workman's Compensation	621	571	50
VMERS	13,745	14,225	(480)
Unemployment Compensation	976	1,422	(446)
Office Supplies	2,000	4,002	(2,002)
Training	700	1,572	(872)
Postage	200	158	42
Advertising	500	230	270
Printing	2,500	2,165	335
New Equipment	2,000	179	1,821
Gas, Oil, Mileage	1,000	570	430
Telephone	3,800	3,247	553
Contracted Services	4,000	3,225	775
Repair & Maintenance Services	100	0	100
Dues	500	498	2
	<u>322,894</u>	<u>325,035</u>	<u>(2,141)</u>
Total Town Manager's Office			
Town Clerk's Office:			
Regular Salaries	110,489	111,876	(1,387)
Overtime Pay	2,500	603	1,897
Social Security	8,644	8,696	(52)
Group Insurance	13,349	21,607	(8,258)
HBA Expense	878	1,939	(1,061)
Workman's Compensation	435	346	89
Retirement Contributions	5,013	5,057	(44)
VMERS	4,690	4,980	(290)
Unemployment Compensation	684	793	(109)
Recording Supplies	1,000	1,093	(93)
Training	1,000	381	619
Office Supplies	2,500	2,158	342
Postage	3,000	1,651	1,349
Advertising	100	415	(315)
New Equipment	500	531	(31)
Records Restoration	0	17,650	(17,650)
Gas, Oil & Mileage	350	282	68
Telephone	1,500	1,870	(370)
Contracted Services	22,000	16,621	5,379
Repair & Maintenance Services	600	375	225
Dues	250	48	202
	<u>179,482</u>	<u>198,972</u>	<u>(19,490)</u>
Total Town Clerk's Office			

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Town Treasurer's Office:			
Regular Salaries	\$ 47,352	\$ 47,558	\$ (206)
Overtime Pay	800	256	544
Social Security	3,684	3,622	62
Group Insurance	5,721	4,920	801
HBA Expense	376	445	(69)
Workman's Compensation	186	222	(36)
Retirement Contributions	2,149	2,167	(18)
VMERS	2,010	2,134	(124)
Unemployment Compensation	293	598	(305)
Office Supplies	1,000	1,635	(635)
Training	500	239	261
Postage	2,100	1,740	360
Advertising	0	100	(100)
New Equipment	250	183	67
Gas, Oil & Mileage	300	196	104
Contracted Services	3,500	2,136	1,364
Repair & Maintenance Services	200	193	7
Dues	100	78	22
	<u>70,521</u>	<u>68,422</u>	<u>2,099</u>
Total Town Treasurer's Office			
Board of Civil Authority:			
Regular Salaries	4,000	1,537	2,463
Social Security	306	138	168
Office Supplies	150	145	5
Training	200	0	200
Postage	800	794	6
Advertising	100	110	(10)
Contracted Services	6,000	3,888	2,112
	<u>11,556</u>	<u>6,612</u>	<u>4,944</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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Assessor's Office:			
Regular Salaries	\$ 29,110	\$ 28,382	\$ 728
Social Security	2,227	2,171	56
Workman's Compensation	155	143	12
VMERS	1,601	1,529	72
Unemployment Compensation	244	332	(88)
Office Supplies	300	346	(46)
Training	600	150	450
Postage	300	312	(12)
Advertising	200	275	(75)
Printing	100	0	100
New Equipment	0	2,000	(2,000)
Gas, Oil & Mileage	450	308	142
Transfer to Reappraisal Reserve	20,000	20,000	0
Telephone	350	294	56
Contracted Services	7,300	6,416	884
Dues	250	100	150
	<u>63,187</u>	<u>62,758</u>	<u>429</u>
Total Assessor's Office			
Economic Development:			
Advertising	1,500	366	1,134
Printing	1,500	0	1,500
Travel & Mileage	1,500	745	755
Contracted Services	0	5,090	(5,090)
Designated Downtown	12,500	12,500	0
Industrial Park Taxes	45,000	48,651	(3,651)
NVDA Dues	3,500	3,500	0
Transfer to Economic Development Reserve	15,000	15,000	0
	<u>80,500</u>	<u>85,852</u>	<u>(5,352)</u>
Total Economic Development			
Zoning Board & Planning Commission:			
Regular Salaries	38,563	31,598	6,965
Social Security	2,950	2,417	533
Workman's Compensation	155	143	12
VMERS	2,122	0	2,122
Unemployment Compensation	244	332	(88)
Office Supplies	302	352	(50)
Training	1,785	479	1,306
Postage	225	516	(291)
Advertising	2,336	2,549	(213)
Printing	84	1,200	(1,116)
New Equipment	1,600	1,799	(199)
Gas, Oil, Mileage	100	583	(483)
Telephone	0	658	(658)
Professional Services	2,250	1,667	583
Planning Grant Expense	6,000	0	6,000
	<u>58,716</u>	<u>44,293</u>	<u>14,423</u>
Total Zoning Board & Planning Commission			

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TOWN OF ST. JOHNSBURY, VERMONT
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STATEMENT OF REVENUES, EXPENDITURES
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BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Public Safety Building:			
Heating Fuel	\$ 13,000	\$ 6,667	\$ 6,333
Public Utility Services	8,800	11,596	(2,796)
Waste Disposal Services	2,350	2,479	(129)
Contracted Services	11,700	13,734	(2,034)
Repair & Maintenance Supplies	8,000	10,704	(2,704)
Transfer to Building Reserve	5,000	5,000	0
Total Public Safety Building	<u>48,850</u>	<u>50,180</u>	<u>(1,330)</u>
Community Center - Armory:			
Contracted Services	10,000	20,250	(10,250)
Repair & Maintenance	5,000	0	5,000
Total Community Center - Armory	<u>15,000</u>	<u>20,250</u>	<u>(5,250)</u>
Dog Control:			
Contracted Services	2,000	1,227	773
Total Dog Control	<u>2,000</u>	<u>1,227</u>	<u>773</u>
Board of Selectmen:			
Salaries	6,400	6,400	0
Social Security	490	490	0
Training	250	0	250
Total Board of Selectmen	<u>7,140</u>	<u>6,890</u>	<u>250</u>
Dispatch Center:			
Regular Salaries	263,843	253,683	10,160
Overtime Pay	12,400	15,286	(2,886)
Social Security	21,133	19,838	1,295
Group Insurance	52,790	53,473	(683)
HBA Expense	5,018	4,000	1,018
Workman's Compensation	1,087	999	88
Retirement Contributions	26,443	26,725	(282)
VMERS	10,065	8,466	1,599
Unemployment Compensation	1,708	2,512	(804)
Office Supplies	1,500	726	774
Training Supplies	400	258	142
Postage	100	62	38
New Equipment	18,660	17,504	1,156
Telephone	4,800	9,378	(4,578)
Contracted Services	10,689	10,284	405
Repair & Maintenance Services	10,000	6,879	3,121
Transfer to Dispatch Equipment Reserve	5,000	5,000	0
Total Dispatch Center	<u>445,636</u>	<u>435,073</u>	<u>10,563</u>

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TOWN OF ST. JOHNSBURY, VERMONT
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STATEMENT OF REVENUES, EXPENDITURES
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BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Fire Department:			
Regular Salaries	\$ 501,046	\$ 476,612	\$ 24,434
Overtime Pay	47,500	77,414	(29,914)
Social Security	41,964	41,413	551
Group Insurance	100,993	96,940	4,053
HBA Expense	8,154	12,897	(4,743)
Workman's Compensation	79,058	73,915	5,143
Retirement Contributions	95,031	80,306	14,725
VMERS	0	10,082	(10,082)
Unemployment Compensation	3,281	4,124	(843)
Office Supplies	1,500	1,492	8
Training Supplies	7,500	7,655	(155)
Postage	300	104	196
New Equipment	50,000	50,155	(155)
Gas, Oil & Mileage	8,500	5,875	2,625
Uniforms	6,800	5,794	1,006
Telephone	1,800	2,773	(973)
Heating Fuel	3,500	1,747	1,753
Public Utility Services	1,000	658	342
Contracted Services	15,000	16,272	(1,272)
Repair & Maintenance Services	20,000	19,284	716
Motor Vehicle Supplies	2,000	1,844	156
Alarm System Supplies	5,000	4,930	70
Enhanced Call Department	4,500	4,934	(434)
Transfer to Grant Fund	113,210	113,210	0
Transfer to Fire Department Equipment Reserve	40,000	40,000	0
Miscellaneous Charges	500	0	500
	<u>1,158,137</u>	<u>1,150,430</u>	<u>7,707</u>
Total Fire Department			
Solid Waste:			
Advertising & Printing	0	120	(120)
New Equipment	0	10,042	(10,042)
Waste & Disposal Services	36,000	20,944	15,056
Contracted Services	8,500	4,378	4,122
	<u>44,500</u>	<u>35,484</u>	<u>9,016</u>
Total Solid Waste			

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TOWN OF ST. JOHNSBURY, VERMONT
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STATEMENT OF REVENUES, EXPENDITURES
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BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Pomerleau Building:			
Office Supplies	\$ 0	\$ 11	\$ (11)
Transfer to Town Office Reserve	7,000	7,000	0
Heating Fuel	15,000	6,648	8,352
Public Utility Services	16,186	15,176	1,010
Waste Disposal Services	1,954	2,357	(403)
Contracted Services	27,500	31,414	(3,914)
Bond Principal	70,000	70,000	0
Bond Interest	40,930	32,825	8,105
Repair & Maintenance Supplies	8,000	1,519	6,481
Building Taxes	19,500	16,249	3,251
Total Pomerleau Building	206,070	183,199	22,871
General Expenses:			
Public Utility Services	2,295	1,936	359
Internet Expense	19,905	17,039	2,866
Web Site Expense	7,155	7,258	(103)
IT Upgrades	16,696	35,536	(18,840)
Contracted Services	3,000	2,617	383
Audit	5,360	1,774	3,586
Legal Services	25,000	14,659	10,341
Legal Services - Tax Sale	0	748	(748)
Judgments & Losses	1,000	1,639	(639)
VLCT Dues	9,313	9,313	0
Community Justice Center	5,000	5,000	0
Property & Liability Insurance	58,736	65,254	(6,518)
Health Insurance Account Expense	2,307	2,240	67
County Taxes	63,864	63,806	58
Assessment Appeals	0	106	(106)
Interest on Current Loans	768	0	768
Deficit Loan	31,118	31,118	0
Transfer to Recreation Fund	10,000	10,000	0
Total General Expenses	261,517	270,043	(8,526)

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TOWN OF ST. JOHNSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
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BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	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	76,030	76,030	0
Catamount Arts	5,000	5,000	0
Fairbanks Museum	63,000	63,000	0
Kiwanis Club Swimming Pool	14,400	14,400	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 Meals on Wheels	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
VT 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>359,850</u>	<u>359,850</u>	<u>0</u>
Total Special Appropriations			
	<u>3,335,556</u>	<u>3,304,570</u>	<u>30,986</u>
Total Expenditures			
Excess of Revenues			
Over Expenditures	<u>\$ 0</u>	59,786	<u>\$ 59,786</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Parking Meter Fund Income		57,788	
Parking Meter Fund Expenses		(6,266)	
Parking Meter Fund - Transfer to Equipment Reserve		4,200	
Parking Meter Fund Transfer Out		(51,200)	
Recreation Fund Transfer In		10,000	
Recreation Fund Expenses		(10,175)	
Transfer to Reappraisal Reserve		20,000	
Transfer to Economic Development Reserve		15,000	
Transfer to Building Reserve		5,000	
Transfer to Dispatch Equipment Reserve		5,000	
Transfer to Fire Department Equipment Reserve		40,000	
Transfer to Town Office Reserve		<u>7,000</u>	
Net Change in Fund Balance		156,133	
Fund Balance - July 1, 2016		<u>942,473</u>	
Fund Balance - June 30, 2017		<u>\$ 1,098,606</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 the conversion from the budgetary basis of accounting to the modified accrual basis of accounting.

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 2,038,594	\$ 2,038,594	\$ 0
VT Pilot Payment	40,000	50,380	10,380
Hold Harmless VT Payment	21,000	24,333	3,333
State Aid Class I Highways	55,000	53,166	(1,834)
State Aid Class II Highways	46,000	45,976	(24)
State Aid Class III Highways	125,000	125,090	90
State Aid Lane Mileage	251	247	(4)
Highway Department Services	0	1,763	1,763
Sale of Materials & Supplies	1,000	0	(1,000)
Transfer from Water Fund	136,919	136,919	0
Transfer from Sewer Fund	47,066	47,066	0
Better Back Roads Grant Revenue	10,000	20,000	10,000
PACIF Equipment Grant Revenue	5,000	0	(5,000)
Proceeds from Long-term Debt	0	3,709	3,709
Insurance Reimbursement	0	1,465	1,465
Miscellaneous	0	3,445	3,445
	<u>2,525,830</u>	<u>2,552,153</u>	<u>26,323</u>
Total Revenues			
Expenditures:			
Highway Garage & Equipment:			
Regular Salaries	47,011	48,619	(1,608)
Overtime Pay	4,100	4,890	(790)
Social Security	3,910	3,815	95
Group Insurance	15,828	16,012	(184)
HBA Expense	2,240	5,840	(3,600)
Workman's Compensation	3,945	3,650	295
Retirement Contributions	9,291	9,390	(99)
Unemployment Compensation	309	325	(16)
Office Supplies	1,200	1,413	(213)
Training	5,000	2,007	2,993
New Equipment	14,000	11,902	2,098
New Tools	4,000	6,115	(2,115)
Gas & Oil for Equipment	130,000	82,676	47,324
Uniforms	5,200	4,560	640
Telephone	3,600	2,737	863
Heating Fuel	15,000	6,426	8,574
Public Utility Services	9,500	7,960	1,540
Waste Disposal Services	4,000	4,414	(414)
Contracted Services	6,300	8,538	(2,238)
Repairs to Equipment	35,000	65,274	(30,274)
Maintenance Supplies	46,000	60,701	(14,701)
Outside Repairs	15,000	26,228	(11,228)
Repairs to Garage	10,000	7,051	2,949
PACIF Equipment Grant Expense	5,000	0	5,000
Transfer to Equipment Reserve	25,000	25,000	0
	<u>420,434</u>	<u>415,543</u>	<u>4,891</u>
Total Highway Garage & Equipment			

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Summer Maintenance:			
Regular Salaries	\$ 307,227	\$ 300,994	\$ 6,233
Overtime Pay	16,000	18,417	(2,417)
Social Security	24,727	23,377	1,350
Group Insurance	88,806	72,584	16,222
HBA Expense	14,000	10,179	3,821
Workman's Compensation	27,617	25,549	2,068
Retirement Contributions	42,613	43,066	(453)
VMERS	5,956	5,670	286
Unemployment Compensation	2,005	2,391	(386)
Contracted Services	65,000	53,802	11,198
Materials & Supplies	123,207	119,486	3,721
Maintenance (Paving)	25,000	28,521	(3,521)
	<u>742,158</u>	<u>704,036</u>	<u>38,122</u>
Total Summer Maintenance			
Winter Maintenance:			
Regular Salaries	307,227	304,841	2,386
Overtime Pay	65,000	77,173	(12,173)
Social Security	28,475	28,177	298
Group Insurance	88,806	69,545	19,261
HBA Expense	14,000	11,570	2,430
Workman's Compensation	27,618	25,549	2,069
Retirement Contributions	42,613	43,066	(453)
VMERS	5,956	7,060	(1,104)
Unemployment Compensation	2,005	2,392	(387)
Contracted Services	2,000	840	1,160
Materials & Supplies	175,000	191,881	(16,881)
	<u>758,700</u>	<u>762,094</u>	<u>(3,394)</u>
Total Winter Maintenance			
Street Safety & Traffic:			
Public Utility Services	95,000	90,794	4,206
Railroad St. Parking Lot	771	771	0
Contracted Services	0	268	(268)
Repair & Maintenance Services	5,500	9,101	(3,601)
Materials & Supplies	10,000	5,214	4,786
Transfer to Sign Replacement Reserve	10,000	10,000	0
	<u>121,271</u>	<u>116,148</u>	<u>5,123</u>
Total Street Safety & Traffic			

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway Fund:			
Advertising	\$ 300	\$ 836	\$ (536)
Audit	5,360	1,773	3,587
Legal Services	1,000	0	1,000
Health Insurance Account Expense	1,833	1,755	78
Engineering Services	0	350	(350)
Route 5 Bike Path Construction	0	2,946	(2,946)
Goss Holl Bridge	0	119	(119)
State Stormwater Operating Fee	0	2,223	(2,223)
Transfer to Sidewalk Reserve	20,000	20,000	0
Transfer to Construction Reserve	30,000	30,000	0
Property & Liability Insurance	28,309	31,336	(3,027)
Industrial Park Taxes	0	46,811	(46,811)
Mower Expense	9,796	0	9,796
S. Main St. Bridge - Transfer to Grant Fund	60,750	60,750	0
Interest - Westside USDA 93/15	55,921	55,921	0
Principal - Westside USDA 93/15	73,647	73,647	0
Vac-con Expense	33,513	33,513	0
Grader Expense	34,469	34,469	0
Sidewalk Plow	35,251	35,251	0
New Truck	90,000	85,998	4,002
Local Share - Railroad St. Enhancement	220,000	229,860	(9,860)
Local Share - Depot Square	88,000	15,133	72,867
Internet Expense	2,015	1,761	254
IT Upgrades	1,103	1,079	24
	<u>791,267</u>	<u>765,531</u>	<u>25,736</u>
Total Highway Fund			
Total Expenditures	<u>2,833,830</u>	<u>2,763,352</u>	<u>70,478</u>
Excess/(Deficiency) of Revenues			
Over Expenditures	<u>\$ (308,000)</u>	(211,199)	<u>\$ 96,801</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 Sign Replacement Reserve		10,000	
Transfer to Sidewalk Reserve		20,000	
Transfer to Construction Reserve		<u>30,000</u>	
Net Change in Fund Balance		(126,199)	
Fund Balance - July 1, 2016		<u>1,455,004</u>	
Fund Balance - June 30, 2017		<u>\$ 1,328,805</u>	

The reconciling items are due to the conversion from the budgetary basis of accounting to the modified accrual basis of accounting.

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TOWN OF ST. JOHNSBURY, VERMONT
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STATEMENT OF REVENUES, EXPENDITURES
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BUDGET AND ACTUAL - BUDGETARY BASIS
SPECIAL SERVICES FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 1,105,733	\$ 1,105,733	\$ 0
VT Pilot Payments	14,000	17,250	3,250
Hold Harmless VT Payments	260	272	12
District Court Fines	18,000	9,255	(8,745)
Report Revenue	2,700	2,831	131
Police Department Services	6,500	6,806	306
Fingerprinting Services	18,500	20,675	2,175
Mountain View Security	27,300	24,981	(2,319)
SIU Revenue	30,000	30,000	0
Governor's Highway Safety Grant - Equipment	5,000	9,364	4,364
Governor's Highway Safety Grant - Salaries	18,000	18,264	264
Transfer from Parking Meter Fund	40,000	35,000	(5,000)
Police Department Donations	0	104	104
K9 Unit Donations	0	1,000	1,000
Sale of Police Equipment	0	3,120	3,120
Miscellaneous	0	814	814
	<u>1,285,993</u>	<u>1,285,469</u>	<u>(524)</u>
Total Revenues			
Expenditures:			
Police Department:			
Regular Salaries	656,963	619,395	37,568
Overtime Pay	50,000	56,073	(6,073)
Social Security	54,083	51,336	2,747
Group Insurance	105,578	86,832	18,746
HBA Expense	8,780	11,206	(2,426)
Workman's Compensation	44,262	42,491	1,771
Retirement Contributions	33,776	34,134	(358)
VMERS	26,964	31,880	(4,916)
Unemployment Compensation	5,180	5,868	(688)
Office Supplies	2,300	3,374	(1,074)
Training	3,000	2,136	864
Postage	400	393	7
Printing	900	273	627
New Equipment	7,800	9,542	(1,742)
New Vehicle	0	39,264	(39,264)
Gas, Oil & Mileage	18,000	15,074	2,926
Uniforms	6,360	4,816	1,544
Uniform Cleaning	150	0	150
Telephone	4,500	3,499	1,001
Heating Fuel	4,000	3,184	816
Public Utility Services	2,500	3,557	(1,057)
Waste Disposal Services	900	1,323	(423)
Contracted Services	9,500	281	9,219
Ammunition	2,200	2,172	28
Repairs to Equipment	2,000	865	1,135
Dues	400	465	(65)
Repairs to Cruisers	9,500	11,664	(2,164)
Investigation Supplies	700	660	40

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BUDGET AND ACTUAL - BUDGETARY BASIS
SPECIAL SERVICES FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Police Department/(Cont'd):			
K-9 Unit Expenditures	\$ 0	\$ 121	\$ (121)
Governor's Highway Safety Grant Expenditures	5,000	9,364	(4,364)
Transfer to Equipment Reserve	<u>10,000</u>	<u>10,000</u>	<u>0</u>
Total Police Department	<u>1,075,696</u>	<u>1,061,242</u>	<u>14,454</u>
Parks & Trees:			
Repair & Maintenance Services	2,667	375	2,292
Portland Street Rink	<u>0</u>	<u>305</u>	<u>(305)</u>
Total Parks & Trees	<u>2,667</u>	<u>680</u>	<u>1,987</u>
Beautification Committee:			
Salaries	0	2,000	(2,000)
Social Security	0	153	(153)
Operating Supplies	1,700	1,218	482
Contracted Services	5,000	5,899	(899)
Repair & Maintenance Services	<u>2,000</u>	<u>960</u>	<u>1,040</u>
Total Beautification Committee	<u>8,700</u>	<u>10,230</u>	<u>(1,530)</u>
Special Services Fund:			
Audit	5,360	1,773	3,587
Legal Services	0	2,954	(2,954)
Health Insurance Account Expense	1,000	950	50
Property & Liability Insurance	48,520	48,902	(382)
Internet Expense	5,200	3,874	1,326
IT Upgrades	8,850	8,557	293
Contracted Services	0	1,395	(1,395)
Transfer to Dispatch Services	<u>170,000</u>	<u>170,000</u>	<u>0</u>
Total Special Services Fund	<u>238,930</u>	<u>238,405</u>	<u>525</u>
Total Expenditures	<u>1,325,993</u>	<u>1,310,557</u>	<u>15,436</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>\$ (40,000)</u>	(25,088)	<u>\$ 14,912</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		(15,088)	
Fund Balance - July 1, 2016		<u>243,763</u>	
Fund Balance - June 30, 2017		<u>\$ 228,675</u>	

The reconciling item is due to the conversion from the budgetary basis of accounting to the modified accrual basis of accounting.

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, 2017

	2017	2016	2015
Total Plan Net Pension Liability	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.4359%	0.3934%	0.3111%
Town's Proportionate Share of the Net Pension Liability	\$ 560,984	\$ 303,298	\$ 28,395
Town's Covered Employee Payroll	\$ 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	41.7770%	28.9863%	3.1953%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: The actuarial assumptions regarding the incidence of mortality, terminations, retirements, and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014.

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

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2017

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

Notes to Schedule

Valuation Date: June 30, 2016

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

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 PENSION TRUST FUND
 JUNE 30, 2017

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%

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, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability:			
Normal Cost	\$ 123,154	\$ 115,139	\$ 168,300
Interest	770,068	766,804	862,671
Difference Between Expected and Actual Experience	(220,202)	154,539	0
Changes in Assumptions	277,567	0	0
Benefit Payments, Including Refunds of Member Contributions	<u>(562,465)</u>	<u>(554,653)</u>	<u>(542,551)</u>
Net Change in Total Pension Liability	388,122	481,829	488,420
Total Pension Liability, January 1	<u>11,282,205</u>	<u>10,800,376</u>	<u>10,311,956</u>
Total Pension Liability, December 31	<u>11,670,327</u>	<u>11,282,205</u>	<u>10,800,376</u>
Plan Fiduciary Net Position:			
Contributions - Employer	255,115	307,593	171,300
Contributions - Members	47,723	35,703	20,023
Net Investment Income	878,054	64,102	606,957
Administrative Expenses	(67,848)	(97,821)	(110,411)
Benefit Payments, Including Refunds of Member Contributions	<u>(562,465)</u>	<u>(554,653)</u>	<u>(542,551)</u>
Net Change in Fiduciary Net Position	550,579	(245,076)	145,318
Plan Fiduciary Net Position, January 1	<u>9,117,722</u>	<u>9,362,798</u>	<u>9,217,480</u>
Plan Fiduciary Net Position, December 31	<u>9,668,301</u>	<u>9,117,722</u>	<u>9,362,798</u>
Net Pension Liability, December 31	<u>\$ 2,002,026</u>	<u>\$ 2,164,483</u>	<u>\$ 1,437,578</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.85%	80.82%	86.69%
Covered Employee Payroll	\$ 1,408,393	\$ 1,474,283	\$ 1,525,618
Net Pension Liability as a Percentage of Covered Employee Payroll	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 MP2016.

GASB No. 67 required supplementary information is not available for years prior to 2014. 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 EMPLOYER CONTRIBUTIONS
 PENSION TRUST FUND
 JUNE 30, 2017

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

Notes to Schedule

Valuation Date: January 1, 2017

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 Anuitant and Nonannuitant tables adjusted to 2006 with scale MP-2014 and then projected generationally with scale MP2016.

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, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	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, 2017

	Special Revenue Fund	Permanent Funds	Total
	<u>Grant Fund</u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 25,829	\$ 25,829
Investments	0	173,994	173,994
Receivables	74,496	0	74,496
Due from Other Funds	<u>37,807</u>	<u>0</u>	<u>37,807</u>
Total Assets	\$ <u>112,303</u>	\$ <u>199,823</u>	\$ <u>312,126</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ <u>89,648</u>	\$ <u>0</u>	\$ <u>89,648</u>
Total Liabilities	<u>89,648</u>	<u>0</u>	<u>89,648</u>
Fund Balances:			
Nonspendable	0	5,161	5,161
Restricted	<u>22,655</u>	<u>194,662</u>	<u>217,317</u>
Total Fund Balances	<u>22,655</u>	<u>199,823</u>	<u>222,478</u>
Total Liabilities and Fund Balances	\$ <u>112,303</u>	\$ <u>199,823</u>	\$ <u>312,126</u>

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, 2017

	Special Revenue Fund <u>Grant Fund</u>	Permanent Funds <u>Funds</u>	<u>Total</u>
Revenues:			
Intergovernmental	\$ 931,284	\$ 0	\$ 931,284
Charges for Services	0	1,050	1,050
Investment Income	0	2,725	2,725
	<u>931,284</u>	<u>3,775</u>	<u>935,059</u>
Total Revenues			
Expenditures:			
General Government	114,882	0	114,882
Public Safety	11,340	0	11,340
Cemetery	0	4,566	4,566
Capital Outlay:			
General Government	11,680	0	11,680
Public Safety	165,213	0	165,213
Public Works	961,992	0	961,992
Debt Service:			
Principal	108,796	0	108,796
Interest	4,414	0	4,414
	<u>1,378,317</u>	<u>4,566</u>	<u>1,382,883</u>
Total Expenditures			
Excess/(Deficiency) of Revenues Over Expenditures	<u>(447,033)</u>	<u>(791)</u>	<u>(447,824)</u>
Other Financing Sources:			
Transfer of Grove Cemetery Investments	0	194,828	194,828
Transfers In	441,463	0	441,463
	<u>441,463</u>	<u>194,828</u>	<u>636,291</u>
Total Other Financing Sources			
Net Change in Fund Balances	(5,570)	194,037	188,467
Fund Balances - July 1, 2016	<u>28,225</u>	<u>5,786</u>	<u>34,011</u>
Fund Balances - June 30, 2017	<u>\$ 22,655</u>	<u>\$ 199,823</u>	<u>\$ 222,478</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR PERMANENT FUNDS
 JUNE 30, 2017

	Goss Hollow Cemetery Fund	Grove Cemetery Fund	Total
<u>ASSETS</u>			
Cash	\$ 6,342	\$ 19,487	\$ 25,829
Investments	0	173,994	173,994
Total Assets	\$ 6,342	\$ 193,481	\$ 199,823
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
Fund Balances:			
Nonspendable	5,161	0	5,161
Restricted	1,181	193,481	194,662
Total Fund Balances	6,342	193,481	199,823
Total Liabilities and Fund Balances	\$ 6,342	\$ 193,481	\$ 199,823

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 PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Goss Hollow Cemetery Fund	Grove Cemetery Fund	Total
Revenues:			
Charges for Services	\$ 550	\$ 500	\$ 1,050
Investment Income	6	2,719	2,725
Total Revenues	<u>556</u>	<u>3,219</u>	<u>3,775</u>
Expenditures:			
Cemetery	<u>0</u>	<u>4,566</u>	<u>4,566</u>
Total Expenditures	<u>0</u>	<u>4,566</u>	<u>4,566</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>556</u>	<u>(1,347)</u>	<u>(791)</u>
Other Financing Sources:			
Transfer of Grove Cemetery Investments	<u>0</u>	<u>194,828</u>	<u>194,828</u>
Total Other Financing Sources	<u>0</u>	<u>194,828</u>	<u>194,828</u>
Net Change in Fund Balances	556	193,481	194,037
Fund Balances - July 1, 2016	<u>5,786</u>	<u>0</u>	<u>5,786</u>
Fund Balances - June 30, 2017	<u>\$ 6,342</u>	<u>\$ 193,481</u>	<u>\$ 199,823</u>

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Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
www.sullivanpowers.com

Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
VT Lic. #92-000180

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, 2017, 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 September 14, 2017.

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.

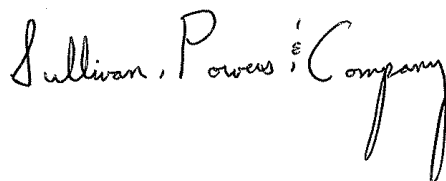
Compliance and Other Matters

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.

September 14, 2017
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned to the right of the date and address information.