

TOWN OF ST. JOHNSBURY, VERMONT

AUDIT REPORT

DECEMBER 31, 2014

TOWN OF ST. JOHNSBURY, VERMONT
AUDIT REPORT
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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

Board of Selectmen
Town of St. Johnsbury, Vermont
51 Depot Square
St. Johnsbury, VT 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 December 31, 2014, 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 December 31, 2014, 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

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 and the budgetary comparison information for the General Fund, the Highway Fund, the Special Services Fund 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 7, 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.

Correction of Errors

As described in Note III.C. to the financial statements, certain errors were corrected by management during the current year. Our opinion is not modified with respect to this matter.

Other Information

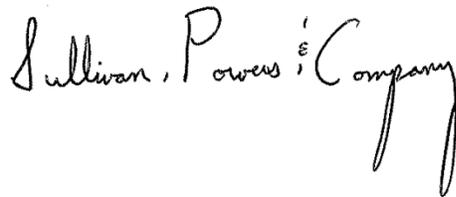
As described in Note I.F. to the financial statements, effective December 31, 2014, the Town of St. Johnsbury, Vermont implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans".

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 April 8, 2015 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.

April 8, 2015
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 typed text.

**TOWN OF ST. JOHNSBURY, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014**

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 year ended December 31, 2014.

FINANCIAL HIGHLIGHTS

The Town's assets exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$32,071,144 (net position). Of this amount, \$2,334,925 (unrestricted net position) may be used to meet the Town's ongoing obligations. The balance of net position is made up of \$29,084,466 net investment in capital assets and \$651,753 restricted for specific purposes.

The Town's total net position increased by \$2,423,034. Of this amount, net position attributable to governmental activities increased by \$1,357,764 and net position attributable to business-type activities increased by \$1,065,270.

At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,427,978, a significant increase of \$832,257 over the prior year.

At the end of the current fiscal year, fund balance (the total of the nonspendable, assigned and unassigned components of fund balance) for the general fund was \$774,217.

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. Business-type activities 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 a 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, culture and recreation, community development, economic development and sanitation. 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 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, four Special Revenue Funds and one Permanent Fund. 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, Highway Fund and Special Services Fund. Budgetary comparison statements are provided in Schedules 1 through 3 for the purpose of demonstrating compliance with the duly appropriated budgets.

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 budgetary comparison statements for the General Fund, the Highway Fund and the Special Services 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 budgets and the pension.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary Statement of Net Position

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and Other Assets	\$ 2,507,762	\$ 2,216,505	\$ 4,724,267
Capital Assets	27,734,508	19,721,063	47,455,571
Total Assets	<u>30,242,270</u>	<u>21,937,568</u>	<u>52,179,838</u>
Current Liabilities	810,727	588,608	1,399,335
Noncurrent Liabilities	8,191,673	10,504,938	18,696,611
Total Liabilities	<u>9,002,400</u>	<u>11,093,546</u>	<u>20,095,946</u>
Deferred Inflows of Resources	<u>2,532</u>	<u>10,216</u>	<u>12,748</u>
Net Position:			
Net Investment in Capital Assets	19,862,458	9,222,008	29,084,466
Restricted	651,753	0	651,753
Unrestricted	723,127	1,611,798	2,334,925
Total Net Position	<u>\$ 21,237,338</u>	<u>\$ 10,833,806</u>	<u>\$ 32,071,144</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 \$32,071,144. The Town's total net position is split between governmental activities net position of \$21,237,338 and business-type activities net position of \$10,833,806.

The largest portion of the Town's total net position (91%) 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 \$651,753 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 \$2,334,925 may be used to meet the government's ongoing financial obligations. Included in unrestricted net position are amount 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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 895,271	\$ 2,637,414	\$ 3,532,685
Operating Grants & Contributions	685,548	0	685,548
Capital Grants & Contributions	2,204,307	1,148,571	3,352,878
General Revenues:			
Property Taxes	5,106,249	0	5,106,249
Other	290,627	5,722	296,349
Total Revenues	<u>9,182,002</u>	<u>3,791,707</u>	<u>12,973,709</u>
Expenses:			
General Government	1,456,688	0	1,456,688
Public Safety	2,443,688	0	2,443,688
Public Works	2,241,114	0	2,241,114
Culture and Recreation	41,346	0	41,346
Community Development	479,589	0	479,589
Economic Development	1,002,185	0	1,002,185
Sanitation	34,270	0	34,270
Interest on Long-Term Debt	125,358	0	125,358
Water	0	1,144,419	1,144,419
Sewer	0	1,582,018	1,582,018
Total Expenses	<u>7,824,238</u>	<u>2,726,437</u>	<u>10,550,675</u>
Change in Net Position	1,357,764	1,065,270	2,423,034
Beginning Net Position	19,879,574	9,768,536	29,648,110
Ending Net Position	<u>\$ 21,237,338</u>	<u>\$ 10,833,806</u>	<u>\$ 32,071,144</u>

Governmental Activities

Governmental activities increased the Town's net position by \$832,257 for the year ended December 31, 2014. Key elements of the change are as follows:

- Total governmental activities revenues
- Investment in capital assets
- Lease of new sidewalk plow

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 \$1,427,978 an increase of \$832,257 over the prior year. Of this total amount, \$62,370 is non-spendable (prepaid expenses) and \$424,192 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 \$690,319 has been assigned by the Town for various purposes and \$251,097 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 \$774,217, an increase of \$476,670 from the previous year. Of this amount, \$48,805 is non-spendable. The remaining amount of \$549,332 has been assigned as detailed in the footnotes and \$176,080 is unassigned. Included in the General Fund are three special funds, the Parking Meter Fund, the Recreation Fund and the Downtown District Fund. Total Special Fund balances are \$35,690.

At the end of the year, the total fund balance in the Highway Fund was \$423,575, an increase of \$476,207 from the restated balance of the previous year. The entire fund balance in Highway is restricted.

The Special Services Fund has an ending fund balance of \$230,804 an increase of \$99,817 from the previous year of which \$8,404 is non-spendable. The remaining amount of \$140,987 has been assigned as detailed in the footnotes and \$81,413 is unassigned.

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 \$6,412,512 an increase of \$847,631 from the previous year. In the sewer fund, total net position is \$4,421,294 an increase of \$217,639 from the previous year. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business –type activities.

BUDGETARY HIGHLIGHTS

The Town's budget for the year ended December 31, 2014 passed on the first vote in March of 2014 and there were no amendments made to the budget during the year.

- Actual revenues in the General Fund exceeded budgeted revenues by \$381,710.
- Special Services flagging revenue from construction projects.
- Highway Fund underspent in summer maintenance as some planned projects were not completed. Winter maintenance costs escalated due to demand and the price of salt.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental and business-type activities as of December 31, 2014 were \$74,616,336 (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 and Wastewater projects. A portion of the Water and Wastewater Projects are allocable to roads and storm water. This amount is represented in roads, bridges and sidewalks for governmental activities of \$4,713,990.

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 \$18,553,241. Of this amount, \$10,675,826 represents bonded debt backed by the full faith and credit of the Town, \$6,894,340 represents revolving loans issued by the State of Vermont and \$983,075 represent capital lease agreements.

The Town's total debt increased by \$5,455,424 during the year.

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 voters approved a change in the Town's fiscal year end from December 31 to June 30. To achieve this change, the Town will operate on an 18 month budget period running from January 1, 2015 through June 30, 2016.

The unemployment rate for the Town is currently 4.9 percent, up from 3.3 percent one year ago. This compares with 4.1 percent state-wide, down from 4.6 percent statewide one year ago. Health insurance rates have increased as a result of several factors affecting the healthcare industry.

Recent data on Vermont economic conditions indicate that the performance of the Vermont economy has generally outperformed the developments in the US economy overall during the past 12 to 18 months.

All of these factors were considered in preparing the Town's budget for 18 month period, January 1, 2015 through June 30, 2016.

The Town approved a general fund budget for the 18 month period in the amount of \$4,310,243. This represent as increase of 5.46% over the approved budget for the previous year.

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
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 2,978,345	\$ 100	\$ 2,978,445
Receivables (Net of Allowance for Uncollectibles)	907,690	780,923	1,688,613
Internal Balances	(1,435,482)	1,435,482	0
Prepaid Expenses	57,209	0	57,209
Capital Assets:			
Land	269,255	185,592	454,847
Construction in Progress	45,480	0	45,480
Other Capital Assets, (Net of Accumulated Depreciation)	<u>27,419,773</u>	<u>19,535,471</u>	<u>46,955,244</u>
Total Assets	<u>30,242,270</u>	<u>21,937,568</u>	<u>52,179,838</u>
<u>LIABILITIES</u>			
Accounts Payable	671,961	554,308	1,226,269
Accrued Payroll and Benefits Payable	79,858	2,292	82,150
Other Accrued Expenses	51,630	0	51,630
Accrued Interest Payable	7,278	32,008	39,286
Noncurrent Liabilities:			
Due within One Year	407,975	418,338	826,313
Due in More than One Year	<u>7,783,698</u>	<u>10,086,600</u>	<u>17,870,298</u>
Total Liabilities	<u>9,002,400</u>	<u>11,093,546</u>	<u>20,095,946</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	2,532	0	2,532
Prepaid/Overpayment of Utility Bills	<u>0</u>	<u>10,216</u>	<u>10,216</u>
Total Deferred Inflows of Resources	<u>2,532</u>	<u>10,216</u>	<u>12,748</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	19,862,458	9,222,008	29,084,466
Restricted	651,753	0	651,753
Unrestricted	<u>723,127</u>	<u>1,611,798</u>	<u>2,334,925</u>
Total Net Position	<u>\$ 21,237,338</u>	<u>\$ 10,833,806</u>	<u>\$ 32,071,144</u>

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

TOWN OF ST. JOHNSBURY, VERMONT
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2014

	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	\$ 1,456,688	\$ 253,985	\$ 0	\$ 0	\$ (1,202,703)	\$ 0	\$ (1,202,703)
Public Safety	2,443,688	336,405	77,932	0	(2,029,351)	0	(2,029,351)
Public Works	2,241,114	301,329	307,616	2,204,307	572,138	0	572,138
Culture and Recreation	41,346	0	0	0	(41,346)	0	(41,346)
Community Development	479,589	3,552	300,000	0	(176,037)	0	(176,037)
Economic Development	1,002,185	0	0	0	(1,002,185)	0	(1,002,185)
Sanitation	34,270	0	0	0	(34,270)	0	(34,270)
Interest on Long-Term Debt	125,358	0	0	0	(125,358)	0	(125,358)
Total Governmental Activities	7,824,238	895,271	685,548	2,204,307	(4,039,112)	0	(4,039,112)
Business-Type Activities:							
Water	1,144,419	1,280,978	0	707,524	0	844,083	844,083
Sewer	1,582,018	1,356,436	0	441,047	0	215,465	215,465
Total Business-Type Activities	2,726,437	2,637,414	0	1,148,571	0	1,059,548	1,059,548
Total Primary Government	\$ 10,550,675	\$ 3,532,685	\$ 685,548	\$ 3,352,878	(4,039,112)	1,059,548	(2,979,564)
General Revenues:							
Property Taxes					5,106,249	0	5,106,249
Penalties and Interest on Delinquent Taxes					70,048	0	70,048
PILOT					98,353	0	98,353
General State Grants					76,895	0	76,895
Unrestricted Investment Earnings					11,643	0	11,643
Insurance Reimbursements					24,752	0	24,752
Other Revenues					8,936	5,722	14,658
Total General Revenues and Transfers					5,396,876	5,722	5,402,598
Change in Net Position					1,357,764	1,065,270	2,423,034
Net Position - January 1, 2013, As Restated					19,879,574	9,768,536	29,648,110
Net Position - December 31, 2014					\$ 21,237,338	\$ 10,833,806	\$ 32,071,144

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

TOWN OF ST. JOHNSBURY, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	Highway Fund	Special Services Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 2,958,759	\$ 0	\$ 0	\$ 19,586	\$ 2,978,345
Receivables (Net of Allowance for Uncollectibles)	535,568	172,010	7,931	192,181	907,690
Due from Other Funds	0	921,100	241,897	0	1,162,997
Prepaid Expenses	48,805	0	8,404	0	57,209
Total Assets	\$ 3,543,132	\$ 1,093,110	\$ 258,232	\$ 211,767	\$ 5,106,241
LIABILITIES					
Accounts Payable	\$ 11,324	\$ 650,464	\$ 6,173	\$ 4,000	\$ 671,961
Accrued Payroll and Benefits Payable	39,532	19,071	21,255	0	79,858
Due to Taxpayer	3,363	0	0	0	3,363
Due to School District	46,826	0	0	0	46,826
Due to State of Vermont	1,441	0	0	0	1,441
Due to Other Funds	2,390,094	0	0	208,385	2,598,479
Total Liabilities	2,492,580	669,535	27,428	212,385	3,401,928
DEFERRED INFLOWS OF RESOURCES					
Prepaid Property Taxes	2,532	0	0	0	2,532
Unavailable Property Taxes, Penalties and Interest	273,803	0	0	0	273,803
Total Deferred Inflows of Resources	276,335	0	0	0	276,335
FUND BALANCES/(DEFICIT)					
Nonspendable	48,805	0	8,404	5,161	62,370
Restricted	0	423,575	222,400	617	646,592
Assigned	549,332	0	0	0	549,332
Unassigned	176,080	0	0	(6,396)	169,684
Total Fund Balances/(Deficit)	774,217	423,575	230,804	(618)	1,427,978
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,543,132	\$ 1,093,110	\$ 258,232	\$ 211,767	
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.					27,734,508
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.					273,803
Long-Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore are Not Reported in the Funds.					(8,198,951)
Net Position of Governmental Activities					\$ 21,237,338

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 DECEMBER 31, 2014

	General Fund	Highway Fund	Special Services Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 2,287,862	\$ 1,875,552	\$ 1,010,604	\$ 0	\$ 5,174,018
Penalties and Interest on Delinquent Taxes	70,048	0	0	0	70,048
Intergovernmental	119,543	2,334,442	50,358	527,071	3,031,414
Charges for Service	402,418	209,788	218,487	0	830,693
Permits, Licenses and Fees	60,965	0	0	0	60,965
Fines and Forfeits	17,286	0	15,740	0	33,026
Loan Repayments	0	0	0	3,553	3,553
Investment Income	11,544	0	0	99	11,643
Insurance Reimbursement	17,506	4,454	0	0	21,960
Donations	1,113	0	450	0	1,563
Other	8,193	3,457	2,792	0	14,442
Total Revenues	2,996,478	4,427,693	1,298,431	530,723	9,253,325
Expenditures:					
General Government	1,323,090	0	47,240	10,131	1,380,461
Public Safety	1,264,137	0	952,767	0	2,216,904
Public Works	0	1,838,827	0	20,710	1,859,537
Culture and Recreation	10,175	0	13,675	0	23,850
Community Development	0	0	0	479,589	479,589
Economic Development	61,179	0	0	0	61,179
Sanitation	18,124	0	0	16,146	34,270
Capital Outlay:					
General Government	48,761	0	0	0	48,761
Public Safety	17,055	4,910,462	77,555	45,480	5,050,552
Public Works	0	0	0	224,357	224,357
Debt Service:					
Principal	70,000	135,396	0	175,000	380,396
Interest	44,960	70,495	0	8,086	123,541
Total Expenditures	2,857,481	6,955,180	1,091,237	979,499	11,883,397
Excess/(Deficiency) of Revenues Over Expenditures	138,997	(2,527,487)	207,194	(448,776)	(2,630,072)
Other Financing Sources/(Uses):					
Proceeds from Long-Term Debt	224,597	3,215,109	22,623	0	3,462,329
Transfers In	170,013	0	40,000	228,352	438,365
Transfers Out	(56,937)	(211,415)	(170,000)	(13)	(438,365)
Total Other Financing Sources/(Uses)	337,673	3,003,694	(107,377)	228,339	3,462,329
Net Change in Fund Balances	476,670	476,207	99,817	(220,437)	832,257
Fund Balances/(Deficit) - January 1, 2013, As Restated	297,547	(52,632)	130,987	219,819	595,721
Fund Balances/(Deficit) - December 31, 2014	\$ 774,217	\$ 423,575	\$ 230,804	\$ (618)	\$ 1,427,978

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 DECEMBER 31, 2014

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)	\$ 832,257
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$5,323,670) is allocated over their estimated useful lives and reported as depreciation expense (\$611,010). This is the amount by which capital outlays exceeded depreciation in the current period.	4,712,660
The issuance of long-term debt (\$3,462,330) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$380,396) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(3,081,934)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(67,769)
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.	(92,891)
The discounting/allowance for loans receivable does not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(941,006)
Loan repayments are treated as revenue in the funds but reduce loans receivable and, therefore, are not revenue in the statement of activities.	<u>(3,553)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 1,357,764</u>

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

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 50	\$ 50	\$ 100
Accounts Receivable	199,183	196,980	396,163
Unbilled Receivables	138,000	155,000	293,000
Due from Other Governments	57,040	34,720	91,760
Due from Other Funds	1,059,017	376,465	1,435,482
Total Current Assets	1,453,290	763,215	2,216,505
Noncurrent Assets:			
Capital Assets:			
Land	135,894	49,698	185,592
Buildings and Facilities	5,149,645	14,335,567	19,485,212
Machinery and Equipment	835,990	578,031	1,414,021
Distribution and Collection Systems	12,138,641	7,332,658	19,471,299
Less: Accumulated Depreciation	(6,747,020)	(14,088,041)	(20,835,061)
Total Noncurrent Assets	11,513,150	8,207,913	19,721,063
Total Assets	\$ 12,966,440	\$ 8,971,128	\$ 21,937,568
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 267,642	\$ 286,666	\$ 554,308
Accrued Payroll and Benefits Payable	2,292	0	2,292
Accrued Interest Payable	22,920	9,088	32,008
Capital Lease Payable - Current Portion	0	22,342	22,342
General Obligation Bonds Payable - Current Portion	196,185	199,811	395,996
Total Current Liabilities	489,039	517,907	1,006,946
Noncurrent Liabilities:			
Compensated Absences Payable	5,883	0	5,883
Capital Lease Payable - Noncurrent Portion	0	63,134	63,134
General Obligation Bonds Payable - Noncurrent Portion	6,048,922	3,968,661	10,017,583
Total Noncurrent Liabilities	6,054,805	4,031,795	10,086,600
Total Liabilities	6,543,844	4,549,702	11,093,546
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid/Overpayment of Utility Bills	10,084	132	10,216
Total Deferred Inflows of Resources	10,084	132	10,216
<u>NET POSITION</u>			
Net Investment in Capital Assets	5,268,043	3,953,965	9,222,008
Unrestricted	1,144,469	467,329	1,611,798
Total Net Position	6,412,512	4,421,294	10,833,806
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 12,966,440	\$ 8,971,128	\$ 21,937,568

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 DECEMBER 31, 2014

	Water Fund	Sewer Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating Revenues:			
Charges for Service	\$ 1,280,978	\$ 1,356,436	\$ 2,637,414
Total Operating Revenues	<u>1,280,978</u>	<u>1,356,436</u>	<u>2,637,414</u>
Operating Expenses:			
Salaries and Benefits	80,740	0	80,740
Administrative	180,462	161,519	341,981
Utilities	92,268	112,495	204,763
Distribution and Collection	270,840	701,533	972,373
Taxes	48,770	0	48,770
Depreciation	<u>281,928</u>	<u>499,599</u>	<u>781,527</u>
Total Operating Expenses	<u>955,008</u>	<u>1,475,146</u>	<u>2,430,154</u>
Operating Income/(Loss)	<u>325,970</u>	<u>(118,710)</u>	<u>207,260</u>
Non-Operating Revenues/(Expenses):			
Other Income	3,548	2,174	5,722
Interest Expense	<u>(189,411)</u>	<u>(106,872)</u>	<u>(296,283)</u>
Total Non-Operating Revenues/(Expenses)	<u>(185,863)</u>	<u>(104,698)</u>	<u>(290,561)</u>
Net Income/(Loss) Before Capital Contribution	140,107	(223,408)	(83,301)
Capital Contributions	<u>707,524</u>	<u>441,047</u>	<u>1,148,571</u>
Change in Net Position	847,631	217,639	1,065,270
Net Position - January 1, 2013, As Restated	<u>5,564,881</u>	<u>4,203,655</u>	<u>9,768,536</u>
Net Position - December 31, 2014	<u>\$ 6,412,512</u>	<u>\$ 4,421,294</u>	<u>\$ 10,833,806</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 DECEMBER 31, 2014

	Water Fund	Sewer Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 1,305,498	\$ 1,391,126	\$ 2,696,624
Payments to Suppliers/Others	(716,843)	(1,077,242)	(1,794,085)
Payments for Wages and Benefits	<u>(74,352)</u>	<u>0</u>	<u>(74,352)</u>
Net Cash Provided by Operating Activities	<u>514,303</u>	<u>313,884</u>	<u>828,187</u>
Cash Flows From Noncapital Financing Activities:			
Other Receipts/(Payments)	3,548	2,174	5,722
Net Change in Due To/From Other Funds	<u>98,053</u>	<u>311,210</u>	<u>409,263</u>
Net Cash Provided by Noncapital Financing Activities	<u>101,601</u>	<u>313,384</u>	<u>414,985</u>
Cash Flows From Capital and Related Financing Activities:			
Proceeds of Long-Term Debt	5,297,529	4,860,676	10,158,205
Acquisition and Construction of Capital Assets	(1,896,188)	(1,697,604)	(3,593,792)
Principal Paid on Long-Term Debt	(4,686,908)	(4,232,844)	(8,919,752)
Interest Paid on Long-Term Debt	(200,912)	(97,784)	(298,696)
Capital Contributions	<u>870,625</u>	<u>540,338</u>	<u>1,410,963</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(615,854)</u>	<u>(627,218)</u>	<u>(1,243,072)</u>
Net Increase in Cash	50	50	100
Cash - January 1, 2013	<u>0</u>	<u>0</u>	<u>0</u>
Cash - December 31, 2014	\$ <u><u>50</u></u>	\$ <u><u>50</u></u>	\$ <u><u>100</u></u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:			
Operating Income/(Loss)	\$ 325,970	\$ (118,710)	\$ 207,260
Depreciation	281,928	499,599	781,527
(Increase)/Decrease in Accounts Receivable	14,436	34,558	48,994
Increase/(Decrease) in Accounts Payable	(84,737)	(101,695)	(186,432)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	505	0	505
Increase/(Decrease) in Other Accrued Expenses	(39,766)	0	(39,766)
Increase/(Decrease) in Compensated Absences Payable	5,883	0	5,883
Increase/(Decrease) in Prepaid/Overpayment of Utility Bills	<u>10,084</u>	<u>132</u>	<u>10,216</u>
Net Cash Provided by Operating Activities	<u>\$ 514,303</u>	<u>\$ 313,884</u>	<u>\$ 828,187</u>

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

TOWN OF ST. JOHNSBURY, VERMONT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2014

	Pension Trust Fund <hr style="border: 0.5px solid black;"/>
ASSETS	
Cash and Cash Equivalents	\$ 154,964
Investments	<u>9,207,834</u>
Total Assets	<u>9,362,798</u>
LIABILITIES	
Total Liabilities	<u>0</u>
NET POSITION	
Net Position Restricted for Pensions	<u><u>\$ 9,362,798</u></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 FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Pension Trust Fund
ADDITIONS	
Contributions:	
Employer	\$ 171,300
Plan Members	20,023
Total Contributions	191,323
 Net Investment Earnings	 606,957
Total Additions	798,280
 DEDUCTIONS	
Benefits - Pension	542,551
Administrative Expenses	6,408
Investment Management Fee	104,003
Total Deductions	652,962
 Net Increase in Net Position	 145,318
 Net Position - January 1, 2014	 9,217,480
 Net Position - December 31, 2014	 \$ 9,362,798

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

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

The Town of St. Johnsbury, Vermont, (herein the "Town") operates under a Manager/Selectboard 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, wastewater treatment and general administrative services.

At Town Meeting on March 4, 2014, the Town voted to change from a calendar year-end to a June fiscal year-end. To accomplish the change in year-end, the Town will operate on an eighteen month period from January 1, 2015 to June 30, 2016.

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 funds of the Town of St. Johnsbury, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and 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 burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there are no other entities that should be combined with the financial statements of 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.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary 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 and proprietary 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.

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.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 resources 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. New Pronouncement – Financial Reporting for Pension Plans

Effective June 30, 2014, the Town implemented GASB Statement No. 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25". The objective of this Statement is to improve the usefulness of pension information included in the financial statements of state and local government pension plans for making decisions and assessing accountability.

G. Future Changes in Accounting Standards

The Governmental Accounting Standards Board (GASB) issued Statement No. 68, "Financial Reporting for Pension Plans" – an amendment of GASB Statement No. 27, effective for fiscal years beginning after June 15, 2014. This new accounting and reporting standard may impact the Town's measurement and recognition of pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures in government-wide and/or enterprise fund financial statements. The requirements of this statement may require restating of beginning net position. The Town is currently not planning to early implement this Statement and has made no estimation of the effect this statement will have in the financial statements.

H. 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.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

3. Receivables

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

4. Internal Balances

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

5. Prepaid Expenses

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

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

6. 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. The Town did not have any items that qualified for reporting in this category.

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. The Town has two (2) types of items which arise under the modified accrual basis of accounting and two (2) types of items which arise under the accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, “unavailable revenue”, is reported in the statement of net position and governmental funds balance sheet. The governmental activities reports unavailable revenues from two (2) sources; prepaid property taxes and prepaid/overpayment of utility bills. The governmental funds reports unavailable revenues from two (2) sources; prepaid property taxes and unavailable property taxes, penalties and interest. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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7. 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.

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
Machinery & Equipment	\$ 5,000	3-25 Years
Infrastructure	\$ 50,000	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.

8. 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 are recorded as expenditures in the year they are paid.

TOWN OF ST. JOHNSBURY, VERMONT
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9. Long-term Liabilities

Long-term liabilities include bonds payable, capital leases and other obligations such as compensated absences. 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 assets and liabilities on their balance sheets.

10. 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 Selectboard's intended use of the resources); and unassigned.

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

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

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

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

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

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Selectboard prepares an annual budget for the General Fund, the Highway Fund and the former Village District Special Services Fund. The annual budgets, 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 during 2014.

B. Budget Disclosures

The Town budgeted a current year's surplus in the General Fund, the Highway Fund and the Special Services Fund of \$108,000, \$99,997 and \$10,000, respectively, in order to fund reserve accounts. These are reflected as a budgeted excess of revenues over expenditures on Schedules 1, 2 and 3.

The Town expended \$15,363 and \$4,663,377 more than budgeted in the General Fund and the Highway Fund, respectively. These were funded by excess revenues.

C. Restatement of Net Position/Fund Balance

The net assets for the Governmental Activities/Business-Type Activities and Enterprise Funds were restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
		<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
Net Position - December 31, 2013, As Originally Reported	\$13,662,631	\$9,243,505	\$ 7,022,766	\$16,266,271
Correction of Errors:				
Understatement of Capital Assets	20,691	0	0	0
Understatement of Unbilled Receivables	0	138,000	155,000	293,000
Adjustment of Interfund Balances as a Result of the Correction of CSO Expenses	(943,623)	943,623	0	943,623
Understatement of Capital Lease Payable	0	0	(105,452)	(105,452)
Understatement of General Obligation Bonds Payable	0	(576,442)	(327,709)	(904,151)
Overstatement of General Obligation Bonds Payable	250,940	0	0	0
Overstatement of Pension Liability	164,180	0	0	0

TOWN OF ST. JOHNSBURY, VERMONT
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	Governmental Activities	Business-Type Activities		
		Water Fund	Wastewater Fund	Total
Correction of Capital Assets from Enterprise Funds to Governmental Activities	\$ <u>6,724,755</u>	\$(<u>4,183,805</u>)	\$(<u>2,540,950</u>)	\$(<u>6,724,755</u>)
Net Position - December 31, 2013, As Restated	\$ <u>19,879,574</u>	\$ <u>5,564,881</u>	\$ <u>4,203,655</u>	\$ <u>9,768,536</u>

The restatement of the net position in the Governmental Activities was the result of the understatement of capital assets, to correct expenses that were charged to the incorrect fund and the overstatement of bonds payable and the pension liability. The effect of these corrections on the Governmental Activities Statement of Net Position is to increase assets by \$5,801,823 and to decrease liabilities by \$415,120 and to increase net position by \$6,216,943. The effect on the 2013 Statement of Activities is unknown .

The effect of these corrections on the Business-Type Activities Statement of Net Position is to decrease assets by \$5,488,132, increase liabilities by \$1,009,603 and decrease net position by \$6,497,735. The effect on the 2013 Statement of Revenues, Expenses and Changes in Net Position is unknown.

The fund balance for the Highway Fund was restated as follows:

	Highway Fund
Fund Balance – December 31, 2013, As Originally Reported	\$ 890,991
Correction of Errors: Correction of CSO Expenses	<u>(943,623)</u>
Fund Balance – December 31, 2013, As Restated/(Deficit)	\$ <u>(52,632)</u>

The restatement of the Fund Balance in the Highway Fund was the result of expenses charged to the wrong fund. The effect of this correction in the Balance Sheet as of December 31, 2013 is that assets and fund balance were overstated by \$943,623. The effect of this correction on the 2013 Statement of Revenues, Expenditures and Changes in Fund Balance is that expenses were understated and net change in fund balance was overstated by \$943,623.

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IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of December 31, 2014 consisted of the following:

Cash:	
Deposits with Financial Institutions	\$ 2,978,245
Petty Cash	<u>200</u>
Total Cash	<u>2,978,445</u>
Investments:	
Pension Fund Investments – Certificates of Deposit	525,697
Pension Fund Investments – Common Stock	4,361,901
Pension Fund Investments – Corporate Bonds	1,488,365
Pension Fund Investments – Municipal Bonds	355,051
Pension Fund Investments – Mutual Funds – Mixed Holdings	2,231,378
Pension Fund Investments – U.S. Treasury Notes	<u>400,406</u>
Total Investments	<u>9,362,798</u>
Total Cash and Investments	<u>\$12,341,243</u>

Custodial Credit Risk

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

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured by FDIC	\$ 840,785	\$ 840,785
Uninsured, Collateralized by U.S. Government Securities Held by the Bank in the Town's Name	<u>2,663,157</u>	<u>2,920,268</u>
	<u>\$ 3,503,942</u>	<u>\$ 3,761,053</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:

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Cash – Deposits with Financial Institutions	\$2,978,245
Investments – Certificates of Deposit	<u>525,697</u>
Total	<u>\$3,503,942</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 can not 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.

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 Gov't/Credit Index Int. Bond
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.

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The following are some general prohibited transactions or assets:

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

Equities

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

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

Fixed Income

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

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.

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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
	1 to 5 Years	5 to 10 Years	
Municipal Bonds	\$ 233,729	\$ 121,322	\$ 355,051
Corporate Bonds	1,230,042	258,323	1,488,365
U.S. Treasury Notes	199,234	201,172	400,406
Total	<u>\$ 1,663,005</u>	<u>\$ 580,817</u>	<u>\$ 2,243,822</u>

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 such as Standard and Poor's or Moody's rating services. 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.

Investment Type	Standard and Poor's Rating as of December 31, 2014						Total
	AAA	AA+	A+	A	A-	BBB+	
Municipal Bonds	\$ 121,322	\$ 0	\$ 233,729	\$ 0	\$ 0	\$ 0	\$ 355,051
Corporate Bonds	0	302,043	0	557,398	443,996	184,928	1,488,365
U.S. Treasury Notes	0	400,406	0	0	0	0	400,406
Total	<u>\$ 121,322</u>	<u>\$ 702,449</u>	<u>\$ 233,729</u>	<u>\$ 557,398</u>	<u>\$ 443,996</u>	<u>\$ 184,928</u>	<u>\$ 2,243,822</u>

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 U.S. Treasury Notes are exempt from this analysis. The Town has \$121,322, (34%), of their municipal bonds invested in New York State Dormitory Authority, and \$233,729, (66%), of their municipal bonds invested in Randolph County North Carolina Limited Obligation Refunding Bond. The Town has \$220,980, (15%), of their corporate bonds invested in Bank of America Corporation, \$299,075, (20%), of their corporate bonds invested in Caterpillar Financial Services, \$223,016, (15%), of their corporate bonds invested in Citigroup Inc., \$91,451, (6%), of their corporate bonds invested in Walt Disney Company, \$302,043, (20%), of their corporate bonds invested in General Electric Capital Corporation, \$166,872, (11%), of their corporate bonds invested in Home Depot Inc. and \$184,928, (13%), of their corporate bonds invested in Verizon Communications Inc.

TOWN OF ST. JOHNSBURY, VERMONT
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B. Receivables

Receivables as of December 31, 2014, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes Receivable	\$ 467,359	\$ 0	\$ 467,359
Penalties and Interest Receivable	45,967	0	45,967
Tax Sale Receivable	8,916	0	8,916
Accounts Receivable	17,868	0	17,868
Due from Other Governments	367,580	91,760	459,340
Billed Services	0	396,163	396,163
Unbilled Services	0	293,000	293,000
	<u>\$ 907,690</u>	<u>\$ 780,923</u>	<u>\$ 1,688,613</u>

C. Loans Receivable

Loans Receivable are comprised of the following:

Jay Lyn Loans:

	<u>Ending Balance</u>
Nine Loans Ranging from \$825 to \$54,930 with a Total Balance of \$123,325 at December 31, 2014 and with Various Interest Rates and Repayments Terms. Subsequent to Year-end, all these Loans were transferred to Northern Community Investment Corporation (NCIC)	\$ 123,325

Other Loans:

2% 1990 St. Johnsbury Housing Partnership Mortgage Receivable, Assumed by Gilman Housing Trust, with Interest and Principal Payments Deferred During the Loan Term, Due August, 2030. On July 25, 2013, \$280,099 was Transferred to Hilltop Family Housing and \$89,501 was Forgiven.	280,099
2% 2013 Hilltop Family Housing Mortgage Receivable, with Interest and Principal Payments Deferred During the Loan Term, Due July, 2044	300,000

TOWN OF ST. JOHNSBURY, VERMONT
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	<u>Ending Balance</u>
3% 1992 Caledonia Housing Partnership Mortgage Receivable with Interest and Principal Payments Deferred During the Loan Term, Due December, 2032	\$ 650,000
0% Mountain View St. Jay Housing Limited Partnership with Interest and Principal Payments Deferred During the Term of the Loan, Collateralized by Real Estate and Personal Property, Due October, 2033	322,000
4% 2001 Dean Hale, LLC Mortgage Receivable with Interest and Principal Payments Deferred during the Loan Term, Due December 2043	41,000
0% 2002 Passumpsic View, Inc. Mortgage Receivable with Interest and Principal Payments Deferred During the Loan Term, Due December, 2042	447,000
0% 2004, Passumpsic View Commercial Mortgage Receivable with Interest and Principal Payments Deferred During the Loan Term, Due December, 2047	250,000
0% Passumpsic Housing Limited Partnership with Interest and Principal Payments Deferred During the Term of the Loan, Collateralized by the Real Estate and Personal Property, Due December, 2039	55,000
0% Northern Senior Housing LP Mortgage Receivable with Annual Payments of Principal and Interest Commencing in 2001. Principal Payments are Based on a Formula, Due 2031	<u>480,000</u>
Total	2,948,424
Less: Discount/Allowance	<u>2,948,424</u>
Balance	\$ <u>0</u>

During 2014, three (3) loans with a total balance of \$91,947 were transferred to NCIC.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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D. Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 269,255	\$ 0	\$ 0	\$ 269,255
Construction in Progress	13,547,185 *	45,480	13,547,185	45,480
Total Capital Assets, Not Being Depreciated	<u>13,816,440</u>	<u>45,480</u>	<u>13,547,185</u>	<u>314,735</u>
Capital Assets, Being Depreciated:				
Land Improvements	468,172	0	0	468,172
Buildings and Building Improvements	2,759,612	6,300	0	2,765,912
General Machinery & Equipment	144,532	42,461	0	186,993
Fire Department Machinery & Equipment	2,913,326	5,850	0	2,919,176
Police Machinery & Equipment	607,201	77,555	0	684,756
Highway Machinery & Equipment	2,327,810	202,143	0	2,529,953
Parking Meter Machinery & Equipment	52,272	11,205	0	63,477
Recreation Machinery & Equipment	66,708	0	0	66,708
Infrastructure	5,580,470	18,479,861	0	24,060,331
Totals	<u>14,920,103</u>	<u>18,825,375</u>	<u>0</u>	<u>33,745,478</u>
Less Accumulated Depreciation for:				
Land Improvements	412,347	11,173	0	423,520
Buildings and Building Improvements	604,213	60,905	0	665,118
General Machinery & Equipment	67,245	11,424	0	78,669
Fire Department Machinery & Equipment	1,697,597	138,359	0	1,835,956
Police Machinery & Equipment	484,872	59,322	0	544,194
Highway Machinery & Equipment	1,901,800	117,880	0	2,019,680
Parking Meter Machinery & Equipment	52,272	747	0	53,019
Recreation Machinery & Equipment	32,988	6,323	0	39,311
Infrastructure	461,361	204,877	0	666,238
Totals	<u>5,714,695</u>	<u>611,010</u>	<u>0</u>	<u>6,325,705</u>
Total Capital Assets, Being Depreciated	<u>9,205,408</u>	<u>18,214,365</u>	<u>0</u>	<u>27,419,773</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,021,848</u>	<u>\$ 18,259,845</u>	<u>\$ 13,547,185</u>	<u>\$ 27,734,508</u>

TOWN OF ST. JOHNSBURY, VERMONT
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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 185,592	\$ 0	\$ 0	\$ 185,592
Construction in Progress	8,282,514 *	0	8,282,514	0
Total Capital Assets, Not Being Depreciated	8,468,106	0	8,282,514	185,592
Capital Assets, Being Depreciated:				
Buildings	19,485,212	0	0	19,485,212
Distribution and Collection Systems	7,594,993	11,876,306	0	19,471,299
Machinery & Equipment	1,414,021	0	0	1,414,021
Totals	28,494,226	11,876,306	0	40,370,532
Less Accumulated Depreciation for:				
Buildings	13,762,376	592,975	0	14,355,351
Distribution and Collection Systems	4,893,782	184,892	0	5,078,674
Machinery & Equipment	1,397,376	3,660	0	1,401,036
Totals	20,053,534	781,527	0	20,835,061
Total Capital Assets, Being Depreciated	8,440,692	11,094,779	0	19,535,471
Business-type Activities Capital Assets, Net	\$ 16,908,798	\$ 11,094,779	\$ 8,282,514	\$ 19,721,063

* These balances have been restated as described in Note III C.

Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 72,329	Water	\$ 281,928
Public Safety	198,428	Wastewater	<u>499,599</u>
Public Works	322,757		
Culture and Recreation	<u>17,496</u>		
Total Depreciation Expense - Governmental Activities	\$ 611,010	Total Depreciation Expense - Business-type Activities	\$ 781,527

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E. Interfund Balances and Activity

The composition of interfund balances as of December 31, 2014 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 2,390,094
Highway Fund	921,100	0
Special Services Fund	241,897	0
Non-Major Governmental Funds	0	208,385
Water Fund	1,059,017	0
Sewer Fund	376,465	0
Total	<u>\$ 2,598,479</u>	<u>\$ 2,598,479</u>

Interfund transfers during the year ended December 31, 2014 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Grant Fund	\$ 8,086	Fund Debt Payment
General Fund	Grant Fund	8,851	Fund Grant Expenses
General Fund	Downtown District Fund	54,407	* Close Fund
General Fund	Recreation Fund	10,000	* Appropriation
Parking Meter Fund	General Fund	12,000	* Fund Parking Ticket Staff Expenses
Parking Meter Fund	Special Services Fund	40,000	* Fund Dispatch Staff Expenses
Highway Fund	Grant Fund	49,356	Fund Grant Expenses
Highway Fund	Grant Fund	162,059	Fund Grant Expenses
Special Services Fund	General Fund	170,000	Fund Dispatch Services
JayLyn Fund	General Fund	13	Close Fund
Total		<u>\$ 514,772</u>	

*These amounts have been netted as the funds are being combined with the General Fund in accordance with GASB 54.

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F. Deferred Inflows of Resources

Deferred inflows of resources in the General Fund consists of \$273,803 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 \$2,532 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$276,335.

Deferred inflows of resources in the Governmental Activities consists of \$2,532 of prepaid property taxes.

Deferred inflows of resources in the Water Fund consists of \$10,084 of prepaid or overpaid utility bills. Deferred inflows of resources in the Wastewater Fund consists of \$132 of prepaid or overpaid utility bills.

Deferred inflows of resources in the Business-type Activities consists of \$10,216 of prepaid or overpaid utility bills.

G. Short Term Debt

The Town had one tax anticipation note with Union Bank and two Lines of Credit with Union Bank during the year. The terms and activity are as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Tax Anticipation Note, Union Bank, Interest at .72%, Due December 19, 2014	\$ 0	\$ 500,000	\$ 500,000	\$ 0
Line of Credit, Union Bank, CSO Project Expenses, Interest at .72%, Paid in Full on December 4, 2014, Matured March 15, 2015	1,135,039	3,678,536	4,813,575	0
Line of Credit, Union Bank, Westside Project Expenses, Interest at .93%, Paid in Full on November 13, 2014, Matures June 9, 2015, \$1,000,000 Available	<u>0</u>	<u>573,149</u>	<u>573,149</u>	<u>0</u>
Total Short-Term Debt	<u>\$1,135,039</u>	<u>\$4,751,685</u>	<u>\$5,886,724</u>	<u>\$ 0</u>

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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.

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 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 sewer and water projects.

Long-term liabilities outstanding as of December 31, 2014 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, Annual Principal Payments of \$70,000 due on November 15, Semi-Annual Interest Ranging from .0804% To 4.664%, Matures November 15, 2031	\$ 1,260,000	\$ 0	\$ 70,000	\$ 1,190,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Principal Payments of \$243,348 Beginning September 6, 2016, Interest at 0%, Due September, 2035. 60.5% of this Bond will be Paid by the Highway Fund and 39.5% by the Sewer Fund	123,476	2,253,734	0	2,377,210

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<p>Bond Payable, U.S. Department of Agriculture, Westside Project, Semi-Annual Principal and Interest Payments of \$102,832 Payable on December 15 and June 15, Interest at 2.25%, Due December 15, 2041, 63% of this Bond will be Paid by the Highway Fund, 23% by the Water Fund, and 14% by the Sewer Fund</p>	\$2,680,773	\$ 0	\$ 69,642	\$2,611,131
<p>Note Payable, Community National Bank, General Fund Deficit, Principal and Interest Payments of \$62,236 Beginning August 29, 2015, Interest at 1.25%, Due August 29, 2017</p>	0	182,136	0	182,136
<p>Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Annual Principal Payments of \$56,270 Beginning September 1, 2016, Negative Interest of 2.50%, Matures September 1, 2045. 62.3% of this Bond will be Paid by the Water Fund and 37.7% by the Highway Fund</p>	0	796,110	0	796,110
<p>Capital Lease Payable, New England Municipal Equipment Company, Vacuum Truck, Semi-Annual Principal and Interest Payments of \$27,927 Payable on January 15 and June 15, Interest at 1.99%, Due July 15, 2018. Ownership of This Truck is 60% Highway Fund and 40% Sewer Fund</p>	158,179	0	29,965	128,214

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Lease Payable, Ferrara Fire Apparatus, Inc., Fire Truck, First Principal and Interest Payment of \$183,086 Payable on January 15, 2014, Annual Principal and Interest Payments thereafter of \$113,210 on January 15, Interest at 1.99%, Due January 15, 2018	\$ 605,986	\$ 0	\$175,000	\$ 430,986
Capital Lease Payable, Argo Finance LLC, Tractor, Annual Principal and Interest Payments of \$4,898 due on June 24, Interest at 4.703%, Due June 24, 2016. The Town of St. Johnsbury Jointly Owns This Tractor with the Town of Danville, Vermont. Danville Pays St. Johnsbury One Half of the Full Payment (\$9,796), Who Then Pays Argo Finance LLC the Full Payment Due. As the Town of St. Johnsbury Owns One Half Portion of the Tractor, Half of the Debt Is Assumed by the Town of St. Johnsbury	13,413	0	4,267	9,146
Capital Lease Payable, Chadwick-BaRoss, Sidewalk Plow, Annual Principal and Interest Payments of \$35,251 due on September 5, Beginning September 5, 2015, Interest at 2.79%, Due September 5, 2019	0	162,412	0	162,412
Capital Lease Payable, Cisco Systems Capital Corporation, Computer Equipment, Monthly Principal and Interest Payments of \$2,141 due on the First of Every Month, Beginning November 1, 2015. Interest at 2.5%, Due September 5, 2019. 62.5% of this Lease will be Paid by the General Fund, 33.3% by the Special Services Fund, and 4.2% by the Highway Fund	0	67,937	0	67,937
Capital Lease Payable, KS StateBank, Grader, Annual Principal and Interest Payments of \$34,469 on July 1, Interest at 2.26%, Due July 1, 2017	<u>130,426</u>	<u>0</u>	<u>31,522</u>	<u>98,904</u>
Total Governmental Activities	<u>\$4,972,253</u>	<u>\$3,462,329</u>	<u>\$380,396</u>	<u>\$8,054,186</u>

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Business-type Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Water and Sewer System Expansion, Principal Payments Ranging from \$265,000 to \$160,000 Payable on November 15 Annually, Interest Ranging from 2% to 2.545%, Payable November 15 and May 15, Due November, 2024. 51% of this Bond will be Paid by the Water Fund and 49% by the Sewer Fund	\$ 2,495,000	\$ 0	\$ 255,000	\$2,240,000
Bond Payable, U.S. Department of Agriculture, Westside Project, Semi-Annual Principal and Interest Payments of \$102,832 Payable on December 15 and June 15, Interest at 2.25%, Due December 15, 2041. 63% of this Bond will be Paid by the Highway Fund, 23% by the Water Fund and 14% by the Sewer Fund	1,574,423	0	40,901	1,533,522
Bond Payable, U.S. Department of Agriculture, Sewer Construction, Semi-Annual Principal and Interest Payments of \$2,924 Payable on March 17 and September 15, Interest at 4.125%, Due September 15, 2036	87,453	0	2,265	85,188
Bond Payable, U.S. Department of Agriculture, Phase II Water Construction, Semi-Annual Principal and Interest Payments of \$15,384 Payable on March 17 and September 15, Interest at 4.125%, Due September 15, 2036	727,381	0	12,687	714,694
Bond Payable, U.S. Department of Agriculture, Phase I Water Construction, Semi-Annual Principal and Interest Payments of \$11,149 Payable on May 2 and November 2, Interest at 4.25%, Due November 2, 2049	408,928	0	4,963	403,965
Bond Payable, U.S. Department of Agriculture, Phase I Water Construction, Semi-Annual Principal and Interest Payments of \$47,338 Payable on May 2 and November 2, Interest at 4.25%, Due November 2, 2049	1,736,265	0	21,075	1,715,190

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

	<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, Annual Principal Payments of \$11,980 Beginning July 1, 2018, Interest at 0%, Due July 1, 2022	\$ 59,900	\$ 0	\$ 0	\$ 59,900
Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Annual Principal Payments of \$243,348 Beginning September 1, 2016, Interest at 0%, Due September 1, 2022. 60.5% of this Bond will be Paid by the Highway Fund and 39.5% by the Sewer Fund	80,616	1,471,447	0	1,552,063
Bond Payable, State of Vermont Special Environmental Revolving Fund, Westside South Project, Annual Principal Payments of \$56,676 on August 1, Interest at 0%, Due August 1, 2028	850,146	0	56,676	793,470
Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Annual Principal Payments of \$56,270 September 1, 2016, Interest at Negative 2.5%, Due September 1, 2045. 62.3% of this Bond will be Paid by the Water Fund And 37.7% by the Highway Fund	0	1,315,587	0	1,315,587
Capital Lease Payable, New England Municipal Equipment Company, Vacuum Truck, Semi-Annual Principal and Interest Payments of \$27,927 Payable on January 15 and June 15, Interest at 1.99%, Due July 15, 2018. Ownership of this Truck is 60% Highway Fund and 40% Sewer Fund	<u>105,452</u>	<u>0</u>	<u>19,976</u>	<u>85,476</u>
Total Business-type Activities	<u>\$8,125,564</u>	<u>\$2,787,034</u>	<u>\$413,543</u>	<u>\$10,499,055</u>

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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	\$ 4,064,249	\$ 3,049,844	\$ 139,642	\$ 6,974,451	\$ 141,216
Notes Payable	0	182,136	0	182,136	59,959
Capital Leases Payable	908,004	230,349	240,754	897,599	206,800
Compensated Absences Payable	46,413	91,074	0	137,487	0
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 5,018,666</u>	<u>\$ 3,553,403</u>	<u>\$ 380,396</u>	<u>\$ 8,191,673</u>	<u>\$ 407,975</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 8,020,112	\$ 2,787,034	\$ 393,567	\$ 10,413,579	\$ 395,996
Capital Leases Payable	105,452	0	19,976	85,476	20,736
Compensated Absences Payable	0	5,883	0	5,883	0
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 8,125,564</u>	<u>\$ 2,792,917</u>	<u>\$ 413,543</u>	<u>\$ 10,504,938</u>	<u>\$ 416,732</u>

Compensated absences are paid by the applicable fund where the employee is charged.

Debt service requirements to maturity are as follows:

Year Ending December 31	Governmental Activities		
	Principal	Interest	Capital Leases
2015	\$ 201,175	\$ 103,390	\$ 225,624
2016	396,102	75,767	247,037
2017	397,376	73,104	242,139
2018	336,487	70,060	196,963
2019	337,134	67,472	35,251
2020-2024	1,697,666	277,808	0
2025-2029	1,723,816	194,496	0
2030-2034	1,128,483	91,212	0
2035-2039	686,401	42,704	0
2040-2044	251,947	7,125	0
Total	7,156,587	1,003,138	947,014
Less: Imputed Interest	0	0	(49,415)
Total	<u>\$ 7,156,587</u>	<u>\$ 1,003,138</u>	<u>\$ 897,599</u>

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Year Ending December 31	Business-type Activities		
	Principal	Interest	Capital Leases
2015	\$ 395,996	\$ 251,207	\$ 22,342
2016	569,580	197,556	22,342
2017	565,330	155,287	22,342
2018	579,845	173,051	22,342
2019	580,861	160,408	0
2020-2024	2,618,943	614,351	0
2025-2029	1,596,820	434,209	0
2030-2034	1,143,168	386,891	0
2035-2039	1,002,422	280,954	0
2040-2044	698,356	182,508	0
2045-2049	662,258	72,448	0
Total	10,413,579	2,908,870	89,368
Less: Imputed Interest	0	0	(3,892)
Total	<u>\$ 10,413,579</u>	<u>\$ 2,908,870</u>	<u>85,476</u>

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 Selectboard'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.

TOWN OF ST. JOHNSBURY, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

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	\$ 48,805
Special Services Fund:	
Nonspendable Prepaid Expenses	<u>8,404</u>
Total Major Funds	<u>57,209</u>

Non-Major Funds

Permanent Funds:	
Nonspendable Cemetery Fund Principal	<u>5,161</u>
Total Non-Major Funds	<u>5,161</u>
Total Nonspendable Fund Balances	<u>\$ 62,370</u>

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

Major Funds

Highway Fund:	
Restricted for Highway Expenditures by State Statute	\$423,575
Special Services Fund:	
Restricted for Public Safety Expenditures by Charter	<u>222,400</u>
Total Major Funds	<u>645,975</u>

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Non-Major Funds

Permanent Funds:

Restricted for Cemetery Expenses by Trust Agreement – Expendable Portion (Source of Revenue is Interest)	\$ <u>617</u>
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Total Permanent Funds	<u>617</u>
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Total Restricted Fund Balances	<u>\$646,592</u>
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The fund balances in the following funds are assigned as follows:

Major Funds:

General Fund:

Assigned for Fire Equipment Reserve	\$258,622
Assigned for Records Restoration Reserve	93,742
Assigned for Economic Development Reserve	45,033
Assigned for Fountain Fund Reserve	22,174
Assigned for Revaluation Reserve	87,633
Assigned for Pomerleau Building Reserve	7,000
Assigned for Fire Department Catastrophic Reserve	25,000
Assigned for Recreation Department Reserve	<u>10,128</u>

Total General Fund:	<u>549,332</u>
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Total Assigned Fund Balances	<u>\$549,332</u>
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The unassigned deficit of \$6,396 in the Grant Fund will be funded with transfer from other funds.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

I. Net Position

The restricted net position of the Governmental Activities as of December 31, 2014 consisted of the following:

Governmental Activities:

Restricted for Highway Expenses by State Statute	\$423,575
Restricted for Public Safety Expenses by Charter	222,400
Restricted for Cemetery by Trust Agreement – Nonexpendable Portion	5,161
Restricted for Cemetery by Trust Agreement – Expendable Portion	<u>617</u>
 Total Governmental Activities	 <u>\$651,753</u>

In the Water and Sewer Funds, \$75,000 and \$35,000, respectively, of the net position has been designated for capital reserves. Subsequent to year end, the Town intends to fund separate cash accounts with these amounts.

V. OTHER INFORMATION

A. BENEFIT PLANS

Vermont Municipal Employees' Retirement System:

All applicable employees of the Town of St. Johnsbury are covered under the State of Vermont Municipal Employees' Retirement Plan. Certain other employees who were participants prior to January 1, 2010 and firefighters are members of the Town of St. Johnsbury defined benefit pension plan, as discussed in Note V.B. Employees in Plan B contribute 4.625% of their gross salary and the Town contributes 5.125%. Employees in Plan C contribute 9.5% of their gross salary and the Town contributes 6.75%. Employees in Group C are limited to police officers and dispatchers. All other employees must be in Group B.

The Town of St. Johnsbury pays all costs accrued each year for the plans. The premise of the plans is to provide a retirement plan covering municipal employees at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont municipal employees. Activity in this plan is done in the aggregate, not by municipality. The net position available for benefits as well as present value of vested and non-vested plan benefits by municipality are not available.

Total payroll for the year was \$2,535,386 while covered payroll was \$821,904. Pension expense for this plan for the years ended December 31, 2014, 2013 and 2012 were \$49,725, \$33,058 and \$15,412, respectively.

Additional information regarding the State of Vermont Municipal Employees Retirement System is available upon request from the State of Vermont.

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Defined Benefit Pension 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 City who work at least 1,000 hours on a twelve (12) month consecutive period and who agree to make minimum contributions. Effective January 1, 2010, the Town stopped allowing new participants, other than firefighters, to enter the plan.

Funding Policy

The Plan requires members, other than employees of the Police and Dispatch Departments, to contribute 2% of base salary. The total actuarially determined contribution to the system for 2014 was \$168,300 which was computed through an actuarial valuation performed as of January 1, 2014.

The system uses the level dollar closed method to amortize the unfunded accrued liability over a thirty (30) year period from January 1, 2009. 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
Remaining Amortization Period: Initial Unfunded	24 Years
Investment Rate of Return	7%
Salary increases	3.75%
COLA Adjustment	None

As of December 31, 2014, there are 32 active members and 40 retirees and beneficiaries. Additionally, there are 27 former employees with vested rights.

The market value of plan assets maintained at Union Bank Asset Management Group is \$9,362,798 of December 31, 2014.

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
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Compensation Definition	Highest consecutive 3 year average salary over all participation Annual salary up to \$265,000 considered
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TOWN OF ST. JOHNSBURY, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

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 property 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 December 31, 2014, taxes became due and payable on November 15, 2013. 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 2014 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	1.1781	1.4019
General	.3271	.3271
Appropriations	.0647	.0647
Highway	.3362	.3362
Special Service District	.4027	.4027
Local Agreement	<u>.0014</u>	<u>.0014</u>
Total	<u>2.3102</u>	<u>2.5340</u>

TOWN OF ST. JOHNSBURY, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 at the end of the original term for one additional term of five (5) years. Building lease revenue in 2014 from NCIC is \$46,831.

Future building lease revenue from NCIC is as follows:

2015	\$ 47,295
2016	47,295
2017	48,005
2018	48,714
2019	48,714
Thereafter	<u>124,704</u>
	<u>\$364,727</u>

In July, 2012, the Town of St. Johnsbury entered into a lease agreement with Cambium Group, LLC (Cambium). The Town will lease a portion of the third floor of the Pomerleau Building at 51 Depot Square to Cambium for one (1) year with payments of \$900 due monthly. The initial lease term commenced October 1, 2012, and ended September 30, 2013. Cambium has taken the option to renew at the end of the original term for one additional term of two (2) years. Building lease revenue in 2014 from Cambium is \$10,800.

Future building lease revenue from Cambium is as follows:

2015	\$ <u>8,100</u>
	<u>\$ 8,100</u>

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 2,149,594	\$ 2,287,862	\$ 138,268
Delinquent Tax Penalties	40,000	35,516	(4,484)
Interest on Delinquent Taxes	40,000	34,532	(5,468)
VT Pilot Payments	55,000	55,184	184
Hold Harmless VT Payments	25,000	28,598	3,598
State Per Parcel Payment	30,000	28,966	(1,034)
Legal Services - Taxes	10,900	0	(10,900)
Dispatch Services	126,527	134,303	7,776
Fire Department Services	25,000	22,442	(2,558)
Listers' Services	400	415	15
Town Clerk's Fees	63,000	60,511	(2,489)
Records Restoration	15,000	12,825	(2,175)
Beverage Licenses	3,000	4,000	1,000
Dog Licenses	3,850	3,092	(758)
Zoning Permits	2,000	1,620	(380)
Overweight Permits	400	440	40
Dumpster Reimbursement	840	840	0
Interest and Dividends	9,000	11,544	2,544
Pomerleau Building 1st Floor Rent	200	0	(200)
Pomerleau Building 2nd Floor Rent	46,368	46,832	464
Pomerleau Building 3rd Floor Rent	10,800	10,800	0
Armory Parking Lot Rent	400	450	50
Transfer to Town Manager	35,000	35,000	0
Transfer to Treasurer	78,000	78,000	0
Transfer to Dispatch	170,000	170,000	0
Insurance Reimbursements	0	17,506	17,506
Public Safety Grant	0	6,795	6,795
Sale of Equipment	0	1,257	1,257
Sale of Land	0	300	300
Proceeds of Long-Term Debt	0	224,597	224,597
Transfer from JayLyn Fund	0	13	13
Donations	0	1,113	1,113
Miscellaneous	0	6,636	6,636
Total Revenues	2,940,279	3,321,989	381,710

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures:			
Town Manager's Office:			
Regular Salaries	\$ 215,324	\$ 216,332	\$ (1,008)
Social Security	16,472	18,019	(1,547)
Group Insurance	29,675	28,937	738
HBA Expense	4,500	6,513	(2,013)
Workers Compensation	738	592	146
Retirement Contribution	11,464	5,722	5,742
VMERS	4,751	7,299	(2,548)
Unemployment Compensation	1,838	1,807	31
Office Supplies	1,600	1,850	(250)
Training	1,100	770	330
Postage	150	202	(52)
Advertising	2,500	445	2,055
Printing	250	2,164	(1,914)
New Equipment	1,500	1,204	296
Gas, Oil, Mileage	1,500	244	1,256
Telephone	1,709	3,360	(1,651)
Contracted Services	0	2,831	(2,831)
Repair & Maintenance Services	200	38	162
Dues	450	557	(107)
	<u>295,721</u>	<u>298,886</u>	<u>(3,165)</u>
Total Town Manager's Office			
Town Clerk's Office:			
Regular Salaries	102,088	102,563	(475)
Overtime Pay	4,000	1,125	2,875
Social Security	8,116	8,232	(116)
Group Insurance	12,992	13,313	(321)
HBA Expense	1,575	0	1,575
Workers Compensation	371	383	(12)
Retirement Contributions	3,560	2,612	948
VMERS	4,137	4,399	(262)
Unemployment Compensation	1,236	884	352
Recording Supplies	2,000	1,117	883
Training	1,000	997	3
Office Supplies	3,000	1,814	1,186
Postage	3,000	2,971	29
Advertising	0	54	(54)
New Equipment	1,000	409	591
Records Restoration	0	134	(134)
Gas, Oil & Mileage	500	233	267
Telephone	985	1,409	(424)
Contracted Services	20,000	21,606	(1,606)
Repair & Maintenance	500	205	295
Dues	250	234	16
	<u>170,310</u>	<u>164,694</u>	<u>5,616</u>
Total Town Clerk's Office			

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
Town Treasurer's Office:			
Regular Salaries	\$ 43,752	\$ 45,058	\$ (1,306)
Overtime Pay	750	305	445
Social Security	3,404	3,501	(97)
Group Insurance	5,568	4,420	1,148
HBA Expense	675	0	675
Workers Compensation	170	173	(3)
Retirement Contributions	1,526	1,120	406
VMERS	1,773	1,883	(110)
Unemployment Compensation	530	570	(40)
Office Supplies	1,200	925	275
Training	1,000	905	95
Postage	2,000	1,997	3
New Equipment	500	64	436
Gas, Oil & Mileage	500	132	368
Contracted Services	4,000	3,390	610
Repair & Maintenance Services	500	0	500
Dues	200	120	80
	<u>68,048</u>	<u>64,563</u>	<u>3,485</u>
Total Town Treasurer's Office			
Board of Civil Authority:			
Regular Salaries	3,000	3,772	(772)
Social Security	230	0	230
Workers Compensation	8	8	0
Office Supplies	100	85	15
Training	200	240	(40)
Postage	400	722	(322)
Advertising	100	126	(26)
Printing	1,500	0	1,500
Telephone	0	191	(191)
Contracted Services	3,000	5,145	(2,145)
	<u>8,538</u>	<u>10,289</u>	<u>(1,751)</u>
Total Board of Civil Authority			

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TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Assessor's Office:			
Regular Salaries	\$ 26,903	\$ 27,190	\$ (287)
Social Security	2,058	2,080	(22)
Workers Compensation	88	83	5
VMERS	1,412	1,419	(7)
Unemployment Compensation	288	447	(159)
Office Supplies	250	441	(191)
Training	500	612	(112)
Postage	150	280	(130)
Advertising	200	90	110
Printing	0	136	(136)
New Equipment	0	217	(217)
Gas, Oil & Mileage	500	0	500
Telephone	325	342	(17)
Contracted Services	8,800	6,467	2,333
Repair & Maintenance	500	0	500
Dues	100	50	50
	<u>42,074</u>	<u>39,854</u>	<u>2,220</u>
Total Assessor's Office			
Economic Development:			
Designated Downtown	12,500	12,500	0
NVDA Dues	3,500	3,500	0
Industrial Park Taxes	42,000	45,179	(3,179)
	<u>58,000</u>	<u>61,179</u>	<u>(3,179)</u>
Total Economic Development			
Zoning Board & Planning Commission:			
Regular Salaries	8,000	6,718	1,282
Social Security	612	514	98
Workers Compensation	80	0	80
Unemployment Compensation	173	0	173
Training	200	280	(80)
Postage	130	79	51
Advertising	1,800	1,989	(189)
Printing	300	145	155
Gas, Oil & Mileage	150	0	150
Telephone	400	0	400
Professional Services	2,500	2,038	462
	<u>14,345</u>	<u>11,763</u>	<u>2,582</u>
Total Zoning Board & Planning Commission			

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TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Public Safety Building:			
Regular Salaries	\$ 0	\$ 221	\$ (221)
Social Security	0	16	(16)
Group Insurance	0	246	(246)
Heating Fuel	6,500	12,954	(6,454)
Public Utility Services	10,200	10,003	197
Waste Disposal Services	1,400	1,784	(384)
Contracted Services	10,000	14,917	(4,917)
Repair & Maintenance	8,000	10,273	(2,273)
Total Public Safety Building	36,100	50,414	(14,314)
Community Center - Armory:			
Contracted Services	0	70	(70)
Repair & Maintenance	0	23	(23)
Total Community Center - Armory	0	93	(93)
Dog Control:			
Gas, Oil & Mileage	100	0	100
Contracted Services	2,500	1,018	1,482
Total Dog Control	2,600	1,018	1,582
Board of Selectmen:			
Salaries	6,400	6,400	0
Social Security	490	196	294
Training	500	60	440
Total Board of Selectmen	7,390	6,656	734
Dispatch Center:			
Regular Salaries	238,887	223,091	15,796
Overtime Pay	15,400	30,261	(14,861)
Social Security	19,453	18,242	1,211
Group Insurance	57,610	57,590	20
HBA Expense	10,125	9,051	1,074
Workers Compensation	941	888	53
Retirement Contributions	18,631	17,724	907
VMERS	6,341	9,577	(3,236)
Unemployment Compensation	3,962	3,946	16
Office Supplies	2,300	1,250	1,050
Training Supplies	600	525	75

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TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Dispatch Center/(Cont'd):			
New Equipment	\$ 3,000	\$ 2,179	\$ 821
Telephone	2,750	3,349	(599)
Contracted Services	16,460	10,083	6,377
Repair & Maintenance Services	4,000	7,766	(3,766)
Total Dispatch Center	<u>400,460</u>	<u>395,522</u>	<u>4,938</u>
Fire Department:			
Regular Salaries	474,986	428,144	46,842
Overtime Pay	45,577	60,024	(14,447)
Social Security	40,206	36,122	4,084
Group Insurance	117,503	109,587	7,916
HBA Expense	18,000	21,829	(3,829)
Workers Compensation	63,658	55,401	8,257
Retirement Contributions	70,177	55,119	15,058
Unemployment Compensation	4,377	4,471	(94)
Office Supplies	2,000	1,450	550
Training Supplies	6,500	5,460	1,040
Postage	350	240	110
New Equipment	20,000	18,245	1,755
Gas, Oil & Mileage	8,500	10,566	(2,066)
Uniforms	6,700	9,231	(2,531)
Telephone	1,500	2,295	(795)
Heating Fuel	4,500	2,348	2,152
Public Utility Services	1,000	589	411
Waste Disposal Services	1,000	0	1,000
Contracted Services	12,000	12,464	(464)
Repair & Maintenance	16,000	24,833	(8,833)
Motor Vehicle Supplies	2,000	3,081	(1,081)
Alarm System Supplies	2,000	5,440	(3,440)
Enhanced Call Department	3,000	3,000	0
Truck Interest	8,086	8,086	0
Public Safety Grant Expenditures	0	6,795	(6,795)
Donation Expenditures	0	8,936	(8,936)
Miscellaneous Charges	500	0	500
Total Fire Department	<u>930,120</u>	<u>893,756</u>	<u>36,364</u>
Solid Waste:			
Waste & Disposal Services	19,000	22,704	(3,704)
Contracted Services	0	4,271	(4,271)
Total Solid Waste	<u>19,000</u>	<u>26,975</u>	<u>(7,975)</u>

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TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Pomerleau Building:			
Regular Salaries	\$ 0	\$ 2,391	\$ (2,391)
Social Security	0	182	(182)
Office Supplies	500	18	482
New Equipment	1,000	523	477
Heating Fuel	17,000	13,127	3,873
Public Utility Services	12,500	15,997	(3,497)
Waste Disposal Services	2,500	1,824	676
Contracted Services	25,700	23,765	1,935
Building Construction	9,500	6,300	3,200
Bond Principal	70,000	70,000	0
Bond Interest	43,688	43,688	0
Repair & Maintenance Supplies	5,000	15,794	(10,794)
Building Taxes	20,000	15,182	4,818
Welcome Center Expense	0	360	(360)
	<u>207,388</u>	<u>209,151</u>	<u>(1,763)</u>
Total Pomerleau Building			
General Expenses:			
Retirement Insurance Reimbursement	0	6,500	(6,500)
Advertising	0	5,571	(5,571)
Public Utility Services	0	850	(850)
Internet Expense	12,840	15,219	(2,379)
Web Site Expense	4,537	6,318	(1,781)
IT Upgrades	14,926	46,968	(32,042)
Contracted Services	2,000	4,814	(2,814)
Audit	10,000	1,231	8,769
Legal Services	35,000	23,597	11,403
Glebe Lease Land to School	0	353	(353)
Judgments & Losses	4,000	19	3,981
VLCT Dues	8,707	8,707	0
Community Justice Center	5,000	5,000	0
Property & Liability Insurance	47,148	47,163	(15)
Health Insurance Account Expense	2,244	1,842	402
County Taxes	64,933	64,933	0
Assessment Appeals	0	17,622	(17,622)
Interest on Current Loans	6,000	1,272	4,728
	<u>217,335</u>	<u>257,979</u>	<u>(40,644)</u>
Total General Expenses			

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TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	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
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 Center	2,000	2,000	0
	<u>354,850</u>	<u>354,850</u>	<u>0</u>
Total Special Appropriations			
	<u>2,832,279</u>	<u>2,847,642</u>	<u>(15,363)</u>
Total Expenditures			
Excess of Revenues			
Over Expenditures	<u>\$ 108,000</u>	474,347	<u>\$ 366,347</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Parking Meter Fund Income		69,099	
Parking Meter Fund Expenses		(16,601)	
Parking Meter Fund Transfers		(40,000)	
Recreation Fund Expenses		<u>(10,175)</u>	
Change in Modified Accrual Basis Fund Balance		<u>\$ 476,670</u>	

The reconciling items are due to combining three (3) funds with the General Fund in order to comply with GASB Statement No. 54.

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HIGHWAY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 1,844,935	\$ 1,875,552	\$ 30,617
VT Pilot Payments	42,300	30,525	(11,775)
Hold Harmless VT Payments	21,000	19,066	(1,934)
State Aid Class I Highways	55,704	53,184	(2,520)
State Aid Class II Highways	46,143	46,101	(42)
State Aid Class III Highways	124,766	124,926	160
State Aid Lane Mileage	247	247	0
Highway Department Services	3,000	4,418	1,418
Sale of Materials & Supplies	2,000	0	(2,000)
Transfers from Water and Sewer Fund	205,370	205,370	0
Transfers from DPW Reserves	242,750	0	(242,750)
PACIF Equipment Grant	5,000	10,500	5,500
Better Back Roads Grant	10,000	10,000	0
Special Program Grant Revenue	0	8,952	8,952
Proceeds of Long-Term Debt	0	3,215,109	3,215,109
Westside State & Federal Grant Revenue	0	1,984,710	1,984,710
FEMA Revenue	0	26,129	26,129
Depot Square Park Grant Revenue	0	15,671	15,671
CSO Soils Grant Revenue	0	4,431	4,431
Insurance Reimbursements	0	4,454	4,454
Miscellaneous	0	3,457	3,457
Total Revenues	2,603,215	7,642,802	5,039,587
Expenditures:			
Highway Garage & Equipment:			
Regular Salaries	42,495	43,754	(1,259)
Overtime Pay	1,200	4,627	(3,427)
Social Security	3,342	3,531	(189)
Group Insurance	9,992	10,537	(545)
HBA Expense	2,250	2,096	154
Workman's Compensation	3,001	2,834	167
Retirement Contributions	6,490	5,126	1,364
Unemployment Compensation	460	447	13
Office Supplies	1,000	1,227	(227)
Training	2,500	1,613	887
New Equipment	30,580	43,682	(13,102)
New Tools	4,500	5,092	(592)
Gas & Oil for Equipment	125,000	123,507	1,493
Uniforms	5,200	2,783	2,417
Telephone	1,770	3,182	(1,412)
Heating Fuel	8,500	6,671	1,829
Public Utility Services	10,000	9,791	209
Waste Disposal Services	2,500	4,686	(2,186)

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TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HIGHWAY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
Highway Garage & Equipment/(Con't):			
Contracted Services	\$ 5,500	\$ 8,652	\$ (3,152)
Rentals	0	33,701	(33,701)
Repairs to Equipment	35,000	51,727	(16,727)
Repairs, Maintenance & Supplies	65,000	23,077	41,923
Outside Repairs	12,000	11,552	448
Repairs to Garage	<u>10,000</u>	<u>4,229</u>	<u>5,771</u>
Total Highway Garage & Equipment	<u>388,280</u>	<u>408,124</u>	<u>(19,844)</u>
Summer Maintenance:			
Regular Salaries	309,171	269,785	39,386
Overtime Pay	15,360	19,300	(3,940)
Social Security	24,827	22,646	2,181
Group Insurance	86,384	82,748	3,636
HBA Expense	16,088	11,618	4,470
Workman's Compensation	18,757	13,828	4,929
Retirement Contributions	36,026	26,177	9,849
VMERS	3,835	3,505	330
Unemployment Compensation	3,059	3,120	(61)
Contracted Services	120,000	10,265	109,735
Materials & Supplies	130,000	88,520	41,480
Maintenance (Paving)	50,000	37,058	12,942
Transfer to Grant Fund	<u>0</u>	<u>49,356</u>	<u>(49,356)</u>
Total Summer Maintenance	<u>813,507</u>	<u>637,926</u>	<u>175,581</u>
Winter Maintenance:			
Regular Salaries	252,958	260,146	(7,188)
Overtime Pay	44,674	65,536	(20,862)
Social Security	22,769	22,468	301
Group Insurance	70,678	59,522	11,156
HBA Expense	13,163	26,119	(12,956)
Workman's Compensation	18,757	23,206	(4,449)
Retirement Contributions	29,476	26,177	3,299
VMERS	3,137	2,852	285
Unemployment Compensation	3,059	3,139	(80)
Contracted Services	3,000	8,985	(5,985)
Materials & Supplies	<u>130,000</u>	<u>151,002</u>	<u>(21,002)</u>
Total Winter Maintenance	<u>591,671</u>	<u>649,152</u>	<u>(57,481)</u>

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TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HIGHWAY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Street Safety & Traffic:			
Public Utility Services	\$ 120,000	\$ 131,325	\$ (11,325)
Railroad St. Parking Lot	0	771	(771)
Contracted Services	1,500	392	1,108
Repair & Maintenance Services	3,500	1,919	1,581
Materials & Supplies	21,000	10,121	10,879
Total Street Safety & Traffic	146,000	144,528	1,472
Highway Fund:			
Postage	500	0	500
Advertising	250	402	(152)
Audit	5,000	1,231	3,769
Legal Services	2,750	0	2,750
Health Insurance Account Expense	1,571	1,556	15
Judgements & Losses	500	1,450	(950)
Engineering Services	1,000	0	1,000
Property & Liability Insurance	26,521	27,034	(513)
Interest - Westside USDA 93/15	55,666	59,926	(4,260)
Principal - Westside USDA 93/15	52,440	69,642	(17,202)
Vac-con Expense	55,797	33,514	22,283
Grader Expense	34,496	34,469	27
Sidewalk Plow	16,000	0	16,000
Tractor Expense	0	4,898	(4,898)
Interest on Current Loans	0	3,443	(3,443)
Local Share - Railroad St. Enhancement	220,000	2,511	217,489
Local Share - Depot Square	88,000	0	88,000
Internet Expense	1,680	1,086	594
Website Expense	589	120	469
IT Upgrades	1,000	4,613	(3,613)
Equipment Purchase	0	162,412	(162,412)
Special Project Expense	0	8,991	(8,991)
FEMA Expense	0	33,518	(33,518)
Westside Project Expenses	0	2,072,391	(2,072,391)
CSO Project Expenses	0	2,641,599	(2,641,599)
Transfer to Grant Fund	0	162,059	(162,059)
Total Highway Fund	563,760	5,326,865	(4,763,105)
Total Expenditures	2,503,218	7,166,595	(4,663,377)
Excess of Revenues			
Over Expenditures	\$ 99,997	476,207	\$ 376,210
Fund Balance - January 1, 2014, As Restated		(52,632)	
Fund Balance - December 31, 2014		\$ 423,575	

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TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 1,010,942	\$ 1,010,604	\$ (338)
VT Pilot Payments	13,000	12,644	(356)
Hold Harmless VT Payments	260	265	5
Police Department Services	122,400	144,015	21,615
District Court Fines	20,000	15,740	(4,260)
Fingerprinting Services	17,000	16,853	(147)
Mountain View Security	27,000	23,949	(3,051)
SIU Revenue	30,000	32,125	2,125
Governor's Highway Safety Grant - Equipment	5,000	4,917	(83)
Governor's Highway Safety Grant - Salaries	10,000	8,734	(1,266)
Transfer from Parking Meter Fund	40,000	40,000	0
Proceeds from Long-Term Debt	0	22,623	22,623
VT Public Safety Grant	0	17,554	17,554
VLCT PACIF Grant	0	2,855	2,855
OJP Grant	0	3,389	3,389
Report Revenue	0	1,545	1,545
Insurance Reimbursements	0	2,792	2,792
Police Department Donations	0	181	181
Portland St. Rink Donations	0	10	10
K9 Unit Donations	0	259	259
Total Revenues	1,295,602	1,361,054	65,452
Expenditures:			
Police Department:			
Regular Salaries	629,616	595,833	33,783
Overtime Pay	71,860	61,572	10,288
Social Security	53,663	49,599	4,064
Group Insurance	95,559	75,525	20,034
HBA Expense	11,250	2,150	9,100
Workman's Compensation	31,570	29,112	2,458
Retirement Contributions	31,308	24,402	6,906
VMERS	12,801	24,347	(11,546)
Unemployment Compensation	7,859	8,048	(189)
Office Supplies	1,200	1,756	(556)
Training	3,000	2,739	261
Postage	0	405	(405)
Printing	800	349	451
New Equipment	25,000	32,492	(7,492)
Gas, Oil & Mileage	24,000	29,183	(5,183)
Uniforms	4,000	3,312	688
Uniform Cleaning	200	0	200
Telephone	2,800	2,303	497
Heating Fuel	3,600	4,318	(718)
Public Utility Services	1,579	2,730	(1,151)
Waste Disposal Services	800	919	(119)

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Favorable/ (Unfavorable)
Police Department/(Con't):			
Contracted Services	\$ 8,500	\$ 8,420	\$ 80
Ammunition	2,200	2,154	46
Repairs to Equipment	3,000	1,080	1,920
Dues	350	420	(70)
Repairs to Cruisers	9,500	11,763	(2,263)
Investigation Supplies	700	447	253
K-9 Unit Expenditures	1,000	73	927
OJP Police Grant Expenditures	0	9,513	(9,513)
Asset Forfeiture Expenditures	0	525	(525)
VT Public Safety Grant Expenditures	0	17,554	(17,554)
Governor's Highway Safety Equipment Grant Expenses	0	4,657	(4,657)
Total Police Department	1,037,715	1,007,700	30,015
Parks & Trees:			
Repair & Maintenance Services	7,500	710	6,790
Fountain Fund	0	4,500	(4,500)
Portland St. Rink	5,000	4,734	266
Total Parks & Trees	12,500	9,944	2,556
Beautification Committee:			
Operating Supplies	3,500	2,847	653
Repair & Maintenance Services	2,400	884	1,516
Total Beautification Committee	5,900	3,731	2,169
Special Services Fund:			
Audit	9,150	1,231	7,919
Legal Services	2,000	185	1,815
Health Insurance Account Expense	673	532	141
Property & Liability Insurance	36,835	37,013	(178)
Internet Expense	2,100	2,727	(627)
Web Site Expense	766	640	126
IT Upgrades	7,963	25,024	(17,061)
Contracted Services	0	2,510	(2,510)
Transfer to Dispatch Services	170,000	170,000	0
Total Special Services Fund	229,487	239,862	(10,375)
Total Expenditures	1,285,602	1,261,237	24,365
Excess of Revenues			
Over Expenditures	\$ 10,000	99,817	\$ 89,817
Fund Balance - January 1, 2014		130,987	
Fund Balance - December 31, 2014		\$ 230,804	

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 PENSION TRUST FUND
 DECEMBER 31, 2014

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%

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

See 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
 DECEMBER 31, 2014

Total Pension Liability:	
Service Cost	\$ 168,300
Interest	862,671
Benefit Payments, Including Refunds of Member Contributions	<u>(542,551)</u>
Net Change in Total Pension Liability	488,420
Total Pension Liability, January 1, 2014	<u>10,311,956</u>
Total Pension Liability, December 31, 2014	<u>10,800,376</u>
Plan Fiduciary Net Position:	
Contributions - Employer	171,300
Contributions - Members	20,023
Net Investment Income	606,957
Benefit Payments, Including Refunds of Member Contributions	(542,551)
Administrative Expenses	<u>(110,411)</u>
Net Change in Fiduciary Net Position	145,318
Plan Fiduciary Net Position, January 1, 2014	<u>9,217,480</u>
Plan Fiduciary Net Position, December 31, 2014	9,362,798
Net Pension Liability, December 31, 2014	<u>\$ 1,437,578</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.69%
Covered Employee Payroll	\$ 1,525,618
Net Pension Liability as a Percentage of Covered Employee Payroll	94.23%

Notes to Schedules

Benefit Changes since December 31, 2013: None

Changes of Assumptions Since December 31, 2013:

The actuarial cost method was changed from the frozen initial liability cost method to the entry age normal cost method.

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

See Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 PENSION TRUST FUND
 DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially Determined Contribution	\$ 168,300	\$ 280,984	\$ 405,212
Contributions in Relation to the Actuarially Determined Contribution	<u>171,300</u>	<u>280,984</u>	<u>405,212</u>
Contribution Deficiency/(Excess)	<u>\$ (3,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-Employee Payroll	\$ 1,525,618	\$ 1,593,018	\$ 1,969,862
Contributions as a Percentage of Covered-Employee Payroll	11.22%	15.75%	20.57%

Notes to the Schedule

Valuation Date: January 1, 2014

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
Remaining Amortization Period	24 Years
Asset Valuation Method	Market Value
Salary Increases	3.75%
Investment Rate of Return	7%
Retirement Age	60 with 25 Years of Service but no later than 65
Mortality	The 2015 430(h)(3)(A) - Optional Combined

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

See Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
PENSION TRUST FUND
DECEMBER 31, 2014

2014

Annual Money-Weighted Rate of Return, Net of Investment Expense	5.49%
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GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2014

	Special Revenue Funds	Permanent Fund Cemetery Fund	Total
<u>ASSETS</u>			
Cash	\$ 13,808	\$ 5,778	\$ 19,586
Receivables	192,181	0	192,181
Total Assets	\$ 205,989	\$ 5,778	\$ 211,767
<u>LIABILITIES</u>			
Accounts Payable	\$ 4,000	\$ 0	\$ 4,000
Due to Other Funds	208,385	0	208,385
Total Liabilities	212,385	0	212,385
<u>FUND BALANCES/(DEFICIT)</u>			
Nonspendable	0	5,161	5,161
Restricted	0	617	617
Unassigned	(6,396)	0	(6,396)
Total Fund Balances/(Deficit)	(6,396)	5,778	(618)
Total Liabilities and Fund Balances	\$ 205,989	\$ 5,778	\$ 211,767

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue Funds	Permanent Funds Cemetery Fund	Total
Revenues:			
Intergovernmental	\$ 527,071	\$ 0	\$ 527,071
Loan Repayments	3,553	0	3,553
Investment Income	93	6	99
Total Revenues	<u>530,717</u>	<u>6</u>	<u>530,723</u>
Expenditures:			
General Government	10,131	0	10,131
Public Works	20,710		20,710
Community Development	479,589	0	479,589
Sanitation	16,146	0	16,146
Capital Outlay:			
Public Safety	45,480	0	45,480
Public Works	224,357	0	224,357
Debt Service:			
Principal	175,000	0	175,000
Interest	8,086	0	8,086
Total Expenditures	<u>979,499</u>	<u>0</u>	<u>979,499</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(448,782)</u>	<u>6</u>	<u>(448,776)</u>
Other Financing Sources/(Uses):			
Transfers In	228,352	0	228,352
Transfers Out	(13)	0	(13)
Total Other Financing Sources	<u>228,339</u>	<u>0</u>	<u>228,339</u>
Net Change in Fund Balances	(220,443)	6	(220,437)
Fund Balances - January 1, 2013	<u>214,047</u>	<u>5,772</u>	<u>219,819</u>
Fund Balances - December 31, 2014	<u>\$ (6,396)</u>	<u>\$ 5,778</u>	<u>\$ (618)</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2014

	Grant Fund	JayLyn Fund	Total
<u>ASSETS</u>			
Cash	\$ 13,808	\$ 0	\$ 13,808
Receivables	192,181	0	192,181
Total Assets	\$ 205,989	\$ 0	\$ 205,989
<u>LIABILITIES</u>			
Accounts Payable	\$ 4,000	\$ 0	\$ 4,000
Due to Other Funds	208,385	0	208,385
Total Liabilities	212,385	0	212,385
<u>FUND BALANCES/(DEFICIT)</u>			
Unassigned	(6,396)	0	(6,396)
Total Fund Balances/(Deficit)	(6,396)	0	(6,396)
Total Liabilities and Fund Balances	\$ 205,989	\$ 0	\$ 205,989

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Grant Fund	JayLyn Fund	Total
Revenues:			
Intergovernmental	\$ 527,071	\$ 0	\$ 527,071
Loan Repayments	0	3,553	3,553
Investment Income	0	93	93
 Total Revenues	 <u>527,071</u>	 <u>3,646</u>	 <u>530,717</u>
Expenditures:			
General Government	10,131	0	10,131
Public Works	20,710	0	20,710
Community Development	315,849	163,740	479,589
Sanitation	16,146	0	16,146
Capital Outlay:			
General Government	45,480	0	45,480
Public Works	224,357	0	224,357
Debt Service			
Principal	175,000	0	175,000
Interest	8,086	0	8,086
 Total Expenditures	 <u>815,759</u>	 <u>163,740</u>	 <u>979,499</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(288,688)</u>	<u>(160,094)</u>	<u>(448,782)</u>
Other Financing Sources/(Uses):			
Transfers In	228,352	0	228,352
Transfers Out	0	(13)	(13)
 Total Other Financing Sources/(Uses)	 <u>228,352</u>	 <u>(13)</u>	 <u>228,339</u>
Net Change in Fund Balances	(60,336)	(160,107)	(220,443)
Fund Balances - January 1, 2013	<u>53,940</u>	<u>160,107</u>	<u>214,047</u>
Fund Balances/(Deficit) - December 31, 2014	<u>\$ (6,396)</u>	<u>\$ 0</u>	<u>\$ (6,396)</u>

See Disclaimer in Accompanying Independent Auditor's Report.

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, VT 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 December 31, 2014, 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 April 8, 2015.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control as Item 14-1, that we consider to be a significant deficiency.

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".

We also noted certain other matters that we reported to the management of the Town of St. Johnsbury, Vermont in a separate letter dated April 8, 2015.

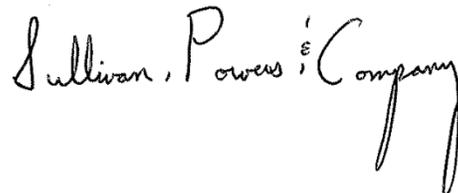
Town of St. Johnsbury, Vermont's Response to Finding

The Town of St. Johnsbury, Vermont's response to the deficiency in internal control identified in our audit is included with the accompanying Schedule of Findings and Deficiencies in Internal Control. The Town of St. Johnsbury, Vermont's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

April 8, 2015
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF ST. JOHNSBURY, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
DECEMBER 31, 2014

Deficiencies in Internal Control:

Significant Deficiencies:

14-1 Police Department Parking Meter Coin Collection

Criteria:

Internal controls should be in place over the collection of parking meter coins in order to prevent and detect errors or irregularities.

Condition:

Internal controls over the collection and deposit of parking meter coins are inadequately designed. Currently, the Town has one (1) officer who collects coins and deposits them in the bank.

Cause:

Unknown.

Effect:

The Town has inadvertently made its assets susceptible to misappropriation.

Recommendation:

We recommend that the Town enhance internal controls by having two employees collect parking meter coins on a rotating schedule. We also recommend that the Town track collection trends and investigate any unusual variances from their expectations.

Response:

The Town will enhance internal controls and mitigate risk by having two officers collect parking meter coin. One of the officers collecting coin will be assigned on a rotating schedule to assure independence. The Town Manager's office will track the collection trends for any unusual variances.