

**TOWN OF ST. JOHNSBURY, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2016**

TOWN OF ST. JOHNSBURY, VERMONT  
AUDIT REPORT  
TABLE OF CONTENTS  
JUNE 30, 2016

	<u>Page #</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-11
Basic Financial Statements:	
Statement of Net Position	Exhibit A 12
Statement of Activities	Exhibit B 13
Governmental Funds:	
Balance Sheet	Exhibit C 14
Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit D 15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit E 16
Proprietary Funds:	
Statement of Fund Net Position	Exhibit F 17
Statement of Revenues, Expenses and Changes in Fund Net Position	Exhibit G 18
Statement of Cash Flows	Exhibit H 19
Fiduciary Funds:	
Statement of Fiduciary Net Position	Exhibit I 20
Statement of Changes in Fiduciary Net Position	Exhibit J 21
Notes to the Financial Statements	22-61

TOWN OF ST. JOHNSBURY, VERMONT  
 AUDIT REPORT  
 TABLE OF CONTENTS  
 JUNE 30, 2016

Page #

Required Supplementary Information:

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	Schedule 1	62-69
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Highway Fund	Schedule 2	70-72
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Services Fund	Schedule 3	73-74
Schedule of Proportionate Share of the Net Pension Liability - VMERS Defined Benefit Plan	Schedule 4	75
Schedule of Contributions - VMERS Defined Benefit Plan	Schedule 5	76
Schedule of Funding Progress - Pension Trust Fund	Schedule 6	77
Schedule of Changes in Net Pension Liability and Related Ratios - Pension Trust Fund	Schedule 7	78
Schedule of Employer Contributions - Pension Trust Fund	Schedule 8	79
Schedule of Investment Returns - Pension Trust Fund	Schedule 9	80

Other Information:

Combining Balance Sheet - Non-Major Governmental Funds	Schedule 10	81
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	Schedule 11	82

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"	83-84
---	-------

77 Barre Street  
P.O. Box 947  
Montpelier, VT 05601  
802/223-2352  
[www.sullivanpowers.com](http://www.sullivanpowers.com)

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

## Independent Auditor's Report

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of St. Johnsbury, Vermont as of and for the eighteen (18) months ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of St. Johnsbury, Vermont's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of St. Johnsbury, Vermont, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the eighteen (18) months then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note I.F. to the financial statements, effective June 30, 2016, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Financial Reporting for Pension Plans" – an amendment of GASB Statement No. 27. As a result of this required change in accounting principle, the Town recorded a \$28,310 reduction in beginning net position of the Governmental Activities. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Correction of Errors***

As described in Note III.E. to the financial statements, certain errors resulting in an overstatement of general obligation bonds payable and a correction of capital assets from the Governmental Activities to the Sewer Fund were corrected by management during the current year. Our opinion is not modified with respect to this matter.

### ***Required Supplementary Information***

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

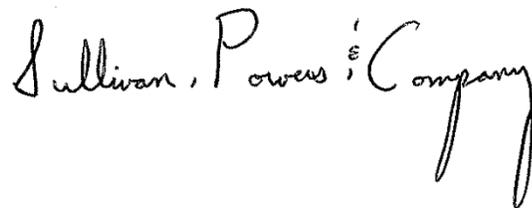
***Other Information***

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

***Other Reporting Required by "Government Auditing Standards"***

In accordance with "Government Auditing Standards", we have also issued our report dated September 30, 2016 on our consideration of the Town of St. Johnsbury, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of St. Johnsbury, Vermont's internal control over financial reporting and compliance.

September 30, 2016  
Montpelier, Vermont  
VT Lic. #92-000180

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

**TOWN OF ST. JOHNSBURY, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

Management of the Town of St. Johnsbury (the Town) offers readers of the basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016. Please note that this section of the Basic Financial Statements is unaudited.

**FINANCIAL HIGHLIGHTS**

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$30,521,968 (net position). Of this amount, \$643,906 (unrestricted net position) may be used to meet the Town's ongoing obligations. The balance of net position is made up of \$28,134,462 net investment in capital assets and \$1,743,600 restricted for specific purposes.

The Town's total net position decreased by \$274,855. Of this amount, net position attributable to governmental activities decreased by \$462,917 and net position attributable to business-type activities increased by \$188,062.

At the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,675,251, a significant increase of 1,247,273 over the prior year.

At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned and unassigned components of fund balance) for the general fund was \$942,473.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

## **Government-Wide Financial Statements**

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

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

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

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

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

## **Fund Financial Statements**

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

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

The Town maintains five individual governmental funds, including the General Fund, three 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. A budgetary comparison statement is provided in Schedule 1 for the purpose of demonstrating compliance with the duly appropriated budget.

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Summary Statement of Net Position

	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 3,065,921	\$ 2,931,741	\$ 5,997,662
Capital Assets	<u>27,701,303</u>	<u>19,208,751</u>	<u>46,910,054</u>
Total Assets	<u>30,767,224</u>	<u>22,140,492</u>	<u>52,907,716</u>
Deferred Outflow of Resources	<u>243,855</u>	<u>0</u>	<u>243,855</u>
Current Liabilities	828,391	656,196	1,484,587
Noncurrent Liabilities	<u>10,102,988</u>	<u>10,290,663</u>	<u>20,393,651</u>
Total Liabilities	<u>10,931,379</u>	<u>10,946,859</u>	<u>21,878,238</u>
Deferred Inflows of Resources	<u>715,825</u>	<u>35,540</u>	<u>751,365</u>
Net Position:			
Net Investment in Capital Assets	19,705,659	8,428,803	28,134,462
Restricted	1,743,600	0	1,743,600
Unrestricted	<u>( 2,085,384)</u>	<u>2,729,290</u>	<u>643,906</u>
Total Net Position	<u>\$ 19,363,875</u>	<u>\$ 11,158,093</u>	<u>\$ 30,521,968</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 \$30,521,968. The Town's total net position is split between governmental activities net position of \$19,363,875 and business-type activities net position of \$11,158,093.

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

The Town's total net assets also include \$1,743,600 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 \$643,906 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 Statement of Activities

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program Revenues:			
Charges for Services	\$ 692,430	\$ 4,115,817	\$ 4,808,247
Operating Grants and Contributions	477,775	0	477,775
Capital Grants and Contributions	1,096,117	361,572	1,457,689
General Revenues:			
Property Taxes	7,957,387	0	7,957,387
Penalties and Interest in Delinquent Tax	83,383	0	83,383
General State Grants	189,177	0	189,177
Unrestricted Investment Earnings	27,796	135	27,931
Other Revenues	11,033	1,159	12,192
Total Revenues	10,535,098	4,478,683	15,013,781
Expenses:			
General Government	1,824,356	0	1,824,356
Public Safety	4,960,171	0	4,960,171
Public Works	3,833,599	0	3,833,599
Culture and Recreation	36,419	0	36,419
Community Development	119,026	0	119,026
Sanitation	45,242	0	45,242
Interest on Long-term Debt	179,202	0	179,202
Water	0	1,947,032	1,947,032
Sewer	0	2,343,589	2,343,589
Total Expenses	10,998,015	4,290,621	15,288,636
Change in Net Position	(462,917)	188,062	(274,855)
Beginning Net Position, As Restated	19,826,792	10,970,031	30,796,823
Ending Net Position	\$ 19,363,875	\$ 11,158,093	\$ 30,521,968

### Governmental Activities

Governmental activities decreased the Town's net position by \$462,917 for the year ended June 30, 2016 due to the long term pension liability. Business type activities increased the Town's net position by \$188,062 due to the investment in capital assets.

### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

### Governmental Funds

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,675,251 an increase of \$1,247,273 over the prior year. Of this total amount, \$8,078 is non-spendable (prepaid expenses and cemetery fund principal) and \$1,727,617 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, \$505,080 has been assigned by the Town for various purposes and \$434,476 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 \$942,473, an increase of \$168,256 from the previous year. Of this amount, \$2,917 is non-spendable. The remaining amount of \$505,080 has been assigned as detailed in the footnotes and \$434,476 is unassigned. Included in the General Fund are two special revenue funds, the Parking Meter Fund and the Recreation Fund.

At the end of the year, the total fund balance in the Highway Fund was \$1,455,004, an increase of \$1,031,429 from the balance of the previous year. The entire fund balance in Highway is restricted.

The Special Services Fund has an ending fund balance of \$243,763, an increase of \$12,959 from the previous year. The entire fund balance in Special Services is restricted.

### **Proprietary Funds**

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

Total net position in the water fund is \$6,601,441, an increase of \$180,509 from the previous year. In the sewer fund, total net position is \$4,556,652, an increase of \$7,553 from the previous year.

### **BUDGETARY HIGHLIGHTS**

The Town's budget for the year ended June 30, 2016 passed on the first vote in March of 2015 and there were no amendments made to the budget during the year. Key variances are as follows:

- Actual revenues in the General Fund exceeded budgeted revenues by \$209,608 due to increased delinquent tax revenue.
- In the Highway Fund, reduced expenditures due to the mild winter, lower oil prices and a vacant position all contributed to the surplus as well as investments in capital assets.
- Special Services realized a small surplus due to vacant positions during the year.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2016 were \$76,475,435 (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 \$682,345.

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 \$18,833,254. Of this amount, \$9,991,500 represents bonded debt backed by the full faith and credit of the Town, \$8,262,721 represents revolving loans issued by the State of Vermont and \$579,033 represent capital lease agreements.

The Town’s total debt increased by \$471,580 during the year due to capital projects in the enterprise and highway funds.

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

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

### **Economic Factors and Next Year’s Budget and Rates**

The unemployment rate for the Town is currently 4.4 percent, down from 4.8 percent one year ago. This compares with 3.4 percent state-wide, down from 3.7 percent statewide one year ago.

The Town approved a general fund budget for the 2016-17 fiscal year in the amount of \$2,975,706. This represent as increase of 3.56% over the annualized approved budget for the previous year.

In a special election in May 2016, the voters approved the issuance of bonds or notes in an amount not to exceed \$5,250,000 for the purpose of improvements to the wastewater treatment plant and \$4.780,000 for the water filter plant.

The Town of St. Johnsbury was the recipient of a “Community Visit” by the Vermont Council on Rural Development in 2015. This well-attended event brought residents together to define both key assets and key concerns of the Town. It resulted in the creation of a number of committees, each tasked with working on a particular piece of the puzzle which is the revitalization of St. Johnsbury.

Committees include Housing, Communications, Downtown Revitalization, and Riverfront Revitalization. The Town is working with these groups to prioritize projects, identify resources, and develop timelines. The Town has committed significant resources to support this important committee work including the hiring of an Economic Development Specialist and Code Compliance Officer.

Initiatives include:

- Housing – In June of 2016, St. Johnsbury was awarded a VCDP grant to perform a Housing Assessment study. This comprehensive study will provide valuable information from which to develop strategies and initiatives to improve the housing stock in St. Johnsbury. This study will provide the blueprint for implementation of a comprehensive housing improvement project. In September of 2016, St. Johnsbury’s Town Manager hired the Town’s first Code Compliance Officer. This position was developed to ensure quality housing options for all residents of St. Johnsbury. The Code Compliance Officer will also identify vacant and blighted properties and work with property owners and Town officials to develop strategies to reduce the number of vacant and blighted properties in St. Johnsbury.
- Riverfront Development – On December 1, 2015, the Town of St. Johnsbury was the recipient of a planning grant to identify ways to connect St. Johnsbury’s Downtown District with its riverfront. The development of educational, cultural, and recreational programming along the riverfront will stimulate economic growth downtown while promoting a healthy, active community.

- Tax Stabilization – During the summer of 2016, the Town Developed a seven year graduated tax stabilization program aimed at incentivizing commercial investment and growth. The program stabilizes property values thus reducing the municipal property tax burden during a seven year period of time.
- Industrial Park – With an increased interest in the Northeast Kingdom from Quebec manufacturers, town officials from both St. Johnsbury and Lyndon are working to develop new commercial opportunities for foreign investment. September 2016 will mark the opening of Composites BHS in the St. Johnsbury/Lyndon Industrial Park. Composites BHS is a Quebec company that develops and manufactures components for OEM's since 1997; they expect to employ up to 75 people in St. Johnsbury.
- Town Plan- Town Officials are finalizing the 2017-2022 Town Plan. The goal of the plan is to harness the energy created by the VCDP Community Visit, develop consensus, prioritized action items, and develop a clear path for economic and community development.

**Request for Information:**

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

TOWN OF ST. JOHNSBURY, VERMONT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Cash	\$ 4,795,654	\$ 110,236	\$ 4,905,890
Receivables	351,298	737,557	1,088,855
Internal Balances	(2,083,948)	2,083,948	0
Prepaid Expenses	2,917	0	2,917
Capital Assets:			
Land	269,255	185,592	454,847
Construction in Progress	417,879	315,975	733,854
Other Capital Assets, (Net of Accumulated Depreciation)	<u>27,014,169</u>	<u>18,707,184</u>	<u>45,721,353</u>
Total Assets	<u>30,767,224</u>	<u>22,140,492</u>	<u>52,907,716</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>243,855</u>	<u>0</u>	<u>243,855</u>
Total Deferred Outflows of Resources	<u>243,855</u>	<u>0</u>	<u>243,855</u>
<b><u>LIABILITIES</u></b>			
Accounts Payable	35,593	37,977	73,570
Accrued Payroll and Benefits Payable	97,516	2,839	100,355
Accrued Interest Payable	8,531	24,155	32,686
Tax Sale Overpayments	52,864	0	52,864
Noncurrent Liabilities:			
Due Within One Year	633,887	591,225	1,225,112
Due in More than One Year	<u>10,102,988</u>	<u>10,290,663</u>	<u>20,393,651</u>
Total Liabilities	<u>10,931,379</u>	<u>10,946,859</u>	<u>21,878,238</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Prepaid Property Taxes	13,875	0	13,875
Prepaid/Overpayment of Utility Bills	0	2,618	2,618
Deferred Inflows of Resources Related to the Town's Pension Plan	<u>701,950</u>	<u>32,922</u>	<u>734,872</u>
Total Deferred Inflows of Resources	<u>715,825</u>	<u>35,540</u>	<u>751,365</u>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	19,705,659	8,428,803	28,134,462
Restricted For:			
Public Safety	243,763	0	243,763
Public Works	1,455,004	0	1,455,004
Other	44,833	0	44,833
Unrestricted	<u>(2,085,384)</u>	<u>2,729,290</u>	<u>643,906</u>
Total Net Position	<u>\$ 19,363,875</u>	<u>\$ 11,158,093</u>	<u>\$ 30,521,968</u>

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

TOWN OF ST. JOHNSBURY, VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	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
<b>Functions/Programs:</b>							
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General Government	\$ 1,824,356	\$ 246,349	\$ 68,673	\$ 0	\$ (1,509,334)	\$ 0	\$ (1,509,334)
Public Safety	4,960,171	438,217	72,030	36,431	(4,413,493)	0	(4,413,493)
Public Works	3,833,599	7,864	337,072	1,059,686	(2,428,977)	0	(2,428,977)
Culture and Recreation	36,419	0	0	0	(36,419)	0	(36,419)
Community Development	119,026	0	0	0	(119,026)	0	(119,026)
Sanitation	45,242	0	0	0	(45,242)	0	(45,242)
Interest on Long-term Debt	179,202	0	0	0	(179,202)	0	(179,202)
<b>Total Governmental Activities</b>	<b>10,998,015</b>	<b>692,430</b>	<b>477,775</b>	<b>1,096,117</b>	<b>(8,731,693)</b>	<b>0</b>	<b>(8,731,693)</b>
<b>Business-type Activities:</b>							
Water	1,947,032	1,939,588	0	186,700	0	179,256	179,256
Sewer	2,343,589	2,176,229	0	174,872	0	7,512	7,512
<b>Total Business-type Activities</b>	<b>4,290,621</b>	<b>4,115,817</b>	<b>0</b>	<b>361,572</b>	<b>0</b>	<b>186,768</b>	<b>186,768</b>
<b>Total Primary Government</b>	<b>\$ 15,288,636</b>	<b>\$ 4,808,247</b>	<b>\$ 477,775</b>	<b>\$ 1,457,689</b>	<b>(8,731,693)</b>	<b>186,768</b>	<b>(8,544,925)</b>
<b>General Revenues:</b>							
Property Taxes					7,957,387	0	7,957,387
Penalties and Interest on Delinquent Taxes					83,383	0	83,383
General State Grants					189,177	0	189,177
Unrestricted Investment Earnings					27,796	135	27,931
Other Revenues					11,033	1,159	12,192
<b>Total General Revenues</b>					<b>8,268,776</b>	<b>1,294</b>	<b>8,270,070</b>
<b>Change in Net Position</b>					<b>(462,917)</b>	<b>188,062</b>	<b>(274,855)</b>
<b>Net Position - January 1, 2015, As Restated</b>					<b>19,826,792</b>	<b>10,970,031</b>	<b>30,796,823</b>
<b>Net Position - June 30, 2016</b>					<b>\$ 19,363,875</b>	<b>\$ 11,158,093</b>	<b>\$ 30,521,968</b>

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

TOWN OF ST. JOHNSBURY, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General Fund	Highway Fund	Special Services Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 4,789,868	\$ 0	\$ 0	\$ 5,786	\$ 4,795,654
Receivables	329,523	0	9,065	12,710	351,298
Due from Other Funds	0	1,488,620	264,351	26,762	1,779,733
Prepaid Expenses	<u>2,917</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,917</u>
Total Assets	<u>\$ 5,122,308</u>	<u>\$ 1,488,620</u>	<u>\$ 273,416</u>	<u>\$ 45,258</u>	<u>\$ 6,929,602</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 17,697	\$ 11,248	\$ 6,223	\$ 425	\$ 35,593
Accrued Payroll and Benefits Payable	51,718	22,368	23,430	0	97,516
Tax Sale Overpayments	52,864	0	0	0	52,864
Due to Other Funds	<u>3,863,681</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,863,681</u>
Total Liabilities	<u>3,985,960</u>	<u>33,616</u>	<u>29,653</u>	<u>425</u>	<u>4,049,654</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid Property Taxes	13,875	0	0	0	13,875
Unavailable Property Taxes, Penalties and Interest	180,000	0	0	0	180,000
Unavailable Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,822</u>	<u>10,822</u>
Total Deferred Inflows of Resources	<u>193,875</u>	<u>0</u>	<u>0</u>	<u>10,822</u>	<u>204,697</u>
<b>FUND BALANCES</b>					
Nonspendable	2,917	0	0	5,161	8,078
Restricted	0	1,455,004	243,763	28,850	1,727,617
Assigned	505,080	0	0	0	505,080
Unassigned	<u>434,476</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>434,476</u>
Total Fund Balances	<u>942,473</u>	<u>1,455,004</u>	<u>243,763</u>	<u>34,011</u>	2,675,251
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,122,308</u>	<u>\$ 1,488,620</u>	<u>\$ 273,416</u>	<u>\$ 45,258</u>	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:					
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.					27,701,303
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.					190,822
Long-term and Accrued Liabilities, Including Bonds Payable and the Net Pension Liability, are not Due or Payable in the Current Period and, Therefore are not Reported in the Funds.					(10,745,406)
Deferred Outflows of Resources relating to the Town's Defined Benefit Plan and it's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.					243,855
Deferred Inflows of Resources Related to the Town's Pension Plan are applicable to Future Periods and, therefore, are not Reported in the Funds.					<u>(701,950)</u>
Net Position of Governmental Activities					<u>\$ 19,363,875</u>

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

TOWN OF ST. JOHNSBURY, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	General Fund	Highway Fund	Special Services Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$ 3,450,383	\$ 2,992,865	\$ 1,607,942	\$ 0	\$ 8,051,190
Penalties and Interest on Delinquent Taxes	83,383	0	0	0	83,383
Intergovernmental	197,615	912,768	106,156	222,854	1,439,393
Charges for Services	587,396	283,842	79,784	0	951,022
Permits, Licenses and Fees	139,295	0	0	0	139,295
Fines and Forfeits	14,892	0	17,652	0	32,544
Investment Income	27,788	0	0	8	27,796
Donations	0	0	346	0	346
Other	2,715	6,778	2,340	0	11,833
<b>Total Revenues</b>	<b>4,503,467</b>	<b>4,196,253</b>	<b>1,814,220</b>	<b>222,862</b>	<b>10,736,802</b>
<b>Expenditures:</b>					
General Government	1,643,342	0	0	12,223	1,655,565
Public Safety	2,068,700	0	1,566,897	0	3,635,597
Public Works	0	2,351,194	0	0	2,351,194
Culture and Recreation	10,175	0	0	0	10,175
Community Development	119,026	0	0	0	119,026
Sanitation	45,242	0	0	0	45,242
Capital Outlay:					
General Government	12,129	0	0	0	12,129
Public Safety	99,228	0	30,729	0	129,957
Public Works	0	1,121,283	0	344,668	1,465,951
Debt Service:					
Principal	222,606	228,033	12,835	211,209	674,683
Interest	65,015	97,723	0	15,211	177,949
<b>Total Expenditures</b>	<b>4,285,463</b>	<b>3,798,233</b>	<b>1,610,461</b>	<b>583,311</b>	<b>10,277,468</b>
Excess/(Deficiency) of Revenues Over Expenditures	218,004	398,020	203,759	(360,449)	459,334
<b>Other Financing Sources/(Uses):</b>					
Proceeds from Sale of Equipment	0	0	1,200	0	1,200
Proceeds from Long-Term Debt	0	786,739	0	0	786,739
Transfers In	255,000	0	63,000	395,078	713,078
Transfers Out	(304,748)	(153,330)	(255,000)	0	(713,078)
<b>Total Other Financing Sources/(Uses)</b>	<b>(49,748)</b>	<b>633,409</b>	<b>(190,800)</b>	<b>395,078</b>	<b>787,939</b>
Net Change in Fund Balances	168,256	1,031,429	12,959	34,629	1,247,273
Fund Balances/(Deficit) - January 1, 2015	774,217	423,575	230,804	(618)	1,427,978
Fund Balances - June 30, 2016	\$ 942,473	\$ 1,455,004	\$ 243,763	\$ 34,011	\$ 2,675,251

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 EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

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)	\$	1,247,273
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,608,037) is allocated over their estimated useful lives and reported as depreciation expense (\$1,590,325). This is the amount by which capital outlays exceeded depreciation in the current period.		17,712
The net effect of various transactions involving capital assets (i.e., sales, losses on disposal of assets and trade-ins) is to reduce net position.		(255,675)
The effect of a capital grant for the construction of a Town bridge by the State of Vermont is to increase net position.		292,635
The issuance of long-term debt (\$786,739) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$674,683) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In addition, the Town recognized a forgiveness of debt in the amount of \$34,120. This is the net effect of these differences in the treatment of long-term debt and related items.		(77,936)
Governmental funds report employer pension contributions as expenditures (\$66,250). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$1,493,672) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(1,427,422)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(82,981)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(176,523)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>(462,917)</u></u>

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

TOWN OF ST. JOHNSBURY, VERMONT  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016

	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 75,143	\$ 35,093	\$ 110,236
Receivables	210,271	227,094	437,365
Unbilled Receivables	140,109	160,083	300,192
Due from Other Funds	<u>1,327,171</u>	<u>756,777</u>	<u>2,083,948</u>
Total Current Assets	<u>1,752,694</u>	<u>1,179,047</u>	<u>2,931,741</u>
Noncurrent Assets:			
Capital Assets:			
Land	135,894	49,698	185,592
Construction in Progress	73,721	242,254	315,975
Buildings and Building Improvements	5,149,645	14,335,567	19,485,212
Vehicles, Machinery and Equipment	790,307	663,008	1,453,315
Distribution and Collection Systems	12,451,850	7,588,928	20,040,778
Less: Accumulated Depreciation	<u>(7,283,532)</u>	<u>(14,988,589)</u>	<u>(22,272,121)</u>
Total Noncurrent Assets	<u>11,317,885</u>	<u>7,890,866</u>	<u>19,208,751</u>
Total Assets	<u>13,070,579</u>	<u>9,069,913</u>	<u>22,140,492</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	16,667	21,310	37,977
Accrued Payroll and Benefits Payable	2,839	0	2,839
Accrued Interest Payable	18,493	5,662	24,155
Capital Lease Payable - Current Portion	0	22,342	22,342
General Obligation Bonds Payable - Current Portion	<u>245,989</u>	<u>322,894</u>	<u>568,883</u>
Total Current Liabilities	<u>283,988</u>	<u>372,208</u>	<u>656,196</u>
Noncurrent Liabilities:			
Compensated Absences Payable	4,971	0	4,971
Net Pension Liability	96,969	0	96,969
Capital Lease Payable - Noncurrent Portion	0	31,875	31,875
General Obligation Bonds Payable - Noncurrent Portion	<u>6,047,670</u>	<u>4,109,178</u>	<u>10,156,848</u>
Total Noncurrent Liabilities	<u>6,149,610</u>	<u>4,141,053</u>	<u>10,290,663</u>
Total Liabilities	<u>6,433,598</u>	<u>4,513,261</u>	<u>10,946,859</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid/Overpayment of Utility Bills	2,618	0	2,618
Deferred Inflows of Resources Related to the Town's Pension Plan	<u>32,922</u>	<u>0</u>	<u>32,922</u>
Total Deferred Inflows of Resources	<u>35,540</u>	<u>0</u>	<u>35,540</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	5,024,226	3,404,577	8,428,803
Unrestricted	<u>1,577,215</u>	<u>1,152,075</u>	<u>2,729,290</u>
Total Net Position	<u>\$ 6,601,441</u>	<u>\$ 4,556,652</u>	<u>\$ 11,158,093</u>

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

TOWN OF ST. JOHNSBURY, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	Water Fund	Sewer Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Operating Revenues:			
Charges for Services	\$ 1,929,170	\$ 2,163,389	\$ 4,092,559
Interest and Penalties	3,981	9,503	13,484
Other	<u>6,437</u>	<u>3,337</u>	<u>9,774</u>
 Total Operating Revenues	 <u>1,939,588</u>	 <u>2,176,229</u>	 <u>4,115,817</u>
Operating Expenses:			
Salaries and Benefits	214,979	0	214,979
Administrative	338,968	200,442	539,410
Utilities	141,508	182,936	324,444
Distribution and Collection	348,195	926,484	1,274,679
Taxes	48,540	0	48,540
Depreciation	<u>595,633</u>	<u>942,093</u>	<u>1,537,726</u>
 Total Operating Expenses	 <u>1,687,823</u>	 <u>2,251,955</u>	 <u>3,939,778</u>
Operating Income/(Loss)	<u>251,765</u>	<u>(75,726)</u>	<u>176,039</u>
Non-Operating Revenues/(Expenses):			
Investment Income	94	41	135
Sale of Materials	1,159	0	1,159
Interest Expense	<u>(259,209)</u>	<u>(91,634)</u>	<u>(350,843)</u>
 Total Non-Operating Revenues/(Expenses)	 <u>(257,956)</u>	 <u>(91,593)</u>	 <u>(349,549)</u>
Net Income/(Loss) Before Capital Contributions	(6,191)	(167,319)	(173,510)
 Capital Contributions	 <u>186,700</u>	 <u>174,872</u>	 <u>361,572</u>
Change in Net Position	180,509	7,553	188,062
Net Position - January 1, 2015, As Restated	<u>6,420,932</u>	<u>4,549,099</u>	<u>10,970,031</u>
Net Position - June 30, 2016	<u>\$ 6,601,441</u>	<u>\$ 4,556,652</u>	<u>\$ 11,158,093</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 EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 1,975,965	\$ 2,175,619	\$ 4,151,584
Payments for Goods and Services	(838,057)	(1,419,869)	(2,257,926)
Payments for Interfund Services	(290,129)	(155,349)	(445,478)
Payments for Wages and Benefits	(149,856)	0	(149,856)
Net Cash Provided by Operating Activities	<u>697,923</u>	<u>600,401</u>	<u>1,298,324</u>
Cash Flows From Noncapital Financing Activities:			
Other Receipts	1,159	0	1,159
Decrease/(Increase) in Due from Other Funds	(268,154)	(380,311)	(648,465)
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(266,995)</u>	<u>(380,311)</u>	<u>(647,306)</u>
Cash Flows From Capital and Related Financing Activities:			
Proceeds of Long-Term Debt	369,064	584,580	953,644
Acquisition and Construction of Capital Assets	(400,368)	(537,169)	(937,537)
Principal Paid on Long-Term Debt	(230,029)	(240,332)	(470,361)
Interest Paid on Long-Term Debt	(263,636)	(95,060)	(358,696)
Capital Contributions	169,040	102,893	271,933
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(355,929)</u>	<u>(185,088)</u>	<u>(541,017)</u>
Cash Flows From Investing Activities:			
Receipt of Interest and Dividends	94	41	135
Net Cash Provided by Investing Activities	<u>94</u>	<u>41</u>	<u>135</u>
Net Increase in Cash	75,093	35,043	110,136
Cash - January 1, 2015	50	50	100
Cash - June 30, 2016	<u>\$ 75,143</u>	<u>\$ 35,093</u>	<u>\$ 110,236</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:			
Operating Income/(Loss)	\$ 251,765	\$ (75,726)	\$ 176,039
Depreciation	595,633	942,093	1,537,726
(Increase)/Decrease in Receivables	43,843	(478)	43,365
Increase/(Decrease) in Accounts Payable	(250,975)	(265,356)	(516,331)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	547	0	547
Increase/(Decrease) in Compensated Absences Payable	(912)	0	(912)
Increase/(Decrease) in Net Pension Liability	32,566	0	32,566
Increase/(Decrease) in Prepaid/Overpayment of Utility Bills	(7,466)	(132)	(7,598)
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Pension Plan	32,922	0	32,922
Net Cash Provided by Operating Activities	<u>\$ 697,923</u>	<u>\$ 600,401</u>	<u>\$ 1,298,324</u>

The Town recognized a forgiveness of debt in the Water Fund in the amount of \$17,660 from the State of Vermont.

The Town recognized a forgiveness of debt in the Sewer Fund in the amount of \$71,979 from the State of Vermont.

The Water Fund disposed of capital assets with a cost and accumulated depreciation of \$59,121.

The Sewer Fund disposed of capital assets with a cost and accumulated depreciation of \$59,121.

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

TOWN OF ST. JOHNSBURY, VERMONT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<u>Pension Trust Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 403,713
Investments	<u>8,793,366</u>
Total Assets	<u>9,197,079</u>
<u>LIABILITIES</u>	
Liabilities:	<u>0</u>
<u>NET POSITION</u>	
Held in Trust For:	
Employees' Pension Benefits	<u>9,197,079</u>
Total Net Position	<u>\$ 9,197,079</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 EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	Pension Trust Fund
Additions:	
Employer Contributions	\$ 307,593
Employee Contributions	55,933
Investment Income	432,414
Total Additions	795,940
Deductions:	
Benefits - Pension	836,711
Investment Management Fee	124,948
Total Deductions	961,659
Change in Net Position	(165,719)
Net Position - January 1, 2015	9,362,798
Net Position - June 30, 2016	\$ 9,197,079

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

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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, sewer 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 operated on an eighteen month period from January 1, 2015 through 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 activity of the Town of St. Johnsbury, Vermont. The financial reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other entities that should be combined with the financial statements of the Town.

### **B. Basis of Presentation**

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

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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.

**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.

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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.

### **C. Measurement Focus**

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

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

### **D. Basis of Accounting**

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

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

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

#### **E. Use of Estimates**

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

#### **F. New Pronouncement – Pension Plans**

Effective June 30, 2016, the Town implemented GASB Statement No. 68, “Financial Reporting for Pension Plans” – an amendment of GASB Statement No. 27. GASB Statement No. 68 requires the reporting of the proportionate share of the net pension liability related to the Town’s participation in the Vermont Municipal Employees’ Retirement System (VMERS), the entire net pension liability for the Town’s single-employer pension plan, as well as additional disclosures and required supplemental information.

#### **G. 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.

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**2. Investments**

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

**3. Receivables**

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

**4. Internal Balances**

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

**5. Pensions**

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

**6. Prepaid Expenses**

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

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

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town has one type which arises under the accrual basis of accounting that qualifies for reporting in this category. The governmental activities reports deferred outflows of resources from one source; deferred outflows related to the Town’s participation in the Vermont Municipal Employees Retirement System. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

TOWN OF ST. JOHNSBURY, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

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 three types of items which arise under the modified accrual basis of accounting and three types which arise under the accrual basis of accounting that qualify for reporting in this category. The governmental activities reports deferred inflows of resources from two sources; prepaid property taxes and deferred inflows of resources related to the Town’s pension plan. The governmental funds reports deferred inflows of resources from three sources; prepaid property taxes, unavailable property taxes, penalties and interest and unavailable grants. The business-type activities and proprietary funds report deferred inflows of resources from two sources; prepaid/overpayment of utility bills and deferred inflows of resources related to the Town’s pension plan. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

**8. Capital Assets**

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

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Service Life</u>
Land	\$ 10,000	N/A
Land Improvements	\$ 10,000	10-50 Years
Buildings and Building Improvements	\$ 20,000	10-75 Years
Vehicles, Machinery and Equipment	\$ 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.

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**9. Compensated Absences**

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

**10. Long-term Liabilities**

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

**11. Fund Equity**

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

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

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

### **III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **A. Budgetary Information**

The Selectboard prepares an annual budget for the General Fund, the Highway Fund and the former Village District Special Services Fund. The annual budgets and other articles providing for the appropriation of funds are voted by Australian ballot at the annual Town meeting in March. Any amendments to the budget require voter approval. There were no amendments to the budget.

#### **B. Budget Surplus**

The Town budgeted a current year's surplus in the General Fund and the Highway Fund of \$10,000 and \$180,000, respectively, in order to fund reserve accounts. These are reflected as a budgeted excess of revenues over expenditures on Schedules 1 and 2.

#### **C. Budgeted Deficit**

The Town budgeted a current year's deficiency of revenues over expenditures in the Special Services Fund in the amount of \$70,000 in order to utilize a portion of the previous year's surplus. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 3.

#### **D. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2016, expenditures in the General Fund and Highway Fund exceeded appropriations by \$39,177 and \$114,651, respectively. These over-expenditures were funded by excess revenues.

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**E. Restatement of Net Position**

Effective June 30, 2016, the Town implemented GASB Statement No. 68, “Financial Reporting for Pension Plans” – An amendment of GASB Statement No. 27. GASB Statement No. 68 requires the reporting of the proportionate share of the net pension liability related to the Town’s participation in the Vermont Municipal Employees’ Retirement System (VMERS), the entire net pension liability for the Town’s single-employer pension plan as well as additional disclosures and required supplemental information.

As a result of adopting this new accounting principle, beginning net position of the Governmental Activities was reduced by \$1,401,485 resulting from the proportionate share of the VMERS net pension liability of \$28,395 and related deferred inflows of resources of \$87,558 net of the deferred outflows of resources of \$87,643 and the net pension liability of \$1,373,175 related to the Town’s single employer pension plan. The net pension of the Water Fund and Business-Type Activities was reduced by \$64,403 resulting from the net pension liability at December 31, 2014 related to the Town’s single employer pension plan.

In addition, the net position of the Governmental Activities/Business-type Activities and Proprietary Funds were restated as follows:

	Governmental Activities	Business-type Activities		
		Water Fund	Sewer Fund	Total
Net Position - December 31, 2014				
As Originally Reported	\$ 21,237,338	\$ 6,412,512	\$ 4,421,294	\$ 10,833,806
Implementation of GASB Statement No. 68	(1,401,485)	(64,403)	0	(64,403)
Correction of Errors:				
Overstatement of General Obligation Bonds Payable	78,816	72,823	39,928	112,751
Reclassification of Capital Assets from the Governmental Activities to the Sewer Fund	(87,877)	0	87,877	87,877
Net Position - December 31, 2014, As Restated	\$ <u>19,826,792</u>	\$ <u>6,420,932</u>	\$ <u>4,549,099</u>	\$ <u>10,970,031</u>

The corrections of the Governmental Activities was the result of an overstatement of general obligation bonds payable and an overstatement of capital assets. The effect of these corrections on the Governmental Activities Statement of Net Position is to decrease assets by \$87,877, decrease liabilities by \$78,816 and decrease net position by \$9,061. The effect on the 2014 Statement of Activities is not known.

TOWN OF ST. JOHNSBURY, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

The corrections to the Business-type Activities was the result of an overstatement of general obligation bonds payable and an understatement of capital assets. The effect of these corrections on the Business-type Activities Statement of Net Position is to increase assets by \$87,877, decrease liabilities by \$112,751 and increase net position by \$200,628. The effect on the 2014 Statement of Activities is not known.

The corrections to the Water Fund was the result of an overstatement of general obligation bonds payable. The effect of this correction on the Water Fund Statement of Net Position is to decrease liabilities by \$72,823 and increase net position by \$72,823. The effect on the 2014 Statement of Activities is not known.

The corrections to the Sewer Fund was the result of an overstatement of general obligation bonds payable and an understatement of capital assets. The effect of these corrections on the Sewer Fund Statement of Net Position is to increase assets by \$87,877, decrease liabilities by \$39,928 and increase net position by \$127,805. The effect on the 2014 Statement of Activities is not known.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

The Town's cash and investments as of June 30, 2016 consisted of the following:

Cash:	
Deposits with Financial Institutions	\$ 4,904,220
Deposits with Investment Company	403,713
Cash on Hand	<u>1,670</u>
Total Cash	<u>5,309,603</u>
Investments:	
Certificates of Deposit	311,960
Municipal Bonds	367,220
Corporate Bonds	1,417,459
U.S. Treasury Notes	974,333
Common Stock	4,465,653
Mutual Funds – Mixed Holdings	<u>1,256,741</u>
Total Investments	<u>8,793,366</u>
Total Cash and Investments	<u>\$14,102,969</u>

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit its exposure to custodial credit risk. The municipal bonds, corporate bonds, 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>
FDIC/SIPC Insured	\$ 811,960	\$ 811,960
Uninsured, Collateralized by U.S. Government Securities Held by the Bank in the Town's Name	4,654,220	4,727,895
Uninsured, Uncollateralized	<u>153,713</u>	<u>153,713</u>
Total	<u>\$5,619,893</u>	<u>\$5,693,568</u>

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

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$4,904,220
Cash – Deposits with Investment Company	403,713
Investments – Certificates of Deposit	<u>311,960</u>
Total	<u>\$5,619,893</u>

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

The primary objectives of this portfolio are:

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

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

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**Asset Mix Table\***

<i>Asset Class</i>	<i>Min Wt</i>	<i>Max Wt</i>	<i>Representative Index</i>
<b>Total Equities</b>	<b>35%</b>	<b>65%</b>	<b>S&amp;P 500</b>
<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>
<b>Fixed Income</b>	<b>15%</b>	<b>65%</b>	<b>Lehman Int. Gov't/Credit Bond Index</b>
<b>Cash &amp; Equivalents</b>	<b>0%</b>	<b>20%</b>	

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

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

**Investment Guidelines**

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

The following are some general prohibited transactions or assets:

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

**Equities**

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

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

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**Fixed Income**

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

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

Fixed income or interest rate futures are prohibited.

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

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

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

**Interest Rate Risk**

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

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

Investment Type	Remaining Maturity			Total
	Less Than 1 Year	1 to 5 Years	5 to 10 Years	
Municipal Bonds	\$ 237,377	\$ 129,843	\$ 0	\$ 367,220
Corporate Bonds	300,885	863,099	253,475	1,417,459
U.S. Treasury Notes	0	770,692	203,641	974,333
Total	\$ 538,262	\$ 1,763,634	\$ 457,116	\$ 2,759,012

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**Credit Risk**

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

Investment Type	Standard and Poor's Rating as of June 30, 2016						Total
	AAA	AA+	A+	A	A-	BBB+	
Municipal Bonds	\$ 129,843	\$ 0	\$ 237,377	\$ 0	\$ 0	\$ 0	\$ 367,220
Corporate Bonds	0	458,107	0	560,917	212,646	185,789	1,417,459
U.S. Treasury Notes	0	974,333	0	0	0	0	974,333
Total	<u>\$ 129,843</u>	<u>\$ 1,432,440</u>	<u>\$ 237,377</u>	<u>\$ 560,917</u>	<u>\$ 212,646</u>	<u>\$ 185,789</u>	<u>\$ 2,759,012</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 Town's certificates of deposit, U.S. Treasury notes and common stock are exempt from concentration of credit risk analysis. The mutual funds are open-ended and, therefore, are also excluded from the concentration of credit risk analysis. The Town has \$129,843, (35%), of their municipal bonds invested in New York State Dormitory Authority, and \$237,377, (65%), of their municipal bonds invested in Randolph County North Carolina Limited Obligation Refunding Bond. The Town has \$157,222, (11%), of their corporate bonds invested in Apple Inc., \$212,646, (15%), of their corporate bonds invested in Bank of America Corporation, \$293,895, (21%), of their corporate bonds invested in Caterpillar Financial Services, \$96,253, (7%), of their corporate bonds invested in Walt Disney Company, \$300,885, (21%), of their corporate bonds invested in General Electric Capital Corporation, \$170,769, (12%), of their corporate bonds invested in Home Depot Inc. and \$185,789, (13%), of their corporate bonds invested in Verizon Communications Inc.

**B. Receivables**

Receivables as of June 30, 2016, as reported in the statement of net position, are as follows:

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes Receivable	\$ 247,643	\$ 0	\$ 247,643
Penalties and Interest Receivable	29,344	0	29,344
Grants Receivable	26,783	0	26,783
Accounts Receivable	47,528	0	47,528
Billed Services	0	437,365	437,365
Unbilled Services	0	300,192	300,192
Total	<u>\$ 351,298</u>	<u>\$ 737,557</u>	<u>\$ 1,088,855</u>

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**C. Loans Receivable**

Loans receivable as of June 30, 2016 are as follows:

Loan Receivable, Hilltop Family Housing Partnership, Interest at 2%, Deferred until August, 2030 at which time all Principal is Due, Secured by Mortgage	\$ 280,099
Loan Receivable, Hilltop Family Housing Partnership, Interest at 2%, Deferred until July, 2044 at which time all Principal is Due, Secured by Mortgage	300,000
Loan Receivable, Caledonia Housing Partnership, Interest at 3%, Deferred until December, 2032 at which time all Principal is Due, Secured by Mortgage	650,000
Loan Receivable, Mountain View Street Jay Housing Limited Partnership, Interest at 0%, Deferred until October, 2033 at which time all Principal is Due, Secured by Real Estate and Personal Property	322,000
Loan Receivable, Dean Hale, LLC, Interest at 4%, Deferred until December, 2043 at which time all Principal is Due, Secured by Mortgage	41,000
Loan Receivable, Passumpsic View, Inc., Interest at 0%, Deferred until December, 2042 at which time all Principal is Due, Secured by Mortgage	447,000
Loan Receivable, Passumpsic View Commercial, Interest at 0%, Deferred until December, 2047 at which time all Principal is Due, Secured by Mortgage	250,000
Loan Receivable, Passumpsic Housing Limited Partnership, Interest at 0%, Deferred until December, 2039 at which time all Principal is Due, Secured by Real Estate and Personal Property	55,000
Loan Receivable, Northern Senior Housing Limited Partnership, Interest at 0%, Deferred until July, 2031 at which time all Principal is Due, Secured by Mortgage Receivable	<u>480,000</u>
Total	2,825,099
Less: Allowance for Doubtful Loans Receivable	<u>(2,825,099)</u>
Reported Value as of June 30, 2016	<u>\$ 0</u>

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 269,255	\$ 0	\$ 0	\$ 269,255
Construction in Progress	45,480	393,445	21,046	417,879
Total Capital Assets, Not Being Depreciated	<u>314,735</u>	<u>393,445</u>	<u>21,046</u>	<u>687,134</u>
Capital Assets, Being Depreciated:				
Land Improvements	468,172	0	0	468,172
Buildings and Building Improvements	2,765,912	7,850	0	2,773,762
Vehicles, Machinery and Equipment	6,345,610	463,090	860,869	5,947,831
Infrastructure	24,060,331	1,057,333	0	25,117,664
Totals	<u>33,640,025</u>	<u>1,528,273</u>	<u>860,869</u>	<u>34,307,429</u>
Less Accumulated Depreciation for:				
Land Improvements	423,520	16,760	0	440,280
Buildings and Building Improvements	665,118	91,721	0	756,839
Vehicles, Machinery and Equipment	4,553,253	574,925	605,194	4,522,984
Infrastructure	666,238	906,919	0	1,573,157
Totals	<u>6,308,129</u>	<u>1,590,325</u>	<u>605,194</u>	<u>7,293,260</u>
Total Capital Assets, Being Depreciated	<u>27,331,896</u>	<u>(62,052)</u>	<u>255,675</u>	<u>27,014,169</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,646,631</u>	<u>\$ 331,393</u>	<u>\$ 276,721</u>	<u>\$ 27,701,303</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 185,592	\$ 0	\$ 0	\$ 185,592
Construction in Progress	0	315,975	0	315,975
Total Capital Assets, Not Being Depreciated	<u>185,592</u>	<u>315,975</u>	<u>0</u>	<u>501,567</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	19,485,212	0	0	19,485,212
Vehicles, Machinery and Equipment	1,519,474	52,083	118,242	1,453,315
Distribution and Collection Systems	19,471,299	569,479	0	20,040,778
Totals	<u>40,475,985</u>	<u>621,562</u>	<u>118,242</u>	<u>40,979,305</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	14,355,351	889,463	0	15,244,814
Vehicles, Machinery and Equipment	1,418,612	43,103	118,242	1,343,473
Distribution and Collection Systems	5,078,674	605,160	0	5,683,834
Totals	<u>20,852,637</u>	<u>1,537,726</u>	<u>118,242</u>	<u>22,272,121</u>
Total Capital Assets, Being Depreciated	<u>19,623,348</u>	<u>(916,164)</u>	<u>0</u>	<u>18,707,184</u>
Business-type Activities Capital Assets, Net	<u>\$ 19,808,940</u>	<u>\$ (600,189)</u>	<u>\$ 0</u>	<u>\$ 19,208,751</u>

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 118,962	Water	\$ 595,633
Public Safety	258,433	Sewer	<u>942,093</u>
Public Works	1,186,686		
Culture and Recreation	<u>26,244</u>		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-type Activities	
	<u>\$ 1,590,325</u>		<u>\$ 1,537,726</u>

**E. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2016 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 3,863,681
Highway Fund	1,488,620	0
Special Services Fund	264,351	0
Non-Major Governmental Funds -		
Grant Fund	26,762	0
Water Fund	1,327,171	0
Sewer Fund	<u>756,777</u>	<u>0</u>
 Total	 <u>\$ 3,863,681</u>	 <u>\$ 3,863,681</u>

Interfund transfers during the year ended June 30, 2016 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Recreation Fund	\$ 10,000	* Appropriation
General Fund	Grant Fund	15,328	Fund Grant Expenses
General Fund	Grant Fund	226,420	Fund Debt Service
Parking Meter Fund	General Fund	21,000	* Fund Parking Ticket Staff Expenses
Parking Meter Fund	Special Services Fund	63,000	* Fund Dispatching Staff Expenses
Highway Fund	Grant Fund	153,330	Fund Grant Expenses
Special Services Fund	General Fund	<u>255,000</u>	Fund Dispatch Services
 Total		 <u>\$ 744,078</u>	

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

TOWN OF ST. JOHNSBURY, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

**F. Deferred Outflows of Resources**

Deferred outflows of resources in the Governmental Activities consists of \$9,587 from the difference between the expected and actual experience, \$60,402 from change in assumptions, \$58,595 from the difference between the projected and actual investment earnings and \$49,021 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$66,250 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Governmental Activities is \$243,855.

**G. Deferred Inflows of Resources**

Deferred inflows of resources in the Governmental Activities consists of \$13,875 of prepaid property taxes. It also includes \$554,334 resulting from the difference between the projected and actual investment earnings and \$147,616 resulting from the difference between expected and actual experience related to the Town's single-employer defined benefit plan. Total deferred inflows of resources in the Governmental Activities are \$715,825.

Deferred inflows of resources in the Water Fund and Business-Type Activities consists of \$25,999 resulting from the difference between the projected and actual investment earnings and \$6,923 resulting from the difference between expected and actual experience related to the Town's single-employer defined benefit plan. It also includes \$2,618 of prepaid/overpaid utility bills. Total deferred inflows of resources in the Water Fund and Business-type activities are \$35,540.

Deferred inflows of resources in the General Fund consists of \$180,000 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 \$13,875 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$193,875.

Deferred inflows of resources in the Grant Fund consists of \$10,822 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

**H. Short-Term Debt**

The Town had 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>
Line of Credit, Passumpsic Bank, CSO Project Expenses, Interest at 0.7%, \$1,000,000 Available, Paid in Full on September 1, 2015, Matured December 1, 2015.	\$ 0	\$ 931,323	\$ 931,323	\$ 0

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Line of Credit, Passumpsic Bank, Westside Project Expenses, Interest at 0.7%, \$1,000,000 Available, Paid in Full on July 30, 2015, Matured December 1, 2015.	\$ <u>0</u>	\$ <u>332,180</u>	\$ <u>332,180</u>	\$ <u>0</u>
Total Short-Term Debt	\$ <u>0</u>	\$ <u>1,263,503</u>	\$ <u>1,263,503</u>	\$ <u>0</u>

**I. Long-Term Liabilities**

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

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

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

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

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

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

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

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

Long-term liabilities outstanding as of June 30, 2016 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Welcome Center Improvements, Principal Payments of \$70,000 Payable on December 1 Annually, Interest Rates Ranging from 1.984% to 4.664% Payable on June 1 and December 1, Due December, 2031.	\$1,190,000	\$ 0	\$ 70,000	\$1,120,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Authorized to \$5,066,958 in Total but Eligible for \$200,000 Subsidy, Principal Payments of \$243,348 in Total Payable September 1 Annually Beginning September 1, 2016, 0% Interest, Due September, 2035. The Town Recognized \$38,732 of the Subsidy during the Year. This is the Governmental Activities Portion of the Bond.	2,342,463	593,682	23,433	2,912,712
Bond Payable, U.S. Department of Agriculture, Westside Project, Principal and Interest Payments of \$102,832 in Total Payable on June 15 and December 15 Semi-Annually, Interest at 2.25%, Due December, 2041. This is the Governmental Activities Portion of the Bond.	2,611,131	0	107,426	2,503,705
Note Payable, Community National Bank, General Fund Deficit, Principal and Interest Payments of \$62,236 Payable on August 29 Annually, Interest at 1.25%, Due August, 2017. The Town made an Additional Payment during the Period.	182,136	0	124,474	57,662

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<p>Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Authorized to \$2,559,805 in Total but Eligible for \$150,000 Subsidy, Principal and Interest Payments of \$56,270 in Total Payable September 1 Annually Beginning September 1, 2016, Interest at -2.5%, Due September, 2055. The Town Recognized \$28,347 of the Subsidy during the Year. The Town will Recognize Grant Income Annually for the Amount of Forgiven Principal as a Result of Negative Interest. This is the Governmental Activities Portion of the Bond.</p>	\$752,041	\$193,057	\$ 10,687	\$934,411
<p>Capital Lease Payable, New England Municipal Equipment Company, Vacuum Truck, Principal and Interest Payments of \$27,927 Payable on January 15 and July 15 Semi-Annually, Interest at 1.99%, Due July, 2018. This is the Governmental Activities Portion of the Lease.</p>	128,214	0	46,888	81,326
<p>Capital Lease Payable, Ferrara Fire Apparatus, Inc., Fire Truck, Principal and Interest Payments of \$113,210 Payable on January 15 and July 15 Semi-Annually, Interest at 1.99%, Due January, 2018.</p>	430,986	0	211,209	219,777
<p>Capital Lease Payable, Argo Finance LLC, Tractor, Principal and Interest Payments of \$9,796 Payable on June 24 Annually, Interest at 4.7%, Due and Paid June, 2016. The Town jointly owns this Tractor with the Town of Danville. Danville Reimburses the Town One-Half of the Full Payment (\$4,898). Only Half of the Debt was Assumed by the Town.</p>	9,146	0	9,146	0

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Lease Payable, Chadwick-BaRoss, Sidewalk Plow, Principal and Interest Payments of \$35,251 Payable on September 1 Annually, Interest at 2.79%, Due September, 2019.	\$ 162,412	\$ 0	\$ 30,720	\$ 131,692
Capital Lease Payable, Cisco Systems Capital Corporation, Computer Equipment, Principal and Interest Payments of \$2,141 Payable Monthly, Interest at 2.5%, Due July, 2017.	67,937	0	42,586	25,351
Capital Lease Payable, Kansas State Bank, Grader, Principal and Interest Payments of \$34,469 Payable July 1 Annually, Interest at 2.26%, Due July, 2017.	<u>98,904</u>	<u>0</u>	<u>32,234</u>	<u>66,670</u>
Total Governmental Activities	<u>\$7,975,370</u>	<u>\$786,739</u>	<u>\$708,803</u>	<u>\$8,053,306</u>

Business-type Activities:

Water Fund:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Water System Expansion, Principal Payments Ranging from \$160,000 to \$255,000 in Total Payable on December 1 Annually, Interest Rates Ranging from 2% to 2.55% Payable on June 1 and December 1, Due December, 2024. This is the Water Fund Portion of the Bond.	\$1,142,400	\$ 0	\$130,050	\$1,012,350
Bond Payable, U.S. Department of Agriculture, Westside Project, Principal and Interest Payments of \$102,832 in Total Payable on June 15 and December 15 Semi-Annually, Interest at 2.25%, Due December, 2041. This is the Water Fund Portion of the Bond.	953,271	0	39,219	914,052

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, U.S. Department of Agriculture, Phase II Water Construction, Principal and Interest Payments of \$15,384 Payable on June 21 and December 21 Semi-Annually, Interest at 2.5%, Due December, 2049.	\$ 714,694	\$ 0	\$ 19,593	\$ 695,101
Bond Payable, U.S. Department of Agriculture, Phase I Water Construction, Principal and Interest Payments of \$11,149 Payable on May 2 and November 2 Semi-Annually, Interest at 4.25%, Due November, 2049.	403,965	0	7,847	396,118
Bond Payable, U.S. Department of Agriculture, Phase I Water Construction, Principal and Interest Payments of \$47,338 Payable on May 2 and November 2 Semi-Annually, Interest at 4.25%, Due November, 2049.	1,715,190	0	33,320	1,681,870
Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Authorized to \$2,559,805 in Total but Eligible for \$150,000 Subsidy, Principal and Interest Payments of \$56,270 in Total Payable September 1 Annually Beginning September 1, 2016, Interest at -2.5%, Due September, 2055. The Town Recognized \$28,347 of the Subsidy during the Year. The Town will Recognize Grant Income Annually for the Amount of Forgiven Principal as a Result of Negative Interest. This is the Water Fund Portion of the Bond.	1,242,764	319,030	17,660	1,544,134

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water Planning Project, Authorized to \$55,300, Principal Payments of \$11,060 Payable on January 1 Annually Beginning January 1, 2020, 0% Interest, Due January, 2024.	\$ <u>0</u>	\$ <u>50,034</u>	\$ <u>0</u>	\$ <u>50,034</u>
Total Water Fund	<u>6,172,284</u>	<u>369,064</u>	<u>247,689</u>	<u>6,293,659</u>
 Sewer Fund:				
Bond Payable, Vermont Municipal Bond Bank, Sewer System Expansion, Principal Payments Ranging from \$160,000 to \$255,000 in Total Payable on December 1 Annually, Interest Rates Ranging from 2% to 2.55% Payable on June 1 and December 1, Due December, 2024. This is the Sewer Fund Portion of the Bond.	1,097,600	0	124,950	972,650
Bond Payable, U.S. Department of Agriculture, Westside Project, Principal and Interest Payments of \$102,832 in Total Payable on June 15 and December 15 Semi-Annually, Interest at 2.25%, Due December, 2041. This is the Sewer Fund Portion of the Bond.	580,251	0	23,873	556,378
Capital Lease Payable, New England Municipal Equipment Company, Vacuum Truck, Principal and Interest Payments of \$27,927 Payable on January 15 and July 15 Semi-Annually, Interest at 1.99%, Due July, 2018. This is the Sewer Fund Portion of the Lease.	85,476	0	31,259	54,217

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Westside South Project, Principal Payments of \$56,676 Payable on August 1 Annually, 0% Interest, Due August, 2028.	\$ 793,470	\$ 0	\$ 56,676	\$ 736,794
Bond Payable, U.S. Department of Agriculture, Sewer Construction, Principal and Interest Payments of \$2,924 Payable on March 15 and September 15 Semi-Annually, Interest at 4.13%, Due March, 2037.	85,188	0	3,574	81,614
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer Planning Project, Authorized to \$368,860 but Eligible for \$106,144 Subsidy, Principal Payments of \$26,272 Payable on November 1 Annually Beginning November 1, 2019, 0% Interest, Due November, 2028. The Town Recognized \$56,680 of the Subsidy during the Year.	42,663	196,965	56,680	182,948
Bond Payable, State of Vermont Special Environmental Revolving Fund, CSO Project, Authorized to \$5,066,958 in Total but Eligible for \$200,000 Subsidy, Principal Payments of \$243,348 in Total Payable September 1 Annually Beginning September 1, 2016, 0% Interest, Due September, 2035. The Town Recognized \$38,732 of the Subsidy during the Year. This is the Sewer Fund Portion of the Bond.	<u>1,529,372</u>	<u>387,615</u>	<u>15,299</u>	<u>1,901,688</u>
Total Sewer Fund	<u>4,214,020</u>	<u>584,580</u>	<u>312,311</u>	<u>4,486,289</u>
Total Business-type Activities	<u>\$10,386,304</u>	<u>\$953,644</u>	<u>\$560,000</u>	<u>\$10,779,948</u>

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds Payable	\$ 6,895,635	\$ 786,739	\$ 211,546	\$ 7,470,828	\$ 312,086
Notes Payable	182,136	0	124,474	57,662	57,662
Capital Leases Payable	897,599	0	372,783	524,816	242,139
Compensated Absences Payable	137,487	23,590	0	161,077	0
Net Pension Liability	1,401,570	969,242	0	2,370,812	0
Industrial Park Liability	0	193,764	42,084	151,680	22,000
<b>Total Governmental Activities Long-term Liabilities</b>	<b>\$ 9,514,427</b>	<b>\$ 1,973,335</b>	<b>\$ 750,887</b>	<b>\$ 10,736,875</b>	<b>\$ 633,887</b>
<b>Business-type Activities</b>					
General Obligation Bonds Payable	\$ 10,300,828	\$ 953,644	\$ 528,741	\$ 10,725,731	\$ 568,883
Capital Leases Payable	85,476	0	31,259	54,217	22,342
Compensated Absences Payable	5,883	0	912	4,971	0
Net Pension Liability	64,403	32,566	0	96,969	0
<b>Total Business-type Activities Long-term Liabilities</b>	<b>\$ 10,456,590</b>	<b>\$ 986,210</b>	<b>\$ 560,912</b>	<b>\$ 10,881,888</b>	<b>\$ 591,225</b>

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

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

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Capital Leases	Principal	Interest	Capital Leases
2017	\$ 369,748	\$ 97,624	\$ 242,139	\$ 568,883	\$ 230,400	\$ 22,342
2018	313,752	93,642	216,443	566,546	216,298	22,342
2019	315,456	90,119	52,007	569,300	202,019	11,171
2020	317,199	86,322	35,251	572,146	187,450	0
2021	318,981	82,294	0	567,116	172,600	0
2022-2026	1,623,080	345,019	0	2,265,311	670,531	0
2027-2031	1,674,084	221,403	0	1,460,227	514,126	0
2032-2036	1,419,336	110,544	0	1,375,758	407,809	0
2037-2041	708,793	45,119	0	1,016,745	283,520	0
2042-2046	170,070	720	0	795,644	156,357	0
2047-2050	0	0	0	475,602	37,490	0
<b>Total</b>	<b>7,230,499</b>	<b>1,172,806</b>	<b>545,840</b>	<b>10,233,278</b>	<b>3,078,600</b>	<b>55,855</b>
Less: Imputed Interest	0	0	(21,024)	0	0	(1,638)
Plus: Principal to be Forgiven (To be Converted to Grant)	297,991	0	0	492,453	0	0
<b>Total</b>	<b>\$ 7,528,490</b>	<b>\$ 1,172,806</b>	<b>\$ 524,816</b>	<b>\$ 10,725,731</b>	<b>\$ 3,078,600</b>	<b>\$ 54,217</b>

## J. Fund Balances

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

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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.

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	\$2,917
-------------------------------	---------

Non-Major Funds

Cemetery Fund:

Nonspendable Cemetery Fund Principal	<u>5,161</u>
--------------------------------------	--------------

Total Nonspendable Fund Balances	<u>\$8,078</u>
----------------------------------	----------------

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

Major Funds

Highway Fund:

Restricted for Highway Expenditures by Statute (Source of Revenue is Highway Property Taxes and State Highway Aid)	<u>\$1,455,004</u>
--	--------------------

Special Services Fund:

Restricted for Public Safety Expenditures by Charter (Source of Revenue is Property Taxes)	<u>243,763</u>
--	----------------

Non-Major Funds

Grant Fund:

Restricted for Grant Expenditures by Grant Agreements (Source of Revenue is Grant Revenue)	28,225
--	--------

Cemetery Fund:

Restricted for Cemetery Expenses by Trust Agreement – Expendable Portion	<u>625</u>
--	------------

Total Non-Major Funds	<u>28,850</u>
-----------------------	---------------

Total Restricted Fund Balances	<u>\$1,727,617</u>
--------------------------------	--------------------

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

Major Funds:

General Fund:

Assigned for Fire Equipment Reserve	\$170,622
Assigned for Municipal Building Reserve	5,000
Assigned for Records Restoration Reserve	35,815
Assigned for Economic Development Reserve	67,533
Assigned for Fountain Fund Reserve	22,174
Assigned for Revaluation Reserve	147,633
Assigned for Pomerleau Building Reserve	17,500
Assigned for Fire Department Catastrophic Reserve	25,000
Assigned for Parking Meter Equipment Reserve	4,200
Assigned for Recreation Department Reserve	<u>9,603</u>

Total Assigned Fund Balances	<u>\$505,080</u>
------------------------------	------------------

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**K. Net Position**

The restricted net position of the Governmental Activities as of June 30, 2016 consisted of the following:

Governmental Activities:	
Restricted for Highway Expenditures by Statute	\$1,455,004
Restricted for Public Safety Expenditures by Charter	243,763
Restricted for Grant Expenditures by Grant Agreements	39,047
Restricted for Cemetery by Trust Agreement	
– Nonexpendable Portion	5,161
Restricted for Cemetery by Trust Agreement	
– Expendable Portion	<u>625</u>
Total Governmental Activities	<u>\$1,743,600</u>

In the Water and Sewer Funds, \$75,143 and \$35,093, respectively, of the net position has been designated for capital reserves.

**V. OTHER INFORMATION**

**A. PENSION PLANS**

**Defined Benefit Plans**

**The Vermont Municipal Employees' Retirement System (VMERS)**

**Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2016, the retirement system consisted of 436 participating employers.

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

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

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

As of June 30, 2015, the measurement date selected by the State of Vermont, VMERS was funded at 87.42% and had a plan fiduciary net position of \$535,903,742 and a total pension liability of \$612,999,552 resulting in a net position liability of \$77,095,810. As of June 30, 2016, the Town's proportionate share of this was 0.3934% resulting in a net pension liability of \$303,298. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. As of June 30, 2015, the Town's proportion of 0.3934% was an increase of 0.08228 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$97,382.

As of June 30, 2016, the Town reported deferred outflows of resources from the following sources:

		<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$	9,587
Changes in assumptions		60,402
Difference between projected and actual earnings on pension plan investments		58,595
Changes in proportion and differences between employer contributions and proportionate share of contributions		49,021
Town's required employer contribution made subsequent to the measurement date		<u>66,250</u>
	\$	<u><u>243,855</u></u>

TOWN OF ST. JOHNSBURY, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$66,250 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2017	\$ 39,522
2018	39,522
2019	39,522
2020	<u>59,039</u>
Total	<u>\$177,605</u>

**Summary of System Provisions**

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

Creditable Service – Service as a member plus purchased service.

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

**Service Retirement Allowance:**

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

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

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

**Early Retirement Allowance:**

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

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

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

Disability Retirement Allowance:

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

Amount – Immediate allowance based on AFC and service to date of disability; children’s benefit of 10% of AFC payable to up to three (3) minor children (or children up to age 23 if enrolled in full time studies) of a disabled Group D member.

Death Benefit:

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

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

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

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

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

Member Contributions – Group B – 4.875% effective July 1, 2015 (increased from 4.75%). Group C – 9.875% from July 1, 2015 to December 31, 2015 (changed from 9.75% and then 10.0% effective January 1, 2016).

Employer Contributions – Group B – 5.50% effective July 1, 2015 (increased from 5.375%). Group C – 7.125% from July 1, 2015 to December 31, 2015 (changed from 7.0% and then 7.25% effective January 1, 2016).

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

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**Significant Actuarial Assumptions and Methods**

Interest Rate: A select-and-ultimate interest rate set, specified as follows. The interest rate set is restarted every year.

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and later: 9.00%
Year 9: 8.50%	

Salary increases: 5% per year.

Deaths:

Active participants – 50% of the probabilities in the 1995 Buck Mortality Tables for males and females.

Non-disabled retirees and terminated vested participants – The 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females.

Disabled retirees – RP-2000 Disabled Life Tables.

Beneficiaries – 1995 Buck Mortality Tables for males and females.

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

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

Actuarial Cost Method: Entry Age Normal - Level Percentage of Pay.

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

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

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

TOWN OF ST. JOHNSBURY, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

Long-term Expected Rate of Return:

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

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	8.61%
Fixed Income	1.91%
Alternatives	6.93%
Multi-strategy	4.88%

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

Discount Rate - The discount rate used to measure the total pension liability was 7.95%., a decrease from 8.25% in the prior year. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

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

<u>1% Decrease (6.95%)</u>	<u>Discount Rate (7.95%)</u>	<u>1% Increase (8.95%)</u>
\$605,817	\$303,298	\$49,700

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**Additional Information**

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

**The Town of St. Johnsbury Retirement Plan**

**Plan Description**

The Town of St. Johnsbury Retirement Plan is a single employer defined benefit pension plan administered by the Town of St. Johnsbury. The Town of St. Johnsbury Plan provides retirement, disability and death benefits to plan members and beneficiaries. The Town of St. Johnsbury established and may amend benefit provisions of the plan. The plan does not issue stand-alone financial statements. The plan covers all employees of the Town who work at least 1,000 hours on a twelve (12) month consecutive period and who agree to make minimum contributions. Effective 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 2016 was \$307,593 which was computed through an actuarial valuation performed as of January 1, 2015.

As of December 31, 2015, there were 30 active members, 2 inactive members and 41 retirees and beneficiaries. Additionally, there are 27 former employees with vested rights.

The market value of plan assets maintained at Peoples United Wealth Management is \$9,197,079 of June 30, 2016.

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

As of January 1, 2016, the measurement date selected by the Town of St. Johnsbury, the pension was funded at 80.82% and had a plan fiduciary net position of \$9,117,722 and a total pension liability of \$11,282,205 resulting in a net pension liability of \$2,164,483. The net pension liability was measured as of January 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2016, the Town recognized pension expense of \$1,461,777.

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

As of June 30, 2016, the Town reported deferred inflows of resources from the following sources:

	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	\$ 580,333
Difference between expected and actual experience	154,539
	\$ 734,872

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

Year Ending <u>June 30</u>	
2017	\$127,106
2018	127,106
2019	127,106
2020	127,106
2021	127,106
Thereafter	99,342
Total	\$734,872

**Significant Actuarial Assumptions and Methods**

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

Actuarial Cost Method	Individual Entry Age
Asset Valuation Method	Market Value
Remaining Amortization Period: Initial Unfunded	24 Years
Investment Rate of Return	7%
Salary increases	3.75%
COLA Adjustment	None
Mortality Table	2016 430(h)(3)(A) – Optional Combined

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**Summary of Plan Provisions**

Benefits

Normal Retirement Benefits

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

Form of Payment

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

Early Retirement Benefit

Early Retirement Benefit	Accrued Retirement Benefit Eligibility Requirements: Minimum years of service: 10 Minimum age: 55
Benefit Commencement Date	Benefit Adjustment: The benefit is actuarially reduced for each year by which retirement age precedes normal retirement age, or if retirement is after normal retirement, the benefit is the greater of the in-service benefit as of the retirement date and the normal retirement benefit actuarially increased to the retirement date.  The Early Retirement Benefit is unreduced with 25 years of service

TOWN OF ST. JOHNSBURY, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

Termination Benefit

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

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

Death Benefit

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

Benefit Amount      100% present value of accrued benefit

Disability Benefit

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

**Investment Policy**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7% percent and represents the long-term expected rate of return on pension plan investments based on the current allocation of assets. The sensitivity of the net pension liability to changes in the discount rate is not available.

TOWN OF ST. JOHNSBURY, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

**Changes in the Net Pension Liability**

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

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
<b>Balances at January 1, 2015</b>	\$ 10,800,376	\$ 9,362,798	\$ 1,437,578
<b>Changes for the year:</b>			
Normal cost	115,139	0	115,139
Interest	766,804	0	766,804
Differences between actual and expected experience	154,539	0	154,539
Contributions - employer	0	307,593	(307,593)
Contributions - members	0	35,703	(35,703)
Net investment income	0	64,102	(64,102)
Administrative expenses	0	(97,821)	97,821
Benefit Payments, including refunds of member contributions	(554,653)	(554,653)	0
<b>Net changes</b>	<u>481,829</u>	<u>(245,076)</u>	<u>726,905</u>
<b>Balances at December 31, 2015</b>	<u>\$ 11,282,205</u>	<u>\$ 9,117,722</u>	<u>\$ 2,164,483</u>

**B. CONTINGENT LIABILITIES**

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

**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.

TOWN OF ST. JOHNSBURY, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

**D. PROPERTY TAXES**

The Town is responsible for assessing and collecting its own property taxes, as well as education taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. During the tax year ended June 30, 2016, taxes became due and payable on September 25, 2015, January 25, 2016 and May 25, 2016. 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 2016 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	1.1718	1.4131
General	0.5323	0.5323
Appropriations	0.0648	0.0648
Highway	0.5393	0.5393
Special Service District	0.6426	0.6426
Local Agreement	<u>0.0013</u>	<u>0.0013</u>
Total	<u>2.9521</u>	<u>3.1934</u>

**E. BUILDING LEASES**

In April, 2012, the Town of St. Johnsbury entered into a lease agreement with Northern Community Investment Corporation Inc. (NCIC). The Town will lease the second floor of the Pomerleau building at 51 Depot Square to NCIC for ten (10) years with payments due monthly. NCIC will have the option to renew the lease at the end of the original term for one additional term of five (5) years. Building lease revenue during the period from NCIC was \$70,943.

Future building lease revenue from NCIC is as follows:

2017	\$ 47,295
2018	48,714
2019	48,714
2020	48,714
2021	50,175
Thereafter	<u>50,175</u>
	<u>\$293,787</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 the lease at the end of the original term for one additional term of two (2) years. Building lease revenue during the period from Cambium was \$16,200.

TOWN OF ST. JOHNSBURY, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 3,313,780	\$ 3,450,383	\$ 136,603
Delinquent Tax Penalties	22,500	33,026	10,526
Interest on Delinquent Taxes	37,500	50,357	12,857
Education Billing Fee	0	15,047	15,047
VT Pilot Payments	55,000	73,094	18,094
Hold Harmless VT Payments	25,000	32,804	7,804
Legal Services - Taxes	37,500	0	(37,500)
State Parcel Payment	45,000	54,937	9,937
Beverage Licenses	7,800	8,230	430
Dog Licenses	6,000	6,791	791
Zoning Permits	2,250	2,890	640
Vendor Permits	0	195	195
Transfer Station Reimbursements	0	2,092	2,092
Dumpster Reimbursement	900	1,260	360
Overweight Permits	750	995	245
Dispatch Services	217,311	222,161	4,850
Fire Department Services	45,000	28,854	(16,146)
Listers' Services	150	3,850	3,700
Town Clerk's Fees	84,000	97,855	13,855
Records Restoration	17,500	18,987	1,487
Interest and Dividends	12,000	27,788	15,788
Armory Parking Lot Rent	600	900	300
Pomerleau Building 1st Floor Rent	300	0	(300)
Pomerleau Building 2nd Floor Rent	69,552	70,943	1,391
Pomerleau Building 3rd Floor Rent	16,200	16,200	0
Planning Grant Revenue	18,000	0	(18,000)
Electric Vehicle Charging	0	114	114
Transfer to Town Manager	52,500	52,500	0
Transfer to Town Clerk	21,000	21,000	0
Transfer to Treasurer	117,000	117,000	0
Transfer to Dispatch	255,000	255,000	0
PACIF Equipment Grant Revenue	0	5,000	5,000
Public Safety Grant Revenue	0	16,733	16,733
Miscellaneous	0	2,715	2,715
	<u>4,480,093</u>	<u>4,689,701</u>	<u>209,608</u>
Total Revenues			

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 EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures:			
Town Manager's Office:			
Regular Salaries	\$ 340,431	\$ 360,878	\$ (20,447)
Social Security	26,043	28,140	(2,097)
Group Insurance	73,253	33,383	39,870
HBA Expense	11,520	8,912	2,608
Workman's Compensation	1,148	1,658	(510)
Retirement Contributions	3,814	2,669	1,145
VMERS	18,298	17,498	800
Unemployment Compensation	3,066	2,281	785
Office Supplies	2,400	3,517	(1,117)
Training	1,650	1,565	85
Postage	225	366	(141)
Advertising	750	301	449
Printing	4,400	4,050	350
New Equipment	1,800	0	1,800
Gas, Oil, Mileage	2,250	1,010	1,240
Telephone	5,407	5,940	(533)
Contracted Services	8,982	4,375	4,607
Repair & Maintenance Services	300	94	206
Dues	675	736	(61)
	<u>506,412</u>	<u>477,373</u>	<u>29,039</u>
Total Town Manager's Office			
Town Clerk's Office:			
Regular Salaries	159,329	160,134	(805)
Overtime Pay	4,000	590	3,410
Social Security	12,648	12,716	(68)
Group Insurance	19,649	20,300	(651)
HBA Expense	2,405	19	2,386
Workman's Compensation	649	683	(34)
Retirement Contributions	4,979	5,186	(207)
VMERS	6,610	7,080	(470)
Unemployment Compensation	2,146	1,584	562
Recording Supplies	1,300	768	532
Training	1,500	753	747
Office Supplies	2,900	3,207	(307)
Postage	3,500	2,600	900
Advertising	100	0	100
New Equipment	800	774	26
Records Restoration	500	57,927	(57,427)
Gas, Oil & Mileage	350	335	15
Telephone	1,600	2,132	(532)
Contracted Services	33,000	23,780	9,220
Repair & Maintenance Services	650	431	219
Dues	325	73	252
	<u>258,940</u>	<u>301,072</u>	<u>(42,132)</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 EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Town Treasurer's Office:</b>			
Regular Salaries	\$ 68,284	\$ 68,369	\$ (85)
Overtime Pay	1,200	496	704
Social Security	5,316	5,333	(17)
Group Insurance	8,423	7,200	1,223
HBA Expense	1,152	603	549
Workman's Compensation	280	375	(95)
Retirement Contributions	2,134	2,222	(88)
VMERS	2,833	3,035	(202)
Unemployment Compensation	919	819	100
Office Supplies	350	1,222	(872)
Training	1,350	572	778
Postage	2,600	2,584	16
Advertising	0	390	(390)
New Equipment	500	482	18
Gas, Oil & Mileage	300	352	(52)
Contracted Services	4,400	2,125	2,275
Repair & Maintenance Services	500	160	340
Dues	150	77	73
	<u>100,691</u>	<u>96,416</u>	<u>4,275</u>
<b>Total Town Treasurer's Office</b>			
<b>Board of Civil Authority:</b>			
Regular Salaries	5,000	1,382	3,618
Social Security	383	106	277
Workman's Compensation	12	8	4
Office Supplies	150	14	136
Training	390	60	330
Postage	900	268	632
Advertising	200	0	200
Printing	0	70	(70)
Contracted Services	6,000	6,811	(811)
	<u>13,035</u>	<u>8,719</u>	<u>4,316</u>
<b>Total Board of Civil Authority</b>			

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 EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Assessor's Office:			
Regular Salaries	\$ 41,975	\$ 41,649	\$ 326
Social Security	3,211	3,186	25
Workman's Compensation	137	224	(87)
VMERS	2,256	2,267	(11)
Unemployment Compensation	767	456	311
Office Supplies	750	228	522
Training	750	890	(140)
Postage	600	393	207
Advertising	225	189	36
Printing	225	0	225
New Equipment	750	194	556
Gas, Oil & Mileage	375	977	(602)
Telephone	488	477	11
Contracted Services	12,000	9,832	2,168
Repair & Maintenance Services	300	0	300
Dues	450	415	35
	<u>65,259</u>	<u>61,377</u>	<u>3,882</u>
Total Assessor's Office			
Economic Development:			
Postage	0	1,192	(1,192)
Advertising	1,440	407	1,033
Travel & Mileage	0	195	(195)
Contracted Services	1,000	650	350
Designated Downtown	18,750	18,750	0
NVDA Dues	3,500	3,500	0
Industrial Park Taxes	42,049	109,601	(67,552)
	<u>66,739</u>	<u>134,295</u>	<u>(67,556)</u>
Total Economic Development			
Zoning Board & Planning Commission:			
Regular Salaries	18,000	15,937	2,063
Social Security	1,377	1,219	158
Workman's Compensation	0	213	(213)
Unemployment Compensation	767	580	187
Office Supplies	0	11	(11)
Training	300	818	(518)
Postage	150	694	(544)
Advertising	3,504	3,106	398
Printing	450	12	438
Gas, Oil, Mileage	225	0	225
Telephone	600	0	600
Professional Services	3,000	2,050	950
Planning Grant Expense	18,000	0	18,000
	<u>46,373</u>	<u>24,640</u>	<u>21,733</u>
Total Zoning Board & Planning Commission			

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 EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Public Safety Building:			
Heating Fuel	\$ 15,750	\$ 16,931	\$ (1,181)
Public Utility Services	12,690	13,377	(687)
Waste Disposal Services	2,520	3,680	(1,160)
Contracted Services	15,000	15,224	(224)
Repair & Maintenance Supplies	12,000	11,714	286
Total Public Safety Building	<u>57,960</u>	<u>60,926</u>	<u>(2,966)</u>
Community Center - Armory:			
Repair & Maintenance	<u>0</u>	<u>59</u>	<u>(59)</u>
Total Community Center - Armory	<u>0</u>	<u>59</u>	<u>(59)</u>
Dog Control:			
Contracted Services	<u>3,000</u>	<u>689</u>	<u>2,311</u>
Total Dog Control	<u>3,000</u>	<u>689</u>	<u>2,311</u>
Board of Selectmen:			
Salaries	6,400	6,400	0
Social Security	490	490	0
Training	750	180	570
Printing	<u>0</u>	<u>43</u>	<u>(43)</u>
Total Board of Selectmen	<u>7,640</u>	<u>7,113</u>	<u>527</u>
Dispatch Center:			
Regular Salaries	375,952	363,538	12,414
Overtime Pay	25,200	21,772	3,428
Social Security	30,941	28,109	2,832
Group Insurance	85,053	80,069	4,984
HBA Expense	14,400	735	13,665
Workman's Compensation	1,463	3,136	(1,673)
Retirement Contributions	26,247	27,831	(1,584)
VMERS	10,190	11,676	(1,486)
Unemployment Compensation	5,365	4,076	1,289
Office Supplies	1,950	2,073	(123)
Training Supplies	900	31	869
Postage	0	107	(107)
New Equipment	4,500	11,024	(6,524)
Gas, Oil & Mileage	0	120	(120)
Telephone	4,848	9,320	(4,472)
Contracted Services	27,533	18,969	8,564
Repair & Maintenance Services	<u>6,000</u>	<u>322</u>	<u>5,678</u>
Total Dispatch Center	<u>620,542</u>	<u>582,908</u>	<u>37,634</u>

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 EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Fire Department:			
Regular Salaries	\$ 718,954	\$ 704,055	\$ 14,899
Overtime Pay	68,789	82,466	(13,677)
Social Security	60,262	58,348	1,914
Group Insurance	164,707	150,601	14,106
HBA Expense	24,000	23,834	166
Workman's Compensation	127,611	124,198	3,413
Retirement Contributions	95,391	90,752	4,639
Unemployment Compensation	7,665	7,527	138
Office Supplies	3,145	1,399	1,746
Training Supplies	9,500	8,039	1,461
Postage	338	112	226
New Equipment	71,220	74,909	(3,689)
Gas, Oil & Mileage	12,500	11,821	679
Uniforms	10,050	10,084	(34)
Telephone	2,580	3,101	(521)
Heating Fuel	8,000	3,985	4,015
Public Utility Services	1,750	884	866
Contracted Services	19,500	19,094	406
Repair & Maintenance Services	30,000	29,370	630
Motor Vehicle Supplies	3,000	2,313	687
Alarm System Supplies	6,000	6,141	(141)
Enhanced Call Department	5,250	5,187	63
Homeland Security Grant Expenditures	0	11,323	(11,323)
Transfer to Grant Fund	226,420	226,420	0
Donation Expenses	100	0	100
Miscellaneous Charges	750	66	684
	<u>1,677,482</u>	<u>1,656,029</u>	<u>21,453</u>
Total Fire Department			
Solid Waste:			
Advertising & Printing	0	108	(108)
Waste & Disposal Services	50,000	37,873	12,127
Contracted Services	5,500	7,261	(1,761)
	<u>55,500</u>	<u>45,242</u>	<u>10,258</u>
Total Solid Waste			

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 EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Pomerleau Building:</b>			
New Equipment	\$ 800	\$ 2,333	\$ (1,533)
Heating Fuel	22,500	18,748	3,752
Public Utility Services	22,500	22,306	194
Waste Disposal Services	3,000	3,010	(10)
Contracted Services	37,000	44,534	(7,534)
Building Construction	4,000	4,100	(100)
Bond Principal	70,000	70,000	0
Bond Interest	63,574	63,574	0
Repair & Maintenance Supplies	12,000	10,018	1,982
Building Taxes	15,500	19,133	(3,633)
Welcome Center Expense	300	60	240
	<u>251,174</u>	<u>257,816</u>	<u>(6,642)</u>
<b>General Expenses:</b>			
Office Supplies	0	15	(15)
Public Utility Services	0	3,720	(3,720)
Internet Expense	25,356	27,490	(2,134)
Web Site Expense	8,223	10,971	(2,748)
IT Upgrades	24,090	24,967	(877)
Contracted Services	1,200	10,291	(9,091)
Audit	5,360	4,960	400
Legal Services	65,000	36,172	28,828
Legal Services - Tax Sale	0	6,490	(6,490)
Glebe Lease Land to School	0	500	(500)
Judgments & Losses	1,000	7,722	(6,722)
VLCT Dues	13,314	8,960	4,354
Community Justice Center	8,000	8,000	0
Property & Liability Insurance	74,279	80,188	(5,909)
Health Insurance Account Expense	3,198	3,359	(161)
County Taxes	63,864	63,864	0
East St. Johnsbury Park	3,200	953	2,247
Assessment Appeals	0	209	(209)
Interest on Current Loans	6,000	1,441	4,559
Deficit Loan	62,237	124,474	(62,237)
Transfer to Recreation Fund	15,175	10,000	5,175
	<u>379,496</u>	<u>434,746</u>	<u>(55,250)</u>

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 EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Special Appropriations:			
Area Agency on Aging	\$ 7,200	\$ 7,200	\$ 0
Caledonia Home Health Care and Hospice	18,382	18,382	0
Caledonia - Essex Area Ambulance Service	76,030	76,030	0
Catamount Arts	5,000	5,000	0
Fairbanks Museum	63,000	63,000	0
Kiwanis Club Swimming Pool	14,400	14,400	0
NEK Human Services	7,983	7,983	0
NEK Youth Services	5,500	5,500	0
St. Johnsbury Athenaeum	115,000	115,000	0
St. Johnsbury Town Band	770	770	0
St. Johnsbury Meals on Wheels	6,750	6,750	0
Umbrella Inc.	9,500	9,500	0
VT Association for the Blind	675	675	0
Retired Senior Volunteer Program	810	810	0
Rural Community Transportation	13,050	13,050	0
VT Red Cross	1,800	1,800	0
Good Living Senior Center	12,000	12,000	0
Kingdom Animal Shelter	2,000	2,000	0
Total Special Appropriations	359,850	359,850	0
Total Expenditures	4,470,093	4,509,270	(39,177)
Excess of Revenues Over Expenditures	\$ 10,000	180,431	\$ 170,431
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Parking Meter Fund Income		89,766	
Parking Meter Fund Expenses		(17,766)	
Parking Meter Fund Transfer Out		(84,000)	
Recreation Fund Transfer In		10,000	
Recreation Fund Expenses		(10,175)	
Net Change in Fund Balance		168,256	
Fund Balance - January 1, 2015		774,217	
Fund Balance - June 30, 2016		\$ 942,473	

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

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  
HIGHWAY FUND  
FOR THE EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues:</b>			
Property Taxes	\$ 2,992,865	\$ 2,992,865	\$ 0
VT Pilot Payment	31,000	46,732	15,732
Hold Harmless VT Payment	21,000	20,973	(27)
State Aid Class I Highways	79,000	79,734	734
State Aid Class II Highways	69,000	69,016	16
State Aid Class III Highways	187,350	187,650	300
State Aid Lane Mileage	372	247	(125)
Highway Department Services	6,000	1,975	(4,025)
Sale of Material & Supply	1,500	991	(509)
Mower Rent - Danville	7,347	4,898	(2,449)
Transfers from Water and Sewer Fund	275,978	275,978	0
Transfers from DPW Reserves	308,000	0	(308,000)
Better Back Roads Grant Revenue	10,000	1,995	(8,005)
Special Program Grant Revenue	22,500	0	(22,500)
PACIF Equipment Grant Revenue	5,000	0	(5,000)
Efficiency Vermont Grant Revenue	0	43,400	43,400
Westside State & Federal Grant Revenue	0	463,021	463,021
Proceeds of Long-term Debt	0	786,739	786,739
Insurance Reimbursement	0	1,851	1,851
Miscellaneous	0	4,927	4,927
<b>Total Revenues</b>	<b>4,016,912</b>	<b>4,982,992</b>	<b>966,080</b>
<b>Expenditures:</b>			
<b>Highway Garage &amp; Equipment:</b>			
Regular Salaries	66,531	67,132	(601)
Overtime Pay	5,250	7,477	(2,227)
Social Security	5,491	5,349	142
Group Insurance	16,119	21,714	(5,595)
HBA Expense	3,600	9,288	(5,688)
Workman's Compensation	6,147	6,374	(227)
Retirement Contributions	9,086	10,017	(931)
Unemployment Compensation	767	672	95
Office Supplies	1,500	1,422	78
Training	3,500	2,411	1,089
New Equipment	20,000	6,439	13,561
New Tools	6,000	10,550	(4,550)
Gas & Oil for Equipment	187,500	128,967	58,533
Uniforms	7,000	5,596	1,404
Telephone	4,941	4,071	870
Heating Fuel	12,500	16,698	(4,198)
Public Utility Services	15,750	13,880	1,870
Waste Disposal Services	3,800	5,402	(1,602)

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  
HIGHWAY FUND  
FOR THE EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Highway Garage & Equipment/(Cont'd):			
Contracted Services	\$ 9,000	\$ 3,360	\$ 5,640
Repairs to Equipment	52,500	61,700	(9,200)
Maintenance Supplies	70,000	65,102	4,898
Outside Repairs	37,000	25,648	11,352
Repairs to Garage	7,500	9,218	(1,718)
PACIF Equipment Grant Expense	5,000	0	5,000
	<u>556,482</u>	<u>488,487</u>	<u>67,995</u>
Total Highway Garage & Equipment			
Summer Maintenance:			
Regular Salaries	491,485	409,394	82,091
Overtime Pay	22,000	17,948	4,052
Social Security	39,282	31,343	7,939
Group Insurance	139,282	107,949	31,333
HBA Expense	22,770	34,427	(11,657)
Workman's Compensation	35,516	37,538	(2,022)
Retirement Contributions	51,159	59,444	(8,285)
VMERS	6,170	5,124	1,046
Unemployment Compensation	6,788	4,390	2,398
Contracted Services	173,520	184,028	(10,508)
Materials & Supplies	188,125	155,874	32,251
Maintenance (Paving)	60,000	69,017	(9,017)
	<u>1,236,097</u>	<u>1,116,476</u>	<u>119,621</u>
Total Summer Maintenance			
Winter Maintenance:			
Regular Salaries	402,124	376,188	25,936
Overtime Pay	69,750	70,698	(948)
Social Security	36,098	33,443	2,655
Group Insurance	113,957	110,797	3,160
HBA Expense	18,630	24,095	(5,465)
Workman's Compensation	35,516	37,537	(2,021)
Retirement Contributions	41,858	48,636	(6,778)
VMERS	5,200	5,320	(120)
Unemployment Compensation	5,091	4,390	701
Contracted Services	6,000	2,182	3,818
Materials & Supplies	269,000	231,157	37,843
	<u>1,003,224</u>	<u>944,443</u>	<u>58,781</u>
Total Winter Maintenance			

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  
HIGHWAY FUND  
FOR THE EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Street Safety & Traffic:			
Public Utility Services	\$ 170,250	\$ 141,975	\$ 28,275
Downtown LED Lighting	57,475	100,175	(42,700)
Railroad St. Parking Lot	771	1,542	(771)
Contracted Services	1,500	3,464	(1,964)
Repair & Maintenance Services	3,000	2,410	590
Materials & Supplies	12,000	12,398	(398)
	<u>244,996</u>	<u>261,964</u>	<u>(16,968)</u>
Total Street Safety & Traffic			
Highway Fund:			
Postage	300	0	300
Advertising	600	852	(252)
Audit	5,360	7,203	(1,843)
Legal Services	1,500	750	750
Health Insurance Account Expense	2,693	2,761	(68)
Contracted Services	0	219	(219)
Engineering Services	0	4,923	(4,923)
Property & Liability Insurance	41,009	42,978	(1,969)
Mower Expense	9,796	9,796	0
S. Main St. Bridge - Transfer to Grant Fund	60,750	60,750	0
Interest on Current Loans	3,000	743	2,257
Interest - Westside USDA 93/15	101,921	86,926	14,995
Principal - Westside USDA 93/15	102,400	107,426	(5,026)
Vac-con Expense	50,269	50,269	0
Grader Expense	68,938	34,469	34,469
Sidewalk Plow	35,251	35,251	0
Local Share - Railroad St. Enhancement	220,000	1,202	218,798
Local Share - Depot Square	88,000	4,148	83,852
Westside Project Expenses	0	389,993	(389,993)
CSO Project Expenses	0	292,352	(292,352)
Internet Expense	1,635	2,821	(1,186)
Website Expense	1,074	120	954
IT Upgrades	1,617	1,637	(20)
Bike Path Scoping Study	0	2,604	(2,604)
	<u>796,113</u>	<u>1,140,193</u>	<u>(344,080)</u>
Total Highway Fund			
Total Expenditures	<u>3,836,912</u>	<u>3,951,563</u>	<u>(114,651)</u>
Excess of Revenues			
Over Expenditures	\$ <u>180,000</u>	1,031,429	\$ <u>851,429</u>
Fund Balance - January 1, 2015		<u>423,575</u>	
Fund Balance - June 30, 2016		<u>\$ 1,455,004</u>	

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 EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 1,607,942	\$ 1,607,942	\$ 0
VT Pilot Payments	13,000	15,317	2,317
Hold Harmless VT Payments	260	257	(3)
District Court Fines	30,000	17,652	(12,348)
Report Revenue	1,500	3,465	1,965
Police Department Services	3,000	10,508	7,508
Fingerprinting Services	24,000	26,900	2,900
Mountain View Security	40,500	38,911	(1,589)
SIU Revenue	51,000	47,125	(3,875)
Governor's Highway Safety Grant - Equipment	10,000	4,860	(5,140)
Governor's Highway Safety Grant - Salaries	15,000	23,759	8,759
Transfer from Parking Meter Fund	63,000	63,000	0
Insurance Reimbursement	0	1,300	1,300
VT Public Safety Grant	0	14,838	14,838
Police Department Donations	0	275	275
K9 Unit Donations	0	71	71
Rx Drop Box	0	800	800
Sale of Police Equipment	0	1,200	1,200
Miscellaneous	0	240	240
	<u>1,859,202</u>	<u>1,878,420</u>	<u>19,218</u>
Total Revenues			
Expenditures:			
Police Department:			
Regular Salaries	984,227	924,388	59,839
Overtime Pay	111,021	80,081	30,940
Social Security	83,786	76,020	7,766
Group Insurance	144,218	145,160	(942)
HBA Expense	19,800	9,434	10,366
Workman's Compensation	47,355	55,215	(7,860)
Retirement Contributions	43,603	47,052	(3,449)
VMERS	32,872	41,182	(8,310)
Unemployment Compensation	12,400	10,286	2,114
Office Supplies	2,250	3,719	(1,469)
Training	3,725	3,510	215
Postage	600	728	(128)
Printing	1,200	842	358
New Equipment	4,000	5,385	(1,385)
Gas, Oil & Mileage	36,000	25,791	10,209
Uniforms	4,500	4,298	202
Uniform Cleaning	150	0	150
Telephone	3,474	3,849	(375)
Heating Fuel	5,250	5,566	(316)
Public Utility Services	4,230	4,172	58
Waste Disposal Services	1,428	1,227	201

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 EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Police Department/(Cont'd):			
Contracted Services	\$ 17,100	\$ 9,423	\$ 7,677
Ammunition	2,200	2,255	(55)
Repairs to Equipment	3,000	1,603	1,397
Dues	800	750	50
Repairs to Cruisers	14,250	17,768	(3,518)
Investigation Supplies	1,050	740	310
K-9 Unit Expenditures	700	514	186
Rx Drop Box	0	800	(800)
VT Public Safety Grant Expenditures	0	14,838	(14,838)
Governor's Highway Safety Grant Expenditures	0	4,860	(4,860)
	<u>1,585,189</u>	<u>1,501,456</u>	<u>83,733</u>
Total Police Department			
Parks & Trees:			
Repair & Maintenance Services	4,000	1,879	2,121
Portland Street Rink	0	288	(288)
	<u>4,000</u>	<u>2,167</u>	<u>1,833</u>
Total Parks & Trees			
Beautification Committee:			
Operating Supplies	2,550	4,376	(1,826)
Repair & Maintenance Services	3,000	1,948	1,052
	<u>5,550</u>	<u>6,324</u>	<u>(774)</u>
Total Beautification Committee			
Special Services Fund:			
Audit	5,360	4,960	400
Legal Services	1,500	0	1,500
Health Insurance Account Expense	1,346	1,484	(138)
Property & Liability Insurance	50,643	64,873	(14,230)
Internet Expense	6,429	8,304	(1,875)
Web Site Expense	1,350	149	1,201
IT Upgrades	12,835	13,025	(190)
Contracted Services	0	7,719	(7,719)
Transfer to Dispatch Services	255,000	255,000	0
	<u>334,463</u>	<u>355,514</u>	<u>(21,051)</u>
Total Special Services Fund			
Total Expenditures	<u>1,929,202</u>	<u>1,865,461</u>	<u>63,741</u>
Excess/(Deficiency) of Revenues Over Expenditures	\$ <u>(70,000)</u>	12,959	\$ <u>82,959</u>
Fund Balance - January 1, 2015		<u>230,804</u>	
Fund Balance - June 30, 2016		<u>\$ 243,763</u>	

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 VMERS DEFINED BENEFIT PLAN  
 JUNE 30, 2016

	2016	2015
Total Plan Net Pension Liability	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	0.3934%	0.3111%
Town's Proportionate Share of the Net Pension Liability	\$ 303,298	\$ 28,395
Town's Covered Employee Payroll	\$ 1,046,350	\$ 888,649
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	28.9863%	3.1953%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.42%	98.32%

**Notes to Schedule**

Benefit Changes: None.

Changes in Assumptions: The discount rate used to measure the net pension liability was lowered from 8.23% to 7.95%, due to the adoption by the Board of Trustees of a 7.95% expected future rate of return on assets for funding purposes.

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

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 VMERS DEFINED BENEFIT PLAN  
 FOR THE EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

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

**Notes to Schedule**

Valuation Date: June 30, 2015

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

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 PENSION TRUST FUND  
 JUNE 30, 2016

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

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

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 PENSION TRUST FUND  
 JUNE 30, 2016

	2015	2014
Total Pension Liability:		
Normal Cost	\$ 115,139	\$ 168,300
Interest	766,804	862,671
Difference Between Expected and Actual Experience	154,539	0
Benefit Payments, Including Refunds of Member Contributions	(554,653)	(542,551)
Net Change in Total Pension Liability	481,829	488,420
Total Pension Liability, January 1	10,800,376	10,311,956
Total Pension Liability, December 31	11,282,205	10,800,376
Plan Fiduciary Net Position:		
Contributions - Employer	307,593	171,300
Contributions - Members	35,703	20,023
Net Investment Income	64,102	606,957
Benefit Payments, Including Refunds of Member Contributions	(554,653)	(542,551)
Administrative Expenses	(97,821)	(110,411)
Net Change in Fiduciary Net Position	(245,076)	145,318
Plan Fiduciary Net Position, January 1	9,362,798	9,217,480
Plan Fiduciary Net Position, December 31	9,117,722	9,362,798
Net Pension Liability, December 31	\$ 2,164,483	\$ 1,437,578
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.82%	86.69%
Covered Employee Payroll	\$ 1,474,283	\$ 1,525,618
Net Pension Liability as a Percentage of Covered Employee Payroll	146.82%	94.23%

## Notes to Schedules

Benefit Changes: None

## Changes of Assumptions:

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 years prior to 2014. Data for future years will be added prospectively.

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 PENSION TRUST FUND  
 JUNE 30, 2016

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

## Notes to the Schedule

Valuation Date: January 1, 2016

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 2016 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 Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF INVESTMENT RETURNS  
 PENSION TRUST FUND  
 JUNE 30, 2016

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

GASB No. 67 required supplementary information is not available for fiscal years prior to 2013.  
 Data for future years will be added prospectively.

TOWN OF ST. JOHNSBURY, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	Special Revenue Fund <u>Grant Fund</u>	Permanent Fund <u>Cemetery Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 5,786	\$ 5,786
Receivables	12,710	0	12,710
Due from Other Funds	<u>26,762</u>	<u>0</u>	<u>26,762</u>
Total Assets	<u>\$ 39,472</u>	<u>\$ 5,786</u>	<u>\$ 45,258</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ <u>425</u>	\$ <u>0</u>	\$ <u>425</u>
Total Liabilities	<u>425</u>	<u>0</u>	<u>425</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Grants	<u>10,822</u>	<u>0</u>	<u>10,822</u>
Total Deferred Inflows of Resources	<u>10,822</u>	<u>0</u>	<u>10,822</u>
<u>FUND BALANCES</u>			
Nonspendable	0	5,161	5,161
Restricted	<u>28,225</u>	<u>625</u>	<u>28,850</u>
Total Fund Balances	<u>28,225</u>	<u>5,786</u>	<u>34,011</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 39,472</u>	<u>\$ 5,786</u>	<u>\$ 45,258</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF ST. JOHNSBURY, VERMONT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE EIGHTEEN (18) MONTHS ENDED JUNE 30, 2016

	Special Revenue Fund <u>Grant Fund</u>	Permanent Fund <u>Cemetery Fund</u>	<u>Total</u>
Revenues:			
Intergovernmental	\$ 222,854	\$ 0	\$ 222,854
Investment Income	<u>0</u>	<u>8</u>	<u>8</u>
Total Revenues	<u>222,854</u>	<u>8</u>	<u>222,862</u>
Expenditures:			
General Government	12,223	0	12,223
Capital Outlay:			
Public Works	344,668	0	344,668
Debt Service:			
Principal	211,209	0	211,209
Interest	<u>15,211</u>	<u>0</u>	<u>15,211</u>
Total Expenditures	<u>583,311</u>	<u>0</u>	<u>583,311</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(360,457)</u>	<u>8</u>	<u>(360,449)</u>
Other Financing Sources:			
Transfers In	<u>395,078</u>	<u>0</u>	<u>395,078</u>
Total Other Financing Sources	<u>395,078</u>	<u>0</u>	<u>395,078</u>
Net Change in Fund Balances	34,621	8	34,629
Fund Balances/(Deficit) - January 1, 2015	<u>(6,396)</u>	<u>5,778</u>	<u>(618)</u>
Fund Balances - June 30, 2016	<u>\$ 28,225</u>	<u>\$ 5,786</u>	<u>\$ 34,011</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](http://www.sullivanpowers.com)

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

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards"

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of St. Johnsbury, Vermont, as of and for the eighteen (18) months ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of St. Johnsbury, Vermont's basic financial statements, and have issued our report thereon dated September 30, 2016.

***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

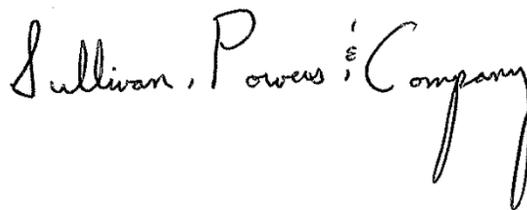
As part of obtaining reasonable assurance about whether the Town of St. Johnsbury, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

However, we noted certain other matters that we reported to the management of the Town of St. Johnsbury, Vermont in a separate letter dated September 30, 2016.

### ***Purpose of this Report***

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

September 30, 2016  
Montpelier, Vermont  
VT Lic. #92-000180

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