

**TOWN OF JERICHO, VERMONT
 AUDIT REPORT AND FINANCIAL STATEMENTS
 JUNE 30, 2015
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FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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INDEPENDENT AUDITOR'S REPORT

To the Selectboard
Town of Jericho
Jericho, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Jericho, Vermont, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town'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 the 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2015, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-8, and the pension related schedules on Schedule 3 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

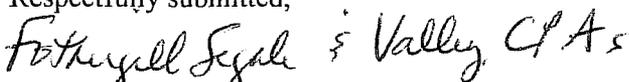
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015 on our consideration of the Town's internal control over financial reporting and 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 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's internal control over financial reporting and compliance.

Respectfully submitted,



FOTHERGILL SEGALÉ & VALLEY, CPAs

Montpelier, Vermont

Vermont Public Accountancy License #110

November 10, 2015

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

Our discussion and analysis of the Town of Jericho, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the Town's financial statements that begin with Exhibit A. This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives.

Financial Highlights

- The Town's net position increased by \$212,116, or approximately 2.82% as a result of this year's operations, from a restated balance of \$7,527,460 to \$7,739,576.
- The total cost of all of the Town's programs was \$2,992,088, as compared to \$2,846,969 in the prior year, with no new programs added.
- The General Fund reported an increase in fund balance this year of \$237,828 which was \$337,828 better than the budgeted use of fund balance of \$100,000, due to various cost savings and the delay of a large project.
- The Road Upgrade Fund reported a current year decrease in fund balance of \$42,383, decreasing the fund balance from \$232,362 to \$189,979.
- The Non-Major Funds reported a current year decrease in fund balance of \$84,044, decreasing the total fund balances from \$1,066,375 to \$982,331.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits A and B) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start with Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets (net of depreciation) and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. You can think of the Town's net position – the difference between assets and liabilities – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

All of the Town's basic services are governmental activities, including the general administration. Property taxes, state and federal grants finance most of these activities.

Reporting the Town's Most Significant Funds

The fund financial statements begin with Exhibit C and provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town's Selectboard establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. Major funds in the Town fund statements are the General Fund, which contains most of the Town operations and the Road Upgrade Fund which accounts for funds as so stated in the title. There is one category for these funds, as follows:

Governmental fund

The Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Exhibits D and F.

The Town as a Whole

The Town's combined net position increased by \$212,116 from a year ago – increasing from a restated balance of \$7,527,460 to \$7,739,576. The beginning net position was restated to account for the implementation of GASB 68. It was decreased by \$28,271 from a balance of \$7,555,731. See Footnote 10 for more information. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

Table 1 – Net Position

	2015	2014 (restated)	Change
Current and other assets	\$ 2,133,536	\$ 2,340,432	\$ (206,896)
Capital assets	6,788,246	6,757,436	30,810
Total assets	<u>8,921,782</u>	<u>9,097,868</u>	<u>(176,086)</u>
Deferred outflows	37,778	23,154	14,624
Long-term liabilities	1,016,283	1,204,796	(188,513)
Other liabilities	153,185	388,766	(235,581)
Total liabilities	<u>1,169,468</u>	<u>1,593,562</u>	<u>(424,094)</u>
Deferred inflows	50,516	0	50,516
Net position:			
Invested in capital assets, net of debt	5,804,827	5,570,679	234,148
Restricted	419,698	449,220	(29,522)
Unrestricted	1,515,051	1,507,561	7,490
Total net position	<u>\$ 7,739,576</u>	<u>\$ 7,527,460</u>	<u>\$ 212,116</u>

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed from \$1,507,561 at June 30, 2014, to \$1,515,051 at June 30, 2015, an increase of \$7,490. The largest change is the increase in capital assets and invested in capital assets, due to paying down debt and investments in capital assets.

Table 2 - Change in Net Position

	2015	2014	Change
REVENUES			
Program revenues:			
Charges for services	\$ 225,036	\$ 254,822	\$ (29,786)
Operating grants and contributions	261,612	211,325	50,287
Capital grants and contributions	35,379	353,679	(318,300)
General revenues:			
Property taxes, related int. & pen.	2,648,093	2,550,790	97,303
General state grants	26,408	27,959	(1,551)
Earnings on investments	5,099	4,925	174
Other general revenues	2,577	0	2,577
Total revenues	<u>3,204,204</u>	<u>3,403,500</u>	<u>(199,296)</u>
PROGRAM EXPENSES			
General government and administration	1,032,047	957,651	74,396
Highways and streets repairs and maint.	1,200,069	1,163,168	36,901
Cultural and recreation	122,010	107,146	14,864
Outside agencies	597,665	577,781	19,884
Interest on long-term debt	40,297	41,223	(926)
Total program expenses	<u>2,992,088</u>	<u>2,846,969</u>	<u>145,119</u>
EXTRAORDINARY ITEM, net	0	8,901	(8,901)
Increase in net position	<u>\$ 212,116</u>	<u>\$ 565,432</u>	<u>\$ (353,316)</u>

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

Governmental Activities

The increase in net position for governmental activities was \$212,116 in 2015. The biggest difference in revenue between fiscal year 2014 and 2015 were one-time capital grants received in fiscal year 2014 that were used for highway infrastructure. Program expenses increased overall by 5.1% compared to fiscal year 2014.

The cost of all governmental activities this year was \$2,992,088. However, as shown in the Statement of Activities on Exhibit B, some of the cost was paid by those who directly benefited from the programs (\$225,036) or by other governments and organizations that subsidized certain programs with grants and contributions (\$296,991).

Table 3 presents the cost of each of the Town's programs – as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Table 3
Governmental Activities

	<u>Total Cost of Services</u> 2015	<u>Net (Revenue)/ Cost of Services</u> 2015	<u>Total Cost of Services</u> 2014	<u>Net (Revenue)/ Cost of Services</u> 2014
General government	\$ 1,032,047	\$ 886,957	\$ 957,651	\$ 751,385
Highways and streets	1,200,069	894,109	1,163,168	641,543
Cultural and recreational	122,010	51,033	107,146	15,211
Outside agencies	597,665	597,665	577,781	577,781
Debt interest	40,297	40,297	41,223	41,223
Totals	<u>\$ 2,992,088</u>	<u>\$ 2,470,061</u>	<u>\$ 2,846,969</u>	<u>\$ 2,027,143</u>

The Town's Funds

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$1,943,957, which is above last year's total of \$1,832,556. This represents an increase of \$111,401.

Over the course of the year, the Selectboard members compare year-to-date actual amounts of revenues and expenditures to the budget. No adjustments to the budget were made during the year. The General Fund ended the year with a fund balance of \$771,647. During fiscal year 2015, revenues were greater than expenditures by \$237,828, which was \$337,828 better than the budgeted deficit of \$100,000, due to cost savings and the delay of a large project. Exhibit G shows the comparison of actual to budget for the General Fund.

The largest variances in the revenues were the property taxes and intergovernmental revenue. Property taxes were above the budget due to the collection of delinquent taxes, mostly through tax sale. The intergovernmental revenue variance represents grant revenues that are difficult to predict in terms of availability and award. The delay of a large project represents the bulk of this difference.

The largest variances between budgeted amounts and actual amounts for expenditures occurred within the following categories: Listing, Reappraisal, Planning and Zoning, Highways and bridges, Buildings and property and various capital outlays.

TOWN OF JERICHO, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

The variance in Listing is due to the Assessor working more than expected due to the reappraisal. The Reappraisal variance is due to the Town-wide reappraisal project being more expense than budgeted for. The variance in Planning and Zoning is due to hiring a new Planning and Development Coordinator at a rate higher than budgeted due to the individual's significant experience. The Highways and Bridges variance is mainly due to spreading paving expenses over two fiscal years. The variance in Buildings and Property is due to deferring budgeted work on the Town Hall. The variance in Capital Outlay for highway infrastructure is due to the timing of larger, grant-funded projects.

The variance in Capital Outlay – highway equipment is due to the decision to purchase rather than finance an excavator. The variance in the Capital Outlay – sidewalks category is due to construction of the Jericho Center sidewalk not starting in the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2015, the Town had \$6,788,246 invested in a broad range of capital assets, including highway and fire equipment, and buildings. (See Table 4 below) This amount represents a net increase (including additions and deductions) of \$30,810 over last year.

Table 4
Capital Assets at Year-End
(Net of Accumulated Depreciation)

	2015	2014	Change
Land	\$ 42,521	\$ 42,521	\$ 0
Construction in progress	94,548	121,795	(27,247)
Buildings and improvements	1,101,057	1,163,905	(62,848)
Vehicles and equipment	556,260	560,748	(4,488)
Infrastructure	4,993,860	4,868,467	125,393
Totals	<u>\$6,788,246</u>	<u>\$6,757,436</u>	<u>\$ 30,810</u>

This year's additions were:

Excavator	\$ 110,200
Hydro-seeder	5,428
Town office building study	7,145
Lee River Road	131,480
Bridge #17	95,729
Jericho Center sidewalks	27,661
Hanley Lane	38,827
Jericho Corners Connection Project study	6,753
Mobbs Hill Farm boardwalk construction	10,160
	<u>\$ 433,383</u>

The Town's fiscal year 2016 capital budget calls for the Town to spend a total of \$1,222,789 on projects including \$50,000 for bridge improvements; \$385,000 for improvements to asphalt and

TOWN OF JERICHO, VERMONT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED JUNE 30, 2015

gravel roads; \$382,000 on sidewalk construction; \$99,660 on highway vehicles; and \$41,500 on building improvements.

Debt Administration

At June 30, 2015, the Town had \$983,419 in bonds and leases outstanding versus \$1,133,112 on June 30, 2014 – a decrease of \$149,693 – as shown in Table 5.

Table 5
 Outstanding Debt at Year-End

	2015	2014	Change
People's United Bank	\$ 840,000	\$ 900,000	\$ (60,000)
Kansas State Bank	0	52,880	(52,880)
Kansas State Bank	143,419	180,232	(36,813)
Totals	\$ 983,419	\$1,133,112	\$ (149,693)

Economic Factors and Next Year's Budgets and Rates

For the Fiscal Year 2016, the municipal property tax rate for the Town General Fund increased by \$0.0093 or 2% to \$0.4793.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at Town of Jericho, Jericho, Vermont.

TOWN OF JERICHO, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2015

EXHIBIT A

	Governmental Activities	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,995,812	
Delinquent taxes, penalties and interest receivable	54,224	
Due from State of VT	21,895	
Tax sale receivable	16,428	
Prepaid expenses	45,177	
Total current assets		2,133,536
Noncurrent assets:		
Capital assets:		
Land	42,521	
Construction in progress	94,548	
Property and equipment (net of allowance for accumulated depreciation of \$2,745,630)	6,651,177	
Total noncurrent assets		6,788,246
Total assets		8,921,782
DEFERRED OUTFLOWS OF RESOURCES		
Pension related		37,778
Total assets plus deferred outflows of resources		8,959,560
LIABILITIES		
Current liabilities:		
Accounts payable	77,178	
Unearned grants	882	
Prepaid recreation fees	65,519	
Accrued interest payable	9,606	
Total current liabilities		153,185
Noncurrent liabilities:		
Net pension liability	16,382	
Accrued compensated absences due after one year	16,482	
Bond and capital leases payable -		
Due within one year	94,517	
Due after one year	888,902	
Total noncurrent liabilities		1,016,283
Total liabilities		1,169,468
DEFERRED INFLOWS OF RESOURCES		
Pension related		50,516
Total liabilities and deferred inflows of resources		1,219,984
NET POSITION		
Invested in capital assets, net of related debt	5,804,827	
Restricted	419,698	
Unrestricted	1,515,051	
Total net position		\$ 7,739,576

TOWN OF JERICHO, VERMONT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

EXHIBIT B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenues and Change in Net Position</u>
Governmental Activities:					
General government and administration	\$ 1,032,047	\$ 112,714	\$ 32,376	\$ 0	\$ (886,957)
Highways and streets	1,200,069	48,506	229,236	28,218	(894,109)
Cultural and recreational	122,010	63,816	0	7,161	(51,033)
Outside agencies	597,665	0	0	0	(597,665)
Interest on long-term debt	40,297	0	0	0	(40,297)
Total governmental activities	\$ 2,992,088	\$ 225,036	\$ 261,612	\$ 35,379	(2,470,061)
General Revenues:					
Property taxes					2,624,026
Interest and penalties on delinquent taxes					24,067
General state grants (current use)					26,408
Earnings on investments					5,099
Miscellaneous					2,577
Total general revenues					2,682,177
Change in net position					212,116
Net position - July 1, 2014 (restated)					7,527,460
Net position - June 30, 2015					\$ 7,739,576

TOWN OF JERICHO, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

EXHIBIT C

	Major Funds		Non-Major Funds	
	General Fund	Road Upgrade Fund	Other Governmental Funds	Totals
ASSETS				
Cash and cash equivalents	\$ 683,142	\$ 232,479	\$ 1,080,191	\$ 1,995,812
Delinquent taxes, penalties and interest	54,224	0	0	54,224
Due from State of VT	21,895	0	0	21,895
Tax sale receivable	0	0	16,428	16,428
Prepaid expenses	45,177	0	0	45,177
Due from other funds	156,788	0	3,500	160,288
	<u>\$ 961,226</u>	<u>\$ 232,479</u>	<u>\$ 1,100,119</u>	<u>\$ 2,293,824</u>
Total assets	<u>\$ 961,226</u>	<u>\$ 232,479</u>	<u>\$ 1,100,119</u>	<u>\$ 2,293,824</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 77,178	\$ 0	\$ 0	\$ 77,178
Due to other funds	0	42,500	117,788	160,288
Unearned grant revenue	882	0	0	882
Prepaid recreation fees	65,519	0	0	65,519
	<u>143,579</u>	<u>42,500</u>	<u>117,788</u>	<u>303,867</u>
Total liabilities	<u>143,579</u>	<u>42,500</u>	<u>117,788</u>	<u>303,867</u>
 DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - taxes	46,000	0	0	46,000
	<u>46,000</u>	<u>0</u>	<u>0</u>	<u>46,000</u>
 FUND BALANCES				
Nonspendable, prepaid	45,177	0	0	45,177
Restricted	0	0	419,698	419,698
Assigned	100,000	189,979	562,633	852,612
Unassigned	626,470	0	0	626,470
	<u>771,647</u>	<u>189,979</u>	<u>982,331</u>	<u>1,943,957</u>
Total fund balances	<u>771,647</u>	<u>189,979</u>	<u>982,331</u>	<u>1,943,957</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 961,226</u>	<u>\$ 232,479</u>	<u>\$ 1,100,119</u>	<u>\$ 2,293,824</u>

TOWN OF JERICHO, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

EXHIBIT D

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,943,957

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 as assets in governmental funds. The cost of the assets is \$9,533,876 and the accumulated depreciation is \$2,745,630. 6,788,246

Unavailable revenues are recognized as earned on the accrual basis in the statement of net assets, not the modified accrual basis.
 Unavailable revenue - taxes 46,000

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the governmental funds:
 Net pension liability (16,382)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds:

Town's contributions subsequent to the measurement	26,636	
Changes in proportional share of contributions	11,142	
Difference between actual and expected investments	<u>(50,516)</u>	(12,738)

Long-term liabilities, including bonds and leases payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	840,000	
Capital leases payable	143,419	
Accrued interest on bonds payable	9,606	
Accrued compensated absences	<u>16,482</u>	<u>(1,009,507)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 7,739,576

TOWN OF JERICHO, VERMONT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

EXHIBIT E

	Major Funds		Non-Major Funds	Totals
	General Fund	Road Upgrade Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 2,730,093	\$ 0	\$ 0	\$ 2,730,093
Current use	26,408	0	0	26,408
Fees and licenses	163,760	0	0	163,760
Intergovernmental	296,991	0	0	296,991
Charges for services	46,037	0	13,240	59,277
Interest income	4,406	117	576	5,099
Miscellaneous	4,576	0	0	4,576
Total revenues	<u>3,272,271</u>	<u>117</u>	<u>13,816</u>	<u>3,286,204</u>
EXPENDITURES				
Current				
General government	859,874	0	0	859,874
Public safety	109,525	0	0	109,525
Highways and streets	859,953	0	0	859,953
Health services	3,144	0	0	3,144
Cultural and recreational	121,985	0	0	121,985
Outside agencies	597,665	0	0	597,665
Debt service				
Interest	39,581	0	0	39,581
Principal	149,693	0	0	149,693
Capital outlay	433,383	0	0	433,383
Total expenditures	<u>3,174,803</u>	<u>0</u>	<u>0</u>	<u>3,174,803</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>97,468</u>	<u>117</u>	<u>13,816</u>	<u>111,401</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	161,028	0	20,668	181,696
Operating transfers out	<u>(20,668)</u>	<u>(42,500)</u>	<u>(118,528)</u>	<u>(181,696)</u>
Total other financing sources (uses)	<u>140,360</u>	<u>(42,500)</u>	<u>(97,860)</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	237,828	(42,383)	(84,044)	111,401
FUND BALANCES - JULY 1, 2014	<u>533,819</u>	<u>232,362</u>	<u>1,066,375</u>	<u>1,832,556</u>
FUND BALANCES - JUNE 30, 2015	<u>\$ 771,647</u>	<u>\$ 189,979</u>	<u>\$ 982,331</u>	<u>\$ 1,943,957</u>

TOWN OF JERICHO, VERMONT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
 OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015

EXHIBIT F

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 111,401

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$433,383) exceeds depreciation expense (\$402,573). 30,810

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 149,693

Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis. The unavailable property taxes decreased by \$82,000. (82,000)

Governmental funds report pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense: (849)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The decreased interest reported in the governmental activities is because accrued interest on bonds and lease payable decreased. (717)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Accrued compensated absences decreased by \$3,778 during the year. 3,778

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 212,116

TOWN OF JERICHO, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2015

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 2,599,304	\$ 2,706,026	\$ 106,722
Penalties and interest	28,000	24,067	(3,933)
Current use program	29,000	26,408	(2,592)
Fees and licenses	200,150	163,760	(36,390)
Intergovernmental	527,252	296,991	(230,261)
Interest income	10,000	4,406	(5,594)
Snow Plowing Ethan Allen	22,000	34,569	12,569
Comcast lease	11,468	11,468	0
Miscellaneous	4,800	4,576	(224)
Total revenues	3,431,974	3,272,271	(159,703)
EXPENDITURES			
Current			
Town treasurer	65,899	60,136	5,763
Selectboard	280,672	260,190	20,482
Town clerk	147,057	147,324	(267)
Listing	48,606	58,854	(10,248)
Reappraisal	20,000	64,622	(44,622)
Health services	3,850	3,144	706
Planning and zoning	95,874	115,903	(20,029)
Highways and bridges	916,543	859,953	56,590
Summer recreation program	82,386	85,959	(3,573)
Unemployment and Workers Comp Insurance	15,200	18,923	(3,723)
Police and safety	117,000	109,525	7,475
Buildings and property	120,060	132,422	(12,362)
Conservation commission	2,700	291	2,409
Open space	3,200	1,491	1,709
Landfill	4,600	1,500	3,100
Town library	34,244	34,244	0
Outside agencies	597,637	597,665	(28)
Capital outlay - highway equipment	0	115,628	(115,628)
Capital outlay - highway infrastructure	550,000	266,037	283,963
Capital outlay - buildings and improvements	40,000	7,145	32,855
Capital outlay - land improvements	13,000	10,160	2,840
Capital outlay - sidewalks	247,500	34,413	213,087
Debt service			
Interest	36,781	39,581	(2,800)
Principal	207,367	149,693	57,674
Total expenditures	3,650,176	3,174,803	475,373
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(218,202)	97,468	315,670
OTHER FINANCING SOURCES (USES)			
Operating transfers in	166,002	161,028	(4,974)
Operating transfers out	(47,800)	(20,668)	27,132
Total other financing sources (uses)	118,202	140,360	22,158
NET CHANGE IN FUND BALANCE	\$ (100,000)	237,828	\$ 337,828
FUND BALANCE - JULY 1, 2014		533,819	
FUND BALANCE - JUNE 30, 2015		\$ 771,647	

TOWN OF JERICHO, VERMONT
 STATEMENT OF NET POSITION
 FIDUCIARY FUNDS

EXHIBIT H

JUNE 30, 2015

	WCP Escrow Fund	School Impact Fund	ID SD Impact Fund	Total
ASSETS				
Cash	\$ 6,851	\$ 3,534	\$ 1,317	\$ 11,702
Total assets	6,851	3,534	1,317	11,702
LIABILITIES				
Due to school district	0	0	0	0
NET POSITION				
Held in trust for other purposes	<u>\$ 6,851</u>	<u>\$ 3,534</u>	<u>\$ 1,317</u>	<u>\$ 11,702</u>

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2015

	WCP Escrow Fund	School Impact Fund	ID SD Impact Fund	Total
ADDITIONS				
Interest and dividends	\$ 5	\$ 3	\$ 1	\$ 9
Charges for services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total additions	<u>5</u>	<u>3</u>	<u>1</u>	<u>9</u>
DEDUCTIONS				
Payment to school	<u>0</u>	<u>3,000</u>	<u>196</u>	<u>3,196</u>
Total deductions	<u>0</u>	<u>3,000</u>	<u>196</u>	<u>3,196</u>
CHANGE IN NET POSITION	5	(2,997)	(195)	(3,187)
NET POSITION, JULY 1, 2014	<u>6,846</u>	<u>6,531</u>	<u>1,512</u>	<u>14,889</u>
NET POSITION, JUNE 30, 2015	<u><u>\$ 6,851</u></u>	<u><u>\$ 3,534</u></u>	<u><u>\$ 1,317</u></u>	<u><u>\$ 11,702</u></u>

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

The Town of Jericho, Vermont (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town is governed by a three-member Select Board and Town Administrator. The Town provides various services as authorized and funded by State government or Town voters.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity are set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

Based on this criteria, the Town has no component units.

Basic Financial Statements – Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the Town's activities are classified as governmental activities.

In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. The functions are also supported by general government revenue (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, operating and capital grants. Program revenue must be directly associated with the function (highway, public safety, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The net costs (by governmental function) are normally covered by general revenue (property taxes, intergovernmental revenue, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, restricted fund balances, fund equity, revenue and expenditures. The various funds are reported by major fund within the financial statements.

The emphasis in fund financial statements is on the major funds. GASBs No. 34 and No. 37 set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category type or the governmental and enterprise combined) for the determination of major funds. The General Fund and Road Upgrade Fund are shown as major governmental funds. All other funds are nonmajor and are combined in a single column in each of the respective fund financial statements.

The Town reports on the following major governmental funds:

General Fund is the main operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Road Upgrade Fund is used to account for funds assigned toward upgrading roads.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Measurement Focus

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

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting refers to the point at which revenue or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenue is recognized when transactions occur and expenses are recognized when liabilities are incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period. Property taxes and related revenues are considered available if collected within 60 days. All other revenue is considered available if collectible within six months. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, compensated absences, claims and judgments, and certain prepaids which are recognized when due.

Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand and demand deposits.

Capital Assets

Infrastructure assets purchased or acquired with an original cost of \$25,000 and capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15 – 30 years
Machinery and equipment	5 – 10 years
Infrastructure	15 – 40 years

GASB No. 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of fiscal year 2004 and is not required to report these assets retroactively. General infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these amounts. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

Unavailable Revenue

Unavailable revenue consists of delinquent taxes not collected within sixty (60) days after year end.

Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Net position is divided into three components:

Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consist of assets that are restricted by the Town's creditors, enabling legislation, by grantors, and by other contributors.

Unrestricted net position – all other net position is reported in this category.

Deferred Inflows of Resources

The Town's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources are reported in the Town's various statement of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The Town will not recognize the related revenues until they are available (collected not later than six months after the end of the Town's fiscal year) under the modified accrual basis of accounting.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources

The Town reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The deferred outflows of resources reported in this year's statement of net position are a deferred outflow of resources for contributions made to the Town's defined benefit pension plans subsequent to the measurement date and changes in proportion and differences between the Town's contributions and proportionate share of contributions. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Fund Equity

GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted fund balances - Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. federal and state grants, bondholders, trust and trustee accounts).

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the Selectboard. Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned fund balances - Indicates the portion of fund equity that is set aside with the intent to be used for a specific purpose by the Selectboard or official that has been given the authority to assign funds (e.g. encumbrances, subsequent budgets). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances - Indicates the portion of fund equity that has not been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The Selectboard establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives). Assigned fund balance is established by the Selectboard through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service or other purposes).

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds. When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied first to committed, then assigned, then unassigned.

Interfund Activities

Interfund activities are reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenue and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund activities are treated as transfers. Transfers between funds are netted in the preparation of the government-wide financial statements.

Budgetary Accounting

The Town approves a budget for the General Fund at an annual Town Meeting and the tax rate is determined by the Selectboard based on the budget and Grand List. Formal budgetary accounting is employed as a management control device during the year for the General Fund.

Pensions

In July of 2014, the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures.

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

Use of Estimates

The preparation of financial statements in conformity with accounting standards generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. As of June 30, 2015, the bank balances were as follows:

Uninsured, letter of credit	\$ 1,100,000
Uninsured, collateralized	816,250
FDIC	286,160
Total	<u>\$ 2,202,410</u>

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance				Balance
	June 30, 2014	Additions	Reclasses	Depreciation	June 30, 2015
Capital assets not depreciated					
Land	\$ 42,521	\$ 0	\$ 0	\$ 0	\$ 42,521
Construction in progress	121,795	41,558	(68,805)	0	94,548
Total capital assets not depreciated	<u>164,316</u>	<u>41,558</u>	<u>(68,805)</u>	<u>0</u>	<u>137,069</u>
Capital assets being depreciated					
Buildings and improvements	1,577,889	0	0	0	1,577,889
Vehicles and equipment	1,434,006	115,628	0	0	1,549,634
Infrastructure	5,924,282	276,197	68,805	0	6,269,284
Total capital assets depreciated	<u>8,936,177</u>	<u>391,825</u>	<u>68,805</u>	<u>0</u>	<u>9,396,807</u>
Less accumulated depreciation for:					
Buildings and improvements	(413,984)	0	0	(62,848)	(476,832)
Vehicles and equipment	(873,258)	0	0	(120,116)	(993,374)
Infrastructure	(1,055,815)	0	0	(219,609)	(1,275,424)
Total accumulated depreciation	<u>(2,343,057)</u>	<u>0</u>	<u>0</u>	<u>(402,573)</u>	<u>(2,745,630)</u>
Total capital assets, net	<u>\$ 6,757,436</u>	<u>\$ 433,383</u>	<u>\$ 0</u>	<u>\$ (402,573)</u>	<u>\$ 6,788,246</u>

Depreciation expense was charged to General Government (\$62,848) and Highways and Streets (\$339,725).

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 - LONG-TERM DEBT

Long-term debt at June 30, 2015 consists of the following:

	Total	Due in one year
Bond, Vermont Municipal Bond Bank, for Town Hall renovations, annual principal payment of \$60,000 beginning in 2010 plus interest adjusted annually between 1.9% and 4.65%, due 2029.	\$ 840,000	\$ 60,000
Lease payable - Kansas State Bank, for highway truck, annual payments of \$44,780 principal and interest at 4.65%, due October, 2018.	143,419	34,517
Total long-term bond and lease payable	983,419	94,517
Accrued compensated absences	16,482	0
Total long-term debt	\$ 999,901	\$ 94,517

Changes in long-term debt were as follows:

Balance, July 1, 2014	\$ 1,153,372
Lease and bond payments	(149,693)
Decrease in compensated absences	(3,778)
Balance, June 30, 2015	\$ 999,901

The long-term bond and lease debt is due to mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2016	\$ 94,517	\$ 38,300	\$ 132,817
June 30, 2017	95,400	35,200	130,600
June 30, 2018	96,300	32,000	128,300
June 30, 2019	97,202	28,700	125,902
June 30, 2020	60,000	25,300	85,300
June 30, 2021-2025	300,000	88,100	388,100
June 30, 2026-2029	240,000	22,200	262,200
	\$ 983,419	\$ 269,800	\$1,253,219

Interest paid on long-term debt for the year ended June 30, 2015 was \$39,581.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – ASSIGNED AND RESTRICTED FUND BALANCES AND NET POSITION

Fund balances and net position are assigned and restricted as follows:

Major Funds	Fund Balance		Net Position
	Assigned	Restricted	Restricted
General Fund for FY16	\$ 100,000	\$ 0	\$ 0
Road Upgrade Fund	189,979	0	0
Nonmajor Funds			
Bentley Cemetery Fund	0	2,694	2,694
Maude Brown Fund	0	3,923	3,923
Stevens Trust Fund	0	16,281	16,281
Preservation Fund	0	133,410	133,410
Reappraisal Fund	0	127,741	127,741
Road Impact Fees Fund	0	123,907	123,907
Recreation Impact Fund	0	11,742	11,742
Sidewalk Fund	89,665	0	0
Buildings and Property Fund	37,744	0	0
Capital Projects Fund	30,039	0	0
Stormwater Mitigation Fund	20,323	0	0
Equipment Fund	102,903	0	0
Bridge Replacement Fund	208,988	0	0
Open Space Fund	72,971	0	0
Total Nonmajor Funds	562,633	419,698	419,698
Total all funds	\$ 852,612	\$ 419,698	\$ 419,698

NOTE 6 - PROPERTY TAXES

The Town levies its property tax based upon the assessed value as of April 1, for all real property, with exemptions to qualifying veterans and excludes assessments on municipal, school and church properties. Appointed listers establish a Grand List of all property and the Selectboard sets the tax rate required to raise the tax revenue authorized by Town and School District voters and the Vermont Department of Education. The tax is payable in three installments due August 15, November 15, and March 15. For the first two payments, interest at 1% per month is charged for installments not paid. After the final installment is due, a penalty will be charged of 1% per day up to 8% total. The following shows the tax rates for fiscal year 2015:

	Residential	Non-residential
General Fund	\$ 0.4700	\$ 0.4700
State Education Tax	1.5065	1.5193
	\$ 1.9765	\$ 1.9893

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 - PENSION PLANS

All eligible employees of the Town are enrolled for coverage by the Vermont Municipal Employees' Retirement System (VMERS) immediately upon employment. VMERS has a defined benefit plan and a defined contribution plan that the Town participates in as follows:

VMERS Defined Contribution Plan

The State of Vermont authorized VMERS to establish a new defined contribution (DC) plan available to members on July 1, 2000. The DC plan is a tax-sheltered money purchase plan under IRC 401(a). The plan includes a 5% employee contribution and a 5.125% employer contribution. 100% vesting occurs after one year of municipal service.

Of the Town's total payroll of \$670,924, \$28,616 was covered under the VMERS defined contribution plan. The total contributions to this plan by the employer were \$1,431 and by the employees were \$1,431.

VMERS Defined Benefit Plan

Plan description. The Town contributes to the Vermont Municipal Employees' Retirement System (VMERS) which 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 school districts and other municipal 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, 2015, the retirement system consisted of 437 participating employers.

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

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

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

Summary of System Provisions

Membership is open to all full time employees of participating municipalities. The municipality elects coverage under Groups A, B, C, or D. The Town only has Group B members.

Creditable service is service as a member plus purchased service.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 - PENSION PLANS (Continued)

Benefits provided and contributions

Avg Final Compensation (AFC)	Group A	Group B	Group C	Group D
	Average annual compensation during highest 5 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 3 consecutive years	Average annual compensation during highest 2 consecutive years
Service Retirement Allowance				
Eligibility	Earlier of age 65 with 5 years of service or age 55 with 35 years of service	Earlier of age 62 with 5 years of service or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Amount	1.4% of AFC times service	1.7% of AFC times service as Group B member plus percentage earned as a Group A member times AFC	2.5% of AFC times service as Group C member plus percentage earned as a Group A or B member times AFC	2.5% of AFC times service as Group D member plus percentage earned as a Group A, B, or C member times AFC
Maximum Benefit	60% of AFC, including portion of allowance provided by member contributions		50% of AFC, including portion of allowance provided by member contributions	
Early Retirement Allowance				
Eligibility	Age 55 with 5 years of service		n/a	Age 50 with 20 years of service
Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age		n/a	Normal allowance based on service and AFC at early retirement, without reduction
Vested Retirement Allowance				
Eligibility	5 years of service	5 years of service	5 years of service	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 CPI, subject to the limits on "Post-Retirement Adjustments" described below.			
Disability Retirement Allowance				
Eligibility	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 minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.			
Death Benefit				
Eligibility	After 5 years of service	After 5 years of service	After 5 years of service	After 5 years of service
Amount	Reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as of the date of death.			70% of the unreduced accrued benefit plus children's benefit
Optional Benefit and Death after Retirement				
	Lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contributions guarantee.			Lifetime allowance or 70% contingent annuitant option with no reduction
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 CPI but not more than the following percentage:			
	2%	3%	3%	3%
Member Contributions	2.5% effective 1/1/00	4.75% effective 7/1/14	9.625% eff. 7/1/14 and 9.75% eff. 1/1/15	11.25% effective 7/1/14
Employer Contributions	4%	5.375% effective 7/1/14	6.875% eff. 7/1/14 and 7% eff 1/1/15	9.75% effective 7/1/14
Retirement Stipend	\$25 per month payable at the option of the Board of Retirees			

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 - PENSION PLANS (Continued)

For the year ended June 30, 2015, the Town's contributions to the Plan were \$26,636.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the Town reported a liability of \$16,382 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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 entities, actuarially determined. At June 30, 2014, the Town's proportion was 0.1795 percent, which was an increase of 0.0383 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$27,485. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Plan investments	\$ 0	\$ 50,516
Changes in proportion and differences between Town contributions and proportionate share of contributions	11,142	0
Member contributions subsequent to the measurement date	26,636	0
Total	\$ 37,778	\$ 50,516

The \$26,636 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2016	\$ (7,151)
2017	(7,151)
2018	(7,151)
2019	-
2020	-
Thereafter	-

TOWN OF JERICHO, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 7 - PENSION PLANS (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Interest rate – A select-and-ultimate interest rate set, specified below. 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 increase - 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

Spouses 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 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D.

Asset Valuation Method (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. Then 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 JERICHO, VERMONT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 7 - PENSION PLANS (Continued)

Long-term expected rate of return

The long-term expected rate of return on pension plan 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. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Equity	31.50%	6.70%
Fixed Income	33.00%	2.94%
Alternatives	15.50%	6.26%
Multi-strategy	20.00%	5.98%

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above 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 8.23%. 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 those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the District's proportionate share of the net pension liability to change in the discount rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.23 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is 1-percentage-point lower (7.23 percent) or 1-percentage-point higher (9.23 percent) than the current rate:

1% Decrease (7.23%)	Discount Rate (8.23%)	1% Increase (9.23%)
\$ 138,009	\$ 16,382	\$ (85,659)

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website.

TOWN OF JERICHO, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The Town landfill ceased operation in 1992. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site for twenty years after closure and to report monitoring results to the State regulatory agency. Postclosure care expenses of \$1,500 and \$8,095 were recorded in the General Fund for years ended June 30, 2015 and 2014 respectively. Future costs relating to postclosure care may be higher or lower due to inflation, changes in technology or changes in landfill laws and regulations.

NOTE 9 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Town maintains commercial insurance coverage 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 commercial coverage in any of the past three (3) fiscal years.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

The government-wide net position for July 1, 2014 was restated below to adjust the beginning balances of the Town to add the beginning net pension liability in order to be in accordance with GASB 68. The governmental activities opening net assets were restated as follows:

June 30, 2014, as previously reported	\$ 7,555,731
Deferred outflows	23,154
Deferred inflows and net pension liability	<u>(51,425)</u>
June 30, 2014, restated	<u><u>\$ 7,527,460</u></u>

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 10, 2015, the date which the financial statements were available for issue. Management is not aware of any issues which need to be disclosed.

TOWN OF JERICHO, VERMONT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

SCHEDULE 1

	Special Revenue Funds							Capital Projects Funds							Total
	Bentley Cemetery Fund	Maude Brown Fund	Stevens Trust Fund	Preservation Fund	Reappraisal Fund	Road Impact Fees Fund	Recreation Impact Fund	Sidewalk Fund	Buildings and Property Fund	Capital Projects Fund	Stormwater Mitigation Fund	Equipment Fund	Bridge Replacement Fund	Open Space Fund	
ASSETS															
Cash	\$ 2,694	\$ 3,923	\$16,281	\$ 129,910	\$ 170,281	\$ 123,907	\$ 15,742	\$ 89,665	\$ 50,064	\$ 30,039	\$ 20,323	\$ 145,403	\$ 208,988	\$ 72,971	\$ 1,080,191
Tax sale receivable	0	0	0	0	0	0	0	0	0	0	0	0	0	16,428	16,428
Due from other funds	0	0	0	3,500	0	0	0	0	0	0	0	0	0	0	3,500
Total assets	<u>\$ 2,694</u>	<u>\$ 3,923</u>	<u>\$16,281</u>	<u>\$ 133,410</u>	<u>\$ 170,281</u>	<u>\$ 123,907</u>	<u>\$ 15,742</u>	<u>\$ 89,665</u>	<u>\$ 50,064</u>	<u>\$ 30,039</u>	<u>\$ 20,323</u>	<u>\$ 145,403</u>	<u>\$ 208,988</u>	<u>\$ 89,399</u>	<u>\$ 1,100,119</u>
LIABILITIES AND FUND BALANCES															
Liabilities:															
Due to other funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 42,540	\$ 0	\$ 4,000	\$ 0	\$ 12,320	\$ 0	\$ 0	\$ 42,500	\$ 0	\$ 16,428	\$ 117,788
Fund balances:															
Restricted	2,694	3,923	16,281	133,410	127,741	123,907	11,742	0	0	0	0	0	0	0	419,698
Assigned	0	0	0	0	0	0	0	89,665	37,744	30,039	20,323	102,903	208,988	72,971	562,633
Total fund balances	<u>2,694</u>	<u>3,923</u>	<u>16,281</u>	<u>133,410</u>	<u>127,741</u>	<u>123,907</u>	<u>11,742</u>	<u>89,665</u>	<u>37,744</u>	<u>30,039</u>	<u>20,323</u>	<u>102,903</u>	<u>208,988</u>	<u>72,971</u>	<u>982,331</u>
Total liabilities and fund balances	<u>\$ 2,694</u>	<u>\$ 3,923</u>	<u>\$16,281</u>	<u>\$ 133,410</u>	<u>\$ 170,281</u>	<u>\$ 123,907</u>	<u>\$ 15,742</u>	<u>\$ 89,665</u>	<u>\$ 50,064</u>	<u>\$ 30,039</u>	<u>\$ 20,323</u>	<u>\$ 145,403</u>	<u>\$ 208,988</u>	<u>\$ 89,399</u>	<u>\$ 1,100,119</u>

TOWN OF JERICHO, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

SCHEDULE 2

	Special Revenue Funds							Capital Projects Funds							Total
	Bentley Cemetery Fund	Maude Brown Fund	Stevens Trust Fund	Preservation Fund	Reappraisal Fund	Road Impact Fees Fund	Recreation Impact Fund	Sidewalk Fund	Buildings and Property Fund	Capital Projects Fund	Stormwater Mitigation Fund	Equipment Fund	Bridge Replacement Fund	Open Space Fund	
Revenues															
Charges for services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,490	\$ 750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Interest	7	9	47	65	83	59	8	46	25	15	10	70	96	36	
Total revenues	<u>7</u>	<u>9</u>	<u>47</u>	<u>65</u>	<u>83</u>	<u>12,549</u>	<u>758</u>	<u>46</u>	<u>25</u>	<u>15</u>	<u>10</u>	<u>70</u>	<u>96</u>	<u>36</u>	
Other financing sources															
Transfers in	0	0	0	3,500	17,168	0	0	0	0	0	0	0	0	0	
Transfers out	0	0	0	0	(59,708)	0	(4,000)	0	(12,320)	0	0	(42,500)	0	0	
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,500</u>	<u>(42,540)</u>	<u>0</u>	<u>(4,000)</u>	<u>0</u>	<u>(12,320)</u>	<u>0</u>	<u>0</u>	<u>(42,500)</u>	<u>0</u>	<u>0</u>	
Net changes in fund balances	7	9	47	3,565	(42,457)	12,549	(3,242)	46	(12,295)	15	10	(42,430)	96	36	
Fund balances - July 1, 2014	<u>2,687</u>	<u>3,914</u>	<u>16,234</u>	<u>129,845</u>	<u>170,198</u>	<u>111,358</u>	<u>14,984</u>	<u>89,619</u>	<u>50,039</u>	<u>30,024</u>	<u>20,313</u>	<u>145,333</u>	<u>208,892</u>	<u>72,935</u>	
Fund balances - June 30, 2015	<u>\$ 2,694</u>	<u>\$ 3,923</u>	<u>\$16,281</u>	<u>\$ 133,410</u>	<u>\$ 127,741</u>	<u>\$ 123,907</u>	<u>\$ 11,742</u>	<u>\$ 89,665</u>	<u>\$ 37,744</u>	<u>\$ 30,039</u>	<u>\$20,323</u>	<u>\$ 102,903</u>	<u>\$208,988</u>	<u>\$ 72,971</u>	

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
VERMONT EMPLOYEES MUNICIPAL RETIREMENT PLAN
Last two fiscal years

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.1795%	0.1412%
District's proportionate share of the net pension liability (asset)	\$ 16,382	\$ 51,425
District's covered-employee payroll	\$ 451,787	\$339,100
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	3.63%	15.16%
Plan fiduciary net position as a percentage of the total pension liability	98.32%	not available

SCHEDULE OF TOWN CONTRIBUTIONS
VERMONT EMPLOYEES MUNICIPAL RETIREMENT PLAN
Last three fiscal years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contributions	\$ 26,636	\$ 23,154	\$ 16,955
Contributions in relation to the contractually required contribution	<u>(26,636)</u>	<u>(23,154)</u>	<u>(16,955)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	495,556	451,787	339,100
Contributions as a percentage of covered-employee payroll	5.375%	5.125%	5.000%

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
Sheila R. Valley, CPA
Teresa H. Kajenski, CPA
Donald J. Murray, CPA

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*

Town of Jericho
Jericho, Vermont

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Jericho, Vermont, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

not identify and deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

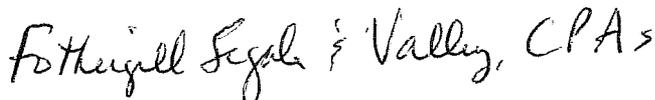
Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



FOTHERGILL SEGAL & VALLEY, CPAs
Montpelier, Vermont
Vermont Public Accountancy License #110

November 10, 2015